

ITEM FOR FINANCE COMMITTEE

2023-24 CIVIL SERVICE PAY ADJUSTMENT

Members are invited to approve –

- (A) with effect from 1 April 2023, the following adjustments to the civil service pay scales arising from the 2023-24 civil service pay adjustment –
- (a) an increase of 2.87% in the dollar value of the pay points in the directorate and upper salary band subject to the pay points referred to in (i) and (ii) below the dollar values of which should be as specified –
- (i) Master Pay Scale (MPS) 34 at \$79,930 and MPS 35 at \$80,730; and
- (ii) Disciplined Services (Officer) Pay Scale (DS(O)) 20 and Police Pay Scale (PPS) 36 at \$79,790, DS(O) 21 and PPS 37 at \$80,590, and DS(O) 22 and PPS 38 at \$81,400; and
- (b) an increase of 4.65% in the dollar value of the pay points in the middle and lower salary bands;

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- (B) corresponding adjustments to the provisions for aided schools;
- (C) corresponding adjustments to the provisions for the Independent Commission Against Corruption (ICAC); and
- (D) corresponding adjustments to subventions which are price-adjusted on the basis of formulae that include a factor on civil service pay adjustment.

PROBLEM

We need to adjust the civil service pay scales in accordance with the decision of the Chief Executive-in-Council (CE-in-Council) on 13 June 2023. We also need to adjust the provisions for aided schools, ICAC and subvented bodies where the subventions are price-adjusted on the basis of formulae that include a factor on civil service pay adjustment.

PROPOSAL

- 2. We propose that –
 - (A) with effect from 1 April 2023 –
 - (a) the dollar value of the pay points in the directorate and upper salary band of civil service pay scales be increased by 2.87% subject to the pay points referred to in (i) and (ii) below the dollar values of which should be as specified –
 - (i) MPS 34 at \$79,930 and MPS 35 at \$80,730; and
 - (ii) DS(O) 20 and PPS 36 at \$79,790, DS(O) 21 and PPS 37 at \$80,590, and DS(O) 22 and PPS 38 at \$81,400; and
 - (b) the dollar value of the pay points in the middle and lower salary bands of civil service pay scales be increased by 4.65%;
 - (B) corresponding adjustments be made to the provisions for aided schools;

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- (C) corresponding adjustments be made to the provisions for ICAC; and
- (D) corresponding adjustments be made to subventions which are price-adjusted on the basis of formulae that include a factor on civil service pay adjustment.

Encl. 3. Upon approval of the proposals at paragraph 2 above, the civil service pay scales will be revised as set out at Enclosure and corresponding adjustments will be made to the provisions for aided schools, ICAC and subvented bodies where the subventions are price-adjusted on the basis of formulae that include a factor on civil service pay adjustment.

JUSTIFICATION

Civil Service Pay Policy

4. The Government's civil service pay policy is to offer sufficient remuneration to attract, retain and motivate staff of suitable calibre to provide the public with an effective and efficient service; and to maintain broad comparability between civil service and private sector pay. To implement this policy, civil service pay is compared with market pay through three different types of surveys under the Improved Civil Service Pay Adjustment Mechanism endorsed by the Executive Council in 2007, namely (A) the annual Pay Trend Survey (PTS) to ascertain the year-on-year pay adjustment movements in the private sector; (B) the six-yearly Pay Level Survey to ascertain whether civil service pay is broadly comparable with private sector pay; and (C) the Starting Salaries Survey as and when necessary in response to specific circumstances to compare the starting salaries of civil service civilian grades with the entry pay of jobs in the private sector.

2023-24 Civil Service Pay Adjustment

The Annual Pay Adjustment Mechanism

5. The annual civil service pay adjustment is decided by the CE-in-Council having regard to various factors including –

- (a) the state of Hong Kong's economy,
- (b) changes in the cost of living,
- (c) the Government's fiscal position,
- (d) the net pay trend indicators (PTIs),

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- (e) the pay claims of the staff side, and
- (f) civil service morale.

