
INFORMATION NOTE

Remuneration package for appointees under the Political Appointment System

1. Background

1.1 The Accountability System for Principal Officials came into operation on 1 July 2002. The main objectives of implementing the Accountability System included enhancing the accountability of Principal Officials ("POs") for their policy portfolios and strengthening co-ordination in policy formulation. Under the Accountability System, POs, namely Secretaries of Department ("SoDs") and Directors of Bureau ("DoBs") are appointed on contract terms. They are not civil servants, and they serve a term not exceeding that of the Chief Executive ("CE") who nominates them for appointment. The remuneration package for POs under the Accountability System was approved by the Finance Committee ("FC") of the Legislative Council ("LegCo") in June 2002. At present, there are a total of 15 POs in the Government, including three SoDs and 12 DoBs.

1.2 On 26 July 2006, the Government published the Consultation Document on Further Development of the Political Appointment System proposing to create two additional layers of political appointment positions, namely Deputy Directors of Bureau and Assistants to Directors of Bureau. A public consultation on the proposal was launched. After considering the views received during the consultation period, the Government issued the Report on Further Development of the Political Appointment System on 17 October 2007, recommending that one position each of Political Assistant¹ to the Chief Secretary for Administration ("CS") and Political Assistant to the Financial Secretary ("FS") be created, and that one position of Under Secretary at the rank of Deputy Director of Bureau and one position of Political Assistant be created in each policy bureau (except the Civil Service Bureau). In December 2007, FC approved the creation of 24 new political appointment positions, including 11 Under Secretaries and 13 Political Assistants, as well as the remuneration package for these two positions. At present, there are a total of seven Under Secretaries and nine Political Assistants in the Government.

¹ The title of "Political Assistant to Director of Bureau" instead of "Assistant to Director of Bureau" was adopted when the new position was created.

1.3 At the meeting of the Panel on Constitutional Affairs ("CA Panel") on 21 May 2012, members will discuss the Government's proposal on the remuneration package for politically-appointed officials serving in the fourth-term Government of the Hong Kong Special Administrative Region ("HKSAR")². This information note sets forth the current remuneration package for appointees under the Political Appointment System, and previous deliberations on the relevant issues at LegCo.

2. Current remuneration package for appointees under the Political Appointment System

Remuneration package for Secretaries of Department and Directors of Bureau

2.1 When the remuneration package for politically-appointed officials was submitted to FC for approval in 2002, it was proposed that the total remuneration package for a DoB would be HK\$3,760,608 per annum³. The remuneration package was made up of three components: HK\$3,742,800 per annum (i.e. HK\$311,900 per month) for cash remuneration, HK\$12,000 per annum for Mandatory Provident Fund ("MPF") contribution, and HK\$5,808 for the estimated value of the medical and dental services provided in a year. It was also proposed that the cash remuneration differential between DoBs, Secretary for Justice ("SJ"), FS and CS would be 3.5% for each tier. In addition, POs would be entitled to annual leave of 22 working days per annum, and provided with a car and driver. SoDs would be assigned their respective official residences and receive a non-accountable entertainment allowance. The above proposal was approved by FC in June 2002.

² A comparison of the proposed remuneration level with the level approved by FC in 2002 and the current level is in **Appendix**.

³ It was proposed that the total cost of a DoB be capped at the level of the then average cost of incumbent substantive civil servants at DoB rank (D8), i.e. HK\$3,760,836 per annum.

2.2 In its submission to FC, the Government also proposed that in the event that the salaries of civil servants were cut later that year, the cash remuneration for politically-appointed officials would be adjusted accordingly, although they were not civil servants and their remuneration package was not linked to civil service salaries. As the salary of the civil servants in the upper salary band was subsequently reduced by 4.42% for 2002-2003, the cash remuneration for DoBs was adjusted accordingly and the level of cash remuneration as approved by FC was adjusted downward to HK\$298,115 per month (i.e. HK\$3,577,380 per annum). Thereafter, CE and the politically-appointed officials accepted a voluntary pay cut of 10% in 2003-2004. When the third-term HKSAR Government took office in July 2007, the remuneration for CE and the politically-appointed officials was reverted to the levels approved by FC in 2002.

