

For Information

Legislative Council Panel on Public Service

**The Administration's Response to the Issues Raised at the Meeting
held on 21 June 2010**

At the Public Service Panel meeting held on 21 June 2010, the Administration was requested to provide a table showing the past occasions on which the rates of civil service pay adjustment, as decided by the Chief Executive-in-Council (CE-in-Council), were -

- (a) above the net Pay Trend Indicators (PTIs) derived from the annual Pay Trend Survey (PTS);
- (b) below the net PTIs derived from the annual PTS;
- (c) not in keeping with the inflationary environment at the time in question; or
- (d) not in keeping with the deflationary environment at the time in question.

2. In deciding on the rates of civil service pay adjustment each year, the CE-in-Council takes into account six relevant factors under the established mechanism, namely, the net PTIs derived from the annual PTS, the state of the economy, changes in the cost of living, the Government's fiscal position, the pay claims of the staff sides and civil service morale. A table showing the approved annual rates of civil service pay adjustment, the annual net PTIs and the annual changes in the Composite Consumer Price Index (CCPI) ¹ for the period 1989-90 to 2010-11 is at **Annex** for Members' information.

3. A comparison of the approved rates of civil service pay adjustment with the net PTIs for the period 1989-90 to 2010-11 (excluding the years of

¹ The annual change of CCPI measures the change of CCPI between the current financial year starting on 1 April and ending on 31 March and the previous financial year.

2003-04 to 2006-07 when the annual PTS was suspended) shows that there were –

- (a) three years (i.e. 1992-93², 2000-01 and 2009-10³) when the rates of civil service pay adjustment were above the net PTIs for reasons other than the “bring-up” arrangement⁴ for civil servants in the lower salary band;
- (b) two years (i.e. 1990-91 and 1991-92) when the rates of civil service pay adjustment were below the net PTIs; and
- (c) one year (i.e. 1999-2000⁵) when the rates of civil service pay adjustment for the upper and lower salary bands were above the relevant net PTIs and that for the middle salary band was below the relevant net PTI.

4. A comparison of the approved rates of civil service pay adjustment with the changes in CCPI for the period 1989-90 to 2010-11 (excluding the period 2005-06 to 2006-07⁶ and 2010-11⁷) shows that there were -

- (a) 14 years (i.e. 1989-90, 1990-91, 1992-93, 1993-94, 1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-01, 2001-02, 2007-08 and 2008-09) when the rates of civil service pay adjustment were above the changes in CCPI;

² In 1992-93, the rates of pay adjustment for the middle and lower salary bands were above the relevant net PTIs but that for the upper salary band was the same as the relevant net PTI.

³ In 2009-10, the pay for the middle and lower salary bands was frozen despite the relevant net PTIs being negative, while the pay for the upper salary band was reduced by 5.38% from 1 January to 31 March 2010 in line with the relevant net PTI.

⁴ The “bring-up” arrangement is to align the rate of pay adjustment for the lower salary band to the net PTI of the middle salary band if it is higher than the net PTI of the lower salary band. The CE-in-Council will decide each year, in the context of the annual civil service pay adjustment, whether or not to invoke the “bring-up” arrangement for the lower salary band. The staff sides should have no expectation that the “bring-up” arrangement will necessarily be invoked.

⁵ In 1999-2000, there was a pay freeze across the board despite the negative net PTIs of the upper and lower salary bands and the positive net PTI of the middle salary band.

⁶ No civil service pay adjustment was effected in 2005-06 and 2006-07 pending the completion of the Pay Level Survey using 1 April 2006 as the reference date, and hence no comparison can be made for those years.

⁷ The annual change in CCPI in 2010-11 will only be available in April 2011, and hence no comparison can be made for 2010-11.

- (b) four years (i.e. 1991-92, 2003-04, 2004-05 and 2009-10) when the rates of civil service pay adjustment were below the changes in CCPI; and
- (c) one year (i.e. 2002-03) when the rates of civil service pay adjustment for the middle and lower salary bands were above the change in CCPI and that for the upper salary band was below the change in CCPI.