For factors (a) to (c) and (f), the Government conducts assessment on a regular basis. For factor (d), the PTS is conducted every year under the overseeing of the PTS Committee, and the relevant figures are obtained after deducting the Payroll Cost of Increments (PCIs) of each salary band (please refer to paragraphs 13 to 16). Factor (e) refers to the pay claims raised by the staff side after the net PTIs are obtained.

The Annual Pay Adjustment Process

6. The PTS is conducted from around February to May each year. Upon completion of the PTS, the staff side of the four central consultative councils¹ (staff side) submit individual pay claims to the Government. The Government will then invite the CE-in-Council to decide on the pay offers to be made to the staff side, having regard to the above six factors. If the pay offers made to the staff side are different from their pay claims, they will be consulted again before the CE-in-Council's decision on annual civil service pay adjustment is sought.

Factor (a): The State of Hong Kong's Economy

7. The Hong Kong economy improved visibly in the first quarter of 2023, led by the strong recovery of inbound tourism and domestic demand. Real Gross Domestic Product grew by 2.7% over a year earlier, ending four consecutive quarters of declines.

8. Looking ahead, inbound tourism and domestic demand will remain the major drivers of economic growth this year. Visitor arrivals should recover further as transportation and handling capacity continue to catch up. Although tight financial conditions will remain a constraint, the improving economic situation and prospects should boost domestic demand. The continued improvement of the labour market, the disbursement of consumption vouchers, and "Happy Hong Kong" events will provide additional support to private consumption. On the other hand, exports of goods will continue to face significant challenges. Slower growth in the advanced economies will continue to weigh on external demand, though the faster recovery of the Mainland economy should provide some relief. The economy is projected to grow by 3.5 to 5.5% in 2023. If the current momentum of economic recovery is sustained, growth will likely be near the higher end of the forecast range.

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

9. The labour market improved in the past year or so. The seasonally adjusted unemployment rate decreased successively to 3.0% in February to April 2023 from a high of 5.4% in February to April 2022. The underemployment rate also declined to 1.2% from 3.8% over the same period. Nominal wages and labour earnings on average saw accelerated year-on-year increases in 2022. The year-on-year increase in average nominal wage rate accelerated to 2.6% in December 2022 from 1.8% in March, while that in nominal payroll per person engaged picked up to 2.3% in the fourth quarter of 2022 from 0.8% in the first quarter. Looking ahead, the labour market should improve further alongside the ongoing economic recovery.

Factor (b): Changes in the Cost of Living

10. For the 12-month period ending March 2023, the headline Composite Consumer Price Index (CPI), which reflects the impact of the changes in consumer prices on approximately 90% of households, increased by 2.0% as compared to the previous 12-month period ending March 2022. The changes in headline and underlying ² Composite CPI, CPI(A), CPI(B) and CPI(C) (with the latter three indices relating to approximately 50%, 30% and 10% of households respectively) for the 12-month period ending March 2023 ³ over the previous 12-month period ending March 2022 are as follows –

	Composite CPI	CPI(A)	CPI(B)	CPI(C)
Headline	2.0%	2.3%	1.8%	1.9%
Underlying	1.8%	1.8%	1.7%	1.9%

11. The annual increases in headline and underlying Composite CPIs are forecast at 2.9% and 2.5% respectively for 2023.

Factor (c): The Government's Fiscal Position

12. The Government runs a fiscal deficit of about \$122.3 billion in 2022-23, and the fiscal deficit is forecast to be \$54.4 billion in 2023-24. As at 31 March 2023, the fiscal reserves stood at \$834.8 billion, and is expected to stand at \$780.4 billion by the end of March 2024 as recently forecast by the Government.

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² The headline CPI figures include the effect of the Government's relevant one-off relief measures while the underlying CPI figures exclude the effect of these measures. Conventionally, we make reference to the headline CPI in the exercise.

³ Source: Monthly Report on the Consumer Price Index (March 2023) published by the Census and Statistics Department on 21 April 2023. These figures were compiled based on the 2019/20-based index series.

