

**For discussion on**  
**11 June 2007**

LC Paper No. CB(2)2046/06-07(07)

**IMPLICATIONS OF THE 2006 STARTING SALARIES SURVEY**  
**FINDINGS ON THE SUBVENTED WELFARE SECTOR**

**PURPOSE**

This paper sets out the implications of the 2006 Starting Salaries Survey (SSS) findings on the subvented welfare sector.

**LUMP SUM GRANT ARRANGEMENTS**

2. Under the Lump Sum Grant (LSG) subvention system which has been implemented since 1 January 2001, non-governmental organizations (NGOs) have complete flexibility in determining their staffing structures and the remuneration of their staff. Terms of employment in subvented NGOs are matters between the NGOs as employers and their employees.

3. In determining the amount of the annual LSG provision for NGOs in respect of services implemented before 1 April 2000, the Social Welfare Department (SWD) has made reference to the mid-point salaries of the civil service pay scales as at 31 March 2000. In other words,

notwithstanding the lowering of the salary pay scales of certain civil service grades as a result of the 1999 SSS, the Department has **not** made any downward adjustment to the annual LSG provision in respect of the then pre-existing services of the subvented NGOs.

4. As regards “new” subvented services implemented on or after 1 April 2000, the LSG amount has been calculated taking into account the effect of the downward adjustments to the salary pay scales of certain civil service grades subsequent to the 1999 SSS.

## **IMPLICATIONS OF THE 2006 SSS FINDINGS**

5. In assessing the implications of the 2006 SSS findings on the subvented welfare sector, it is important to note that, under the delinking arrangement explained in paragraph 2 above, remuneration of staff working in subvented NGOs is a matter separate from Government funding for these NGOs. The Government is not involved in the determination of the remuneration of such staff, and the 2006 SSS findings would not be directly applicable to them. Also, there is no built-in mechanism that provides for automatic adjustments to the amount of the annual LSG provision for existing services as a result of a re-structuring of the civil service pay scales. This is illustrated in the case of the 1999 SSS, when no corresponding downward adjustment was made then to the amount of the annual LSG provision for pre-existing services, notwithstanding the downward adjustments to the civil service salary pay

scales.

6. While bearing in mind the rationale set out in paragraph 5 above, the Administration also notes that the LSG provision in respect of “new” NGO subvented services commissioned on or after April 2000 has been calculated with reference to the salaries of the then lower salary pay scales, and may therefore need to be adjusted upwards so as to bring it in line with the adjusted salary pay scales resulting from the 2006 SSS findings. For services implemented before April 2000, no such adjustment would be required as the annual LSG provision for these services has all along been calculated on the basis of the higher civil service mid-point salaries as at 31 March 2000.

7. Subject to the approval by the Finance Committee of the Legislative Council to increase the starting salaries of certain civil service grades, we therefore propose that adjustment should be made to the annual LSG provision in respect of “new” subvented services commissioned on or after April 2000 according to the principle set out in paragraph 6 above. To this end, SWD will, in consultation with the Health, Welfare and Food Bureau, work out the details of the adjustment of subvention allocation for individual affected NGOs. With the proposed upward adjustments of the LSG funding, individual NGOs will continue to enjoy the autonomy in determining how the remuneration of their staff should be adjusted.

**ADVICE SOUGHT**

8. Members are invited to note the content of the paper.

**Health, Welfare and Food Bureau  
Social Welfare Department  
June 2007**