2.3 CE and the politically-appointed officials accepted another voluntary reduction of salary by 5.38% with effect from July 2009. The actual cash remuneration for DoBs has since remained unchanged, at 5.38% below the level approved by FC in 2002. At the end of the current-term Government, this voluntary pay reduction will cease, and the cash remuneration for DoBs in the fourth-term HKSAR Government will be reverted to the level approved by FC in 2002.

Remuneration package for Under Secretaries and Political Assistants

2.4 The Government's proposal on the remuneration package for Under Secretaries and Political Assistants was approved by FC in October 2007. The cash remuneration for Under Secretaries is set at 65% to 75% of that for DoBs. For Political Assistants, their cash remuneration is pitched at a range equivalent to 35% to 55% of that for DoBs. The remuneration for an Under Secretary is broadly equivalent to the remuneration for a D4 to D6 civil servant on agreement terms with all allowances and end-of-contract gratuity encashed. The remuneration for a Political Assistant is broadly equivalent to the remuneration for a senior professional to D2 civil servant on agreement terms with all allowances and end-of-contract gratuity encashed. Within the range of remuneration approved by FC, there are three pay points for Under Secretaries, and five for Political Assistants.

2.5 In addition to cash remuneration, Under Secretaries and Political Assistants, similar to POs, are eligible for annual leave of 22 days per annum, medical and dental benefits, and MPF contribution by the Government.

3. Deliberations at the Legislative Council

Remuneration package for Secretaries of Department and Directors of Bureau

3.1 During the period from April to June 2002, the CA Panel, the Subcommittee to Study the Proposed System of Accountability for Principal Officials and Related Issues ("the Subcommittee"), FC and its Establishment Subcommittee ("ESC") had discussed the proposed Accountability System for Principal Officials and related issues, including the remuneration package for appointed POs proposed by the Government.

Remuneration level

3.2 At the meetings of the Subcommittee, there was a view that the Administration had not taken into account the relativity of the pay level between senior judicial posts and POs when proposing the remuneration package for the latter. It was pointed out that under the proposed remuneration package for POs, even DoBs would receive a higher salary (HK\$311,900 per month) than the Chief Justice (HK\$227,450 per month) who was head of the judiciary and was at least equivalent to CS in status and in the constitutional hierarchy. The Administration's basis for proposing such a remuneration package for POs without having regard to the impact on judicial grades was questioned.

3.3 The Administration explained that the structure of the cash remuneration for POs was different from that of judicial posts. While the remuneration for judicial grades was comparable to equivalent ranks in the civil service, the employment package of POs would not be linked to civil service salaries. The remuneration package for POs was so structured that there would be no housing allowance, no passage allowance, no children's education allowance, and no end-of-contract gratuity or retirement benefits.

3.4 A member was also concerned that the proposed annual salary for POs appeared to be higher when compared to those civil servants holding comparable posts at D8 level. The Administration responded that an important consideration in drawing up the remuneration package for POs was to enable CE to select prospective POs from within and outside the civil service, and the remuneration should not be too far below that for chief executive officers in the public and private sectors. The proposed cash remuneration for POs fell within the range that a human resources consultant recommended based on the findings of a survey. The consultant had recommended that the median level of total remuneration for the 56 chief executive officers surveyed (i.e. HK\$6.658 million per annum) be used as a reference point. However, the Administration considered that it would be more appropriate to make reference to the median level of total direct compensation i.e. total remuneration less elements relating to retirement benefits or end-of-contract gratuity.

3.5 At the ESC meeting on 6 June 2002, a member commented that since positions of DoB were political appointments, the proposed remuneration level (i.e. HK\$311,900 per month) might not be able to attract high calibre candidates outside the civil service to take up the positions. Another member opined that DoBs should not be remunerated at the same level given that the schedule of responsibilities and the resources to be managed varied among them. In reply, the Administration assured members that while DoBs had different policy portfolios and work schedules, their responsibilities were equally important in ensuring the effective administration of the Government.