Factor (d): The Net PTIs derived from the 2023 PTS

13. The annual PTS is commissioned by the tripartite PTS Committee comprising representatives of the staff side, the two independent advisory bodies on civil service salaries and conditions of services⁴ as well as government officials. It collects the year-on-year adjustment in both basic pay and additional pay (e.g. bonus) of employees in the surveyed companies from major economic sectors. Pay adjustment data from both larger (i.e. with 100 or more employees) and smaller (i.e. with 50 to 99 employees) companies are collected and assigned a 75% and 25% weighting respectively. The data are collated according to three salary bands, namely upper, middle and lower⁵, and aggregated according to the assigned weighting into a basic pay indicator and an additional pay indicator for each salary band. The sum of the two indicators for a particular salary band is the gross PTI for that band.

14. The 2023 PTS⁶ collected the basic pay and additional pay adjustment data of 136 971 employees in 108 companies, consisting of 135 249 employees in 81 larger companies and 1 722 employees in 27 smaller companies. The gross PTIs of the 2023 PTS (covering the 12-month period from 2 April 2022 to 1 April 2023) for the three civil service salary bands are set out below –

<u>Salary Band</u>	<u>Gross PTI</u>
Upper	3.91%
Middle	5.68%
Lower	5.66%

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⁴ The two independent advisory bodies are the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) and the Standing Committee on Disciplined Services Salaries and Conditions of Service.

⁵ The pay ranges of the three salary bands for the 2023 PTS are –

(a) Upper: Above MPS Point 33 to PPS Point 54b or equivalent, viz. \$75,621 to \$154,690;

(b) Middle: From MPS 10 to 33 or equivalent, viz. \$24,670 to \$75,620; and

(c) Lower: Below MPS 10 or equivalent, viz. below \$24,670.

⁶ Before the conduct of the 2023 PTS, the PTS Committee reviewed and agreed on the survey methodology and the survey field following the established arrangement. The PTS Committee's advice on the 2023 PTS methodology was accepted in full by both the Standing Commission and the Government. The PTS Committee commissioned the Pay Survey and Research Unit of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service to conduct the 2023 PTS.

15. The PTS Committee met and considered the 2023 PTS findings on 24 May 2023. The findings were validated by all members attending the meeting⁷.

16. According to the prevailing methodology, the PCIs from each salary band will be deducted from their respective gross PTIs to arrive at the net PTIs. In considering the 2019-20 civil service pay adjustment, the CE-in-Council decided to put a cap on the PCIs to be deducted from the gross PTIs. Specifically, from the 2019-20 civil service pay adjustment onwards, the average PCIs from 1989-90, i.e. the year when the PCIs deduction arrangement was first introduced, to 2019-20 for the upper, middle and lower salary bands, which are 1.04%, 1.03% and 1.16% respectively, or the actual PCIs for the particular salary band for the year, whichever is the lower, will be adopted for deriving the net PTI for that salary band. As shown from the table below, the average PCIs from 1989-90 to 2019-20 for the three salary bands are all lower than the actual PCIs for the salary bands for this year. The average PCIs mentioned above are thus adopted in calculating the net PTIs for the three salary bands in 2023-24 as set out below –

<u>Salary Bands</u>	<u>Gross PTIs</u>	<u>Average PCIs from 1989-90 to 2019-20</u>		<u>Actual PCIs for this year</u>	<u>Net PTIs</u>
	[A]	[B]			[A] – [B]
Upper	3.91%	1.04%		1.35%	2.87%
Middle	5.68%	1.03%		1.51%	4.65%
Lower	5.66%	1.16%		2.25%	4.50%

Factor (e): The Pay Claims of the Staff Side

17. The Secretary for the Civil Service personally met the representatives of the staff side and the four major service-wide staff unions⁸ on 25 May 2023 to listen to their pay claims and justifications.

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⁷ The staff side representatives of all the four central consultative councils attended the PTS Committee meeting on 24 May 2023 at which the findings of the 2023 PTS were validated.