Civil Service Bureau
September 2010

Civil Service Pay Adjustments Between 1989-90 and 2010-11

Financial Year	Salary Band	Net PTI (%)	Pay Adjustment Rate⁸ (%)	Annual Change in CCPI (%)
1989-90	Upper	13.43	13.43	10.2
	Middle	14.81	14.81	
	Lower	14.66	14.81	
1990-91	Upper	17.00	15.00	10.8
	Middle	16.46	15.00	
	Lower	15.11	15.00	
1991-92	Upper	11.88	10.43	11.0
	Middle	12.49	10.43	
	Lower	12.09	10.43	
1992-93	Upper	11.17	11.17	9.4
	Middle	10.82	11.60	
	Lower	10.68	11.60	
1993-94	Upper	9.76	9.76	8.5
	Middle	10.66	10.66	
	Lower	10.54	10.66	
1994-95	Upper	9.47	9.47	9.2
	Middle	9.89	9.89	
	Lower	9.69	9.89	
1995-96	Upper	9.98	9.98	8.4
	Middle	10.14	10.14	
	Lower	9.61	10.14	
1996-97	Upper	7.68	7.68	6.1
	Middle	7.67	7.67	
	Lower	6.83	7.67	
1997-98	Upper	6.90	6.90	5.6
	Middle	6.81	6.81	
	Lower	6.38	6.81	

⁸ All pay adjustments took effect from the beginning of the financial year (i.e. 1 April) unless otherwise stated.

Financial Year	Salary Band	Net PTI (%)	Pay Adjustment Rate⁸ (%)	Annual Change in CCPI (%)
1998-99	Upper	6.03	6.03	1.1
	Middle	5.79	5.79	
	Lower	5.01	5.79	
1999-2000	Upper	-0.13	Pay freeze	-4.8
	Middle	0.84	Pay freeze	
	Lower	-0.54	Pay freeze	
2000-01	Upper	-0.41	Pay freeze	-3.0
	Middle	-1.97	Pay freeze	
	Lower	-1.78	Pay freeze	
2001-02	Upper	4.99	4.99	-1.8
	Middle	2.38	2.38	
	Lower	1.97	2.38	
2002-03 ⁹	Upper	-4.42	-4.42	-2.9
	Middle	-1.64	-1.64	
	Lower	-1.58	-1.58	
2003-04 ¹⁰	Upper	-	-3.01	-2.6
	Middle	-	-3.07	
	Lower	-	-3.13	
2004-05 ¹⁰	Upper	-	-3.10	0.1
	Middle	-	-3.17	
	Lower	-	-3.23	
2005-06 ¹¹	Upper	-	-	1.3
	Middle	-	-	
	Lower	-	-	
2006-07 ¹¹	Upper	-	-	2.0
	Middle	-	-	
	Lower	-	-	

⁹ The pay reduction took effect from 1 October 2002.

¹⁰ The PTS was suspended in 2003-04 and 2004-05. The dollar values of civil service pay points below Directorate Pay Scale Point 3 (D3) or equivalent were restored to the level as at 30 June 1997 in cash terms by two broadly equal adjustments effective from 1 January 2004 and 1 January 2005; and the dollar values of civil service pay points at D3 and above or equivalent were restored to the level as at 30 June 1997 in cash terms with effect from 1 January 2004.

¹¹ The PTS was suspended in 2005-06 and 2006-07 pending the completion of the Pay Level Survey using 1 April 2006 as the reference date. No civil service pay adjustment was effected.

Financial Year	Salary Band	Net PTI (%)	Pay Adjustment Rate⁸ (%)	Annual Change in CCPI (%)
2007-08	Upper	4.96	4.96	2.7
	Middle	4.62	4.62	
	Lower	3.91	4.62	
2008-09	Upper	6.30	6.30	3.6
	Middle	5.29	5.29	
	Lower	3.90	5.29	
2009-10 ¹²	Upper	-5.38	-5.38	0.6
	Middle	-1.98	Pay freeze	
	Lower	-0.96	Pay freeze	
2010-11	Upper	1.60	1.60	Available in April 2011
	Middle	0.56	0.56	
	Lower	0.16	0.56	

¹² The pay reduction for the upper salary band took effect from 1 January 2010.