3.6 At the FC meeting on 14 June 2002, some members commented that since SJ, FS and CS were each provided with an official residence free of rent and with supporting domestic staff, the differential between their remuneration package and that for DoBs was in fact greater than the proposed 3.5%. The Administration responded that as SJ, FS and CS often held official and non-official functions and meetings at their residences, it was considered appropriate to provide each of them with an official residence. The Administration also reiterated that the remuneration level of POs was on the low side as compared to the remuneration for the chief executive officers surveyed by the consultant.

Pay adjustment mechanism

3.7 At the meetings of the Subcommittee, a member requested the Administration to put in place a pay adjustment mechanism for POs. The Administration responded that the remuneration for POs would be adjusted accordingly if civil service salaries were cut later in 2002. Other than this, there would not be any pay adjustment mechanism for POs. In the event that the remuneration for POs was out of kilter with movements in the market, it would be for CE to decide if a review should be initiated.

3.8 At the FC meeting on 14 June 2002, the Administration reiterated that the remuneration for POs would be de-linked from civil service pay. The Administration stated that any future increase in civil service pay would not necessarily constitute grounds for a corresponding increase in the salaries for POs. Nevertheless, to share the community's hardship, POs would be prepared to have their salaries adjusted accordingly (i.e. by 4.42%) if the Public Officers Pay Adjustment Bill was passed to effect a reduction in civil service pay from 1 October 2002.

Remuneration package for Under Secretaries and Political Assistants

3.9 Between 2006 and 2009, the CA Panel, FC and its ESC had discussed issues relating to the further development of the Political Appointment System and the appointment of Under Secretaries and Political Assistants, including the remuneration package for the appointed Under Secretaries and Political Assistants.

Remuneration level

3.10 At the ESC meeting on 28 November 2007, there was a view that while the remuneration package for appointed Under Secretaries and Political Assistants should be sufficiently competitive to attract political talents, consideration should be given to offering remuneration at a lower level than the proposed one for bureaux with little recruitment difficulties. The Administration replied that Under Secretaries and Political Assistants would be offered remuneration commensurate with their experience and qualifications in line with the recruitment practice adopted in the private market. The Administration considered that the proposed ranges of remuneration for Under Secretaries (i.e. equivalent to 65% to 75% of that for DoBs) and Political Assistants (i.e. equivalent to 35% to 55% of that for DoBs) was suitable for attracting potential candidates. The actual remuneration for individual appointees would be determined by CE on the advice of the Appointment Committee⁴, having regard to the recommendation of POs to whom these appointees would report. The Administration also said that the remuneration for Under Secretaries and Political Assistants would be reviewed in the middle of each term of Government, and might be adjusted within the specified ranges.

3.11 At the FC meeting on 14 December 2007, a member noted that the main responsibilities of politically-appointed officials would include the formulation of strategies, provision of political advice and performance of political liaison duties. She enquired whether these responsibilities could be discharged by existing civil servants; and if so, whether it was justified for the high salaries for Under Secretaries and Political Assistants which would incur about \$60 million annually. The Administration replied that politically-appointed officials and civil servants played complementary yet different roles. The roles expected for politically-appointed officials could not be fully performed by civil servants. The remuneration for Under Secretaries and Political Assistants, which would be respectively pitched at 65% to 75% and 35% to 55% of the remuneration for DoBs, was considered appropriate. It would provide a competitive package which could reflect the level of responsibility for these positions.

⁴ The Appointment Committee was chaired by CE and comprised the three SoDs, the relevant DoBs, and the Director of the CE's Office. It considered nominations and appointments of potential candidates to fill the posts of Under Secretary and Political Assistant.