⁸ The four major service-wide staff unions are the Government Employees Association, the Hong Kong Civil Servants General Union, the Hong Kong Federation of Civil Service Unions and the Government Disciplined Services General Union.

18. The pay claims of the staff side are summarised in the table below –

Staff Side	Upper Salary Band	Middle Salary Band	Lower Salary Band
(I) SCSC ⁹			
(a) Hong Kong Chinese Civil Servants' Association	5.1%		
(b) Hong Kong Senior Government Officers Association	5%	-	-
(II) PFC	A pay rise in accordance with the PTS finding with an additional upward adjustment for the upper band to bring it to at least comparable to the net PTIs for the other two salary bands		
(III) DSCC	Not lower than 5.06%		
(IV) MOD 1 Council	-	-	Not lower than 5%

19. The major common demands that the staff side put forward at the meetings on 25 May 2023 and in their submissions are set out below –

- (a) the staff side unanimously claim that as a result of consecutive pay freezes in 2020-22 and a pay adjustment well below the net PTIs in 2022-23, civil service pay has fallen behind cumulative inflation rate of nearly 7% over the same period. They understand that the community expects civil servants to share the ups and downs of the economy and they have weathered the storm with the public in the past three years. With the economy now returning to normalcy, they request that due consideration be given to a pay rise reasonably beyond the net PTIs this year, which will help restore their purchasing power in an inflationary environment;

staff side representatives remark that the pay adjustment in 2022-23, which they argue was an arbitrary decision that constituted a major departure from the net PTIs, has widened the pay difference of the

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⁹ The Association of Expatriate Civil Servants of Hong Kong, one of the three constituent associations of the SCSC, did not make any pay claim.

civil service and the private sector. The gap was particularly stark for the upper salary band. A pay rise above the net PTIs this year, which they point out is not unprecedented, will help narrow the pay difference between the civil service and the private sector. Some representatives further claim that the Government will be seen as acting unfairly if it chose not to adjust pay in line with the net PTIs when they were on the high side, but will now do so when they are in the low side;

- (b) staff side representatives remark that a considerable number of civil servants have to shoulder additional responsibilities in facing the adversities in the past three years. With the return to normalcy, the staff side look to the Government for acknowledgement of their contributions. Furthermore, the staff side representatives point out that as with other sectors, the civil service is suffering from a high vacancy and wastage rate, and as a result workload has surged. To better take forward numerous measures implemented by the new term Government to raise Hong Kong's competitiveness and to address a wide range of livelihood issues, it is crucial to attract and retain talent, to boost staff morale and to maintain an efficient and united civil service through a competitive pay rise;
- (c) staff side demand that the Government, as a caring employer, should continue to follow past practice and invoke the "bring-up" arrangement given that the net PTI for the lower salary band is lower than that for the middle salary band; and
- (d) some staff side representatives also continue to criticise the PCIs deduction arrangement, despite that the PCIs have been capped since the 2019-20 civil service pay adjustment.

20. All the pay claims, together with the justifications and comments put forward by the staff side, were submitted to and considered by the CE-in-Council.

Factor (f): Civil Service Morale

21. Throughout the past few years, civil servants, regardless of their grades and ranks, have demonstrated their commitment to serving the public at Hong Kong's most difficult moments. During the fight against COVID-19, many of them undertook additional duties and engaged in anti-epidemic operations amidst the risk of infection. The growing complexity and politicisation of work across both civilian and disciplined services grades and rising public expectations also increase the strain on civil servants. With the return to normalcy, the civil service has assumed the responsibility to support Hong Kong's speedy recovery. With the

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civil service vacancy rate reaching nearly 10%, civil servants at various ranks are shouldering ever-increasing responsibilities to press ahead with numerous new initiatives and to improve public service. As civil service pay had already been frozen or adjusted at a rate below the net PTIs in the past three years, civil servants generally expect an adjustment in line with market trends to provide due recognition of their effort in the past few years. There would be grave disappointment and staff morale would inevitably be adversely affected if the adjustment falls short of market trends reflected by the net PTIs.

