

LEGISLATIVE COUNCIL BRIEF

2021-22 CIVIL SERVICE PAY ADJUSTMENT – DECISION

INTRODUCTION

On 15 June 2021, the Executive Council **ADVISED** and the Chief Executive (CE) **ORDERED** that civil service pay should be adjusted for 2021-22 in accordance with the pay offers made to the staff side of the four central consultative councils¹, viz. the pay for civil servants in the upper, middle and lower salary bands and the directorate be frozen with retrospective effect from 1 April 2021.

2. Independent Commission Against Corruption staff are not civil servants. However, in accordance with the Government's established policy, the annual civil service pay adjustment will also be extended to them.

JUSTIFICATIONS

(A) Staff Side's Response to Pay Offers

3. In accordance with the CE-in-Council's decision made on 8 June 2021, the pay offers set out in paragraph 1 above have been made to the staff side of the four central consultative councils. The staff side's response to the pay offers are at **Annexes A to D**². In gist -

A to D

- (a) some staff side representatives consider the pay offers reasonable. Some, however, maintain that the Pay Trend Survey (PTS) cannot reflect actual market situation, and continue to argue that the payroll cost of increments (PCIs) deduction arrangement should be abolished; and
- (b) some staff side representatives express disappointment in the pay freeze, which they argue is akin to a pay reduction in light of the

¹ The four central consultative councils are the Senior Civil Service Council (SCSC), the Police Force Council, the Disciplined Services Consultative Council and the Model Scale 1 Staff Consultative Council.

² The Association of Expatriate Civil Servants of Hong Kong, one of the three constituent associations of the SCSC, has not provided response to the pay offers.

forecast increase in Composite Consumer Price Index and will affect the livelihood of civil servants, particularly those on the lower salary band. They demand a pay rise to help maintain purchasing power. Some others suggest that the CE-in-Council had not fully considered all the relevant factors under the established mechanism in formulating the pay offers.

(B) The Government's Views

4. Our views on the response of the staff side are set out below –

- (a) the CE-in-Council has taken into account all the relevant factors under the established mechanism in deciding the pay offers. While the cost of living is one of the relevant factors considered, tracking inflation is not the objective of civil service pay adjustment. The established mechanism, properly implemented, will naturally give rise to pay adjustment that could be higher or lower than inflation rate. A pay freeze is a best balance of the relevant factors and an acknowledgement to the civil service for their effort and devotion in the past year;
- (b) civil service remuneration should be regarded as fair by both civil servants and the public they serve by maintaining broad comparability between public and private sector. The annual PTS provides an objective assessment of the year-on-year pay adjustment movement in the private sector and is a key component in assessing comparability. The PTS has built up credibility over the years, and its survey methodology and survey fields are kept under constant review to ensure that it reflects the actual distribution of Hong Kong's economically active population. Suspending the PTS simply because of a fluctuating economy would seriously undermine the integrity of the civil service pay adjustment mechanism; and
- (c) the Committee of Inquiry into the 1988 Civil Service Pay Adjustment and Related Matters considered that, if in-scale increment and merit pay (including exceptional merit pay which should be excluded but cannot be distinguished therefrom) in the private sector were to be included in the PTS, the PCIs should be deducted for fairness. The current situation under which more than half of the 113 surveyed companies in the 2021 PTS still took merit pay into consideration in deciding pay adjustment for their employees, and those that did take special merit pay into consideration were not able to provide a breakdown of salary adjustments attributable to such special merit, show that there are not sufficient justifications to cease the PCIs deduction arrangement. In any case, PCIs have been capped since the 2019-20 civil service pay adjustment to ensure no further erosion of the net pay trend indicators by the rising PCIs.

5. Having considered the staff side's response to the pay offers and after taking into account all relevant factors under the established mechanism, the CE-in-Council has decided that civil service pay for 2021-22 should be adjusted in accordance with the pay offers made.

IMPLICATIONS

6. The Basic Law and economic implications of the decision on the 2021-22 civil service pay adjustment are the same as those set out in the Legislative Council Brief on the pay offers in respect of the 2021-22 civil service pay adjustment issued on 8 June 2021. The decision has no financial, environmental, productivity, sustainability and family implications. There is no gender issue.

PUBLICITY

7. The Secretary for the Civil Service informed the staff side of the decision on the 2021-22 civil service pay adjustment today (15 June 2021). A press release has been issued and a spokesman will be available to answer media enquiries.

ENQUIRIES

8. Enquiries on this brief should be addressed to Mr Leo LI, Principal Assistant Secretary for the Civil Service (Tel: 2810 3112).

Civil Service Bureau
15 June 2021