Remuneration determination

3.12 When CE announced the appointment of the first batch of eight Under Secretaries and nine Political Assistants in May 2008, Members and the public expressed concern about issues such as the lack of transparency in the relevant procedure and remuneration determination. At the meeting of the CA Panel on 16 June 2008, members noted that the Administration had adopted the mid-point within the approved salary ranges as the anchor when considering whether to screen in a candidate. The remuneration for candidates meeting the benchmark would be set at the mid-point, and candidates who suffered pay cuts upon taking up the appointments would be offered higher salary points. Some members questioned the logic for the Administration not to offer minimum salary point to some of the newly appointed Under Secretaries and Political Assistants, and requested the Administration to take into account the experience and existing remuneration, etc. of the politically-appointed officials in setting their remuneration. They considered that the Administration had adopted double standard in that civil servants were employed at the minimum salary point but the salaries for Under Secretaries and Political Assistants started at the mid-point. This arrangement would affect civil service morale.

3.13 The Administration responded that the Under Secretaries and Political Assistants appointed in May 2008 had strong education background, came from various sectors, and possessed experience which could help them deliver in the new positions. The remuneration package offered had to be competitive and should reflect the level of responsibility for these positions. Under Secretaries and Political Assistants were not civil servants and their remuneration package was not linked to that of the civil service. They were remunerated on the basis of a total cash package, and there were no housing allowance, no passage allowance and no gratuity benefits for them. It was therefore not appropriate to compare the level of their remuneration directly with that of civil servants. However, the Administration would consider members' views in making a decision on the remuneration for individual politically-appointed officials in future.

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Appendix

**Cash remuneration package for appointees
under the Political Appointment System**

Rank	Cash remuneration (monthly salary) ⁽¹⁾			Remuneration differential after implementing recommendation
	Level approved by the Finance Committee of the Legislative Council (HK\$)	Current remuneration level ⁽²⁾ (HK\$)	Level recommended to take effect from 1 July 2012 (HK\$) ⁽³⁾	
Chief Secretary for Administration	330,565 ⁽⁴⁾	312,785	357,300	3.5% above Financial Secretary
Financial Secretary	319,385 ⁽⁴⁾	302,205	345,215	3.5% above Secretary for Justice
Secretary for Justice	308,585 ⁽⁴⁾	291,985	333,540	3.5% above Directors of Bureau
Deputy Chief Secretary for Administration ⁽⁵⁾	–	–	327,900	1.75% above Directors of Bureau
Deputy Financial Secretary ⁽⁵⁾	–	–	327,900	1.75% above Directors of Bureau
Directors of Bureau	298,115 ⁽⁴⁾	282,080	322,260	–
Director of the Chief Executive's Office	298,115 ⁽⁶⁾	282,080	322,260	–
Under Secretaries	193,775 – 223,585 ⁽⁶⁾	183,350 – 211,560	225,580	70% of pay of Directors of Bureau
Political Assistants	104,340 – 163,960 ⁽⁶⁾	98,730 – 155,140	100,000 ⁽⁷⁾	–

Notes: (1) The costs for Mandatory Provident Fund contribution by the Government, medical and dental benefits, and encashment of vacation leave are not included.

(2) The cash remuneration of politically-appointed officials has remained unchanged since they accepted voluntary reduction of salary by 5.38% in July 2009.

(3) Rounded to the nearest HK\$5.

(4) Remuneration level approved by the Finance Committee of the Legislative Council in 2002.

(5) The Chief Executive-elect has proposed to create a position of Deputy Chief Secretary for Administration and a position of Deputy Financial Secretary in the fourth-term Government of the Hong Kong Special Administrative Region.

(6) Remuneration level approved by the Finance Committee of the Legislative Council in 2007.

(7) The number of Political Assistants to be engaged by each of the Secretaries of Department, Deputy Secretaries of Department, and Directors of Bureau (except the Secretary for Justice and Director of the Civil Service Bureau) is not limited, but the total cash remuneration for the appointed Political Assistants is capped at HK\$100,000 per month.

Source: 政制及內地事務局 (2012).

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