Staff Side's Response to Pay Offers

22. Pursuant to the decision of the CE-in-Council on 6 June 2023, the Government has made the pay offers (i.e. 2.87% pay rise for civil servants in the directorate and upper salary band subject to the dollar values of certain pay points which should be as specified¹⁰; and 4.65% pay rise for civil servants in the middle and lower salary bands) to the staff side. The staff side's response is summarised as follows –

- (a) staff side representatives, except those representing the lower salary band, express disappointment to the pay offers. The sentiment is particularly strong among those representing staff on the upper salary band. Relevant staff side representatives raise that last year's pay adjustment for the upper salary band, which they consider an arbitrary departure from established practices and was around 5% lower than the respective net PTI, has lasting adverse impact on civil service morale. The staff side generally consider that the Government is now acting unfairly by adhering to the net PTI when it is in the low side, while deviating from the net PTI when it was on the high side. They remark that civil servants on the upper band have contributed immensely during the difficult times in the past years, and will continue to provide leadership and spearhead new initiatives of this term of Government to bring Hong Kong back to the forefront, enhance our competitiveness and resolve deep-seated issues in society. They are of the view that the pay offer does not recognise their efforts and is not conducive to the retention of talent in the upper echelon. They suggest that a pay rise above the respective net PTI for the upper salary band is fully justified. Specifically, the proposals of staff side representatives include a reasonable upward adjustment to compensate the shortfall last year, a uniform pay rise of 4.65% for all bands and a 5%-pay rise for the upper salary band. Some also propose to set up sub-committees under the PTS Committee to discuss independently the pay adjustment for specific grades;

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¹⁰ Relevant pay points and the specified dollar values are: MPS 34 at \$79,930; MPS 35 at \$80,730; DS(O) 20 and PPS 36 at \$79,790; DS(O) 21 and PPS 37 at \$80,590; and DS(O) 22 and PPS 38 at \$81,400.

- (b) some staff side representatives also argue that the pay offers for the three salary bands cannot fully restore civil servants' loss of purchasing power since the pay freeze in 2020-21, and request that an additional pay rise on top of the results of 2023 PTS be awarded to restore the loss in purchasing power and to raise civil service morale;
- (c) the staff side representing the lower salary band accept the pay offer and ask that the "bring-up" arrangement be made a policy to become an established mechanism, instead of continuing to be left to CE-in-Council's discretion every year, and should be invoked automatically whenever the net PTI for the lower salary band is lower than that for the middle salary band to maintain the morale of civil servants in the lower salary band; and
- (d) some continue to argue that the PCIs deduction arrangement should be abolished.

Civil Service Pay Adjustment Rates

23. Having thoroughly considered all relevant factors under the established mechanism, including the pay claims of the staff side and their views put forward in their response to the pay offers, the CE-in-Council decided that, with effect from 1 April 2023 –

- (a) the pay for civil servants in the directorate and upper salary band should be increased by 2.87% subject to the pay points referred to in (i) and (ii) below the dollar values of which should be as specified to maintain the minimum 1%-pay lead between relevant adjacent points –
 - (i) MPS 34 at \$79,930 and MPS 35 at \$80,730; and
 - (ii) DS(O) 20 and PPS 36 at \$79,790, DS(O) 21 and PPS 37 at \$80,590, and DS(O) 22 and PPS 38 at \$81,400;
- (b) the pay for civil servants in the middle salary band should be increased by 4.65%; and
- (c) the pay for civil servants in the lower salary band should be increased by 4.65%.

24. In gist, the rates of pay adjustment for various salary bands are their respective net PTIs, except for certain pay points in the upper salary band the dollar values of which should be as specified (paragraphs 23(a)(i) and (ii) above), and that

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for the lower salary band, the “bring-up” arrangement would be invoked. The “bring-up” arrangement for civil servants in the lower salary band has been implemented since 1989 upon the recommendation of the Committee of Inquiry into the 1988 Civil Service Pay Adjustment and Related Matters (1988 Committee of Inquiry) on the grounds, inter alia, that the Government should be among the better paying employers in relation to the lowest paid in the civil service. Since 1989, the Government has, save for a few exceptions, invoked upon consideration of the circumstances of the year the “bring-up” arrangement whenever the net PTI for the lower salary band was below that for the middle salary band. Similarly, the CE-in-Council decided to invoke the arrangement concerned, having regard to the circumstances of the current year. Such decision is a one-off arrangement and will not set any precedent for future annual civil service pay adjustments. As for directorate civil servants who are not covered by the annual PTS, the rate of pay adjustment for them is the same as that for the upper salary band in accordance with the practice adopted since 1989-90.

25. As stated in paragraphs 23(a)(i) and (ii) above, the CE-in-Council decided to specify the dollar values of MPS 34, MPS 35, DS(O) 20/PPS 36, DS(O) 21/PPS 37 and DS(O) 22/PPS 38. The arrangement is mainly due to a higher rate of pay adjustment for the middle salary band than that for the upper salary band, and the dollar value of the pay points at the bottom of the upper salary band will fall below the pay points on the top of the middle salary band of the relevant scales as a result. In considering the 2019-20 civil service pay adjustment, the CE-in-Council decided that a minimum 1%-pay lead be maintained between the relevant pay points and their adjacent pay points, and that this mechanism be applied for adjusting the relevant pay lead in future when necessary. The CE-in-Council decided to continue to adopt the rectification mechanism endorsed in 2019-20 this year¹¹.

26. The CE-in-Council has also considered the following when making the decision on the civil service pay adjustment –

- (a) the CE-in-Council has considered all the relevant factors under the established mechanism in deciding the pay offers, including the pay claims of the staff side and civil service morale. The pay offers are the best balance that can be achieved;
- (b) civil service pay adjustment is an annual exercise. Each year’s exercise is a separate one, made after thorough consideration of all relevant factors of that year. The decision should serve Hong Kong’s

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¹¹ As it is the Government’s policy to extend the annual civil service pay adjustment to ICAC staff, the rectification arrangement will also be applied to ICAC Pay Scale to amend point 28.

best interest in that year's circumstances and not be affected by past decisions. The relevant factors of this year have been taken into consideration;

- (c) changes in the cost of living is one of the six factors to be considered. Despite that tracking inflation is never the objective of civil service pay adjustment, the pay offers for all three salary bands are higher (or even more than double for the middle and lower salary bands) than the change in the headline Composite CPI at 2.0% for the 12-month period ending March 2023 over the previous 12-month period ending March 2022. In other words, the purchasing power of civil servants will be enhanced;
- (d) while noting the staff side's request that the "bring-up" arrangement should be established as an integral part of the mechanism whenever the lower salary band's net PTI is lower than the middle salary band's, the determination of the annual civil service pay adjustment remains a prerogative of the CE-in-Council upon consideration of all the relevant factors. Mechanical application of the "bring-up" arrangement under any circumstances will inevitably tie the CE-in-Council's hands in achieving the best balance in the annual exercise;
- (e) the 1988 Committee of Inquiry 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 60% of the 108 surveyed companies in the 2023 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 PTIs by the rising PCIs; and
- (f) it has been acknowledged that there are no ready comparators in the private sector for the disciplined forces. To address this issue, it has been the practice that the results of the Pay Level Survey and the Starting Salaries Survey, as and when they are conducted, are applied to the disciplined services grades according to the internal relativities that exist between them and the civilian grades, after consultation with the Standing Committee on Disciplined Services Salaries and Conditions of Service. In addition, two Grade Structure Reviews had

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been conducted in the past 15 years to examine whether the set of internal relativities is still valid and appropriate. Given these measures, we do not see the need for yet another mechanism to be set up to discuss independently the pay adjustment for specific grades.

Adjustments to the Provisions for ICAC and the Auxiliaries

27. Although ICAC staff and members of the Auxiliaries are not civil servants, it is the Government's policy to extend the annual civil service pay adjustment to them. Subject to the Finance Committee (FC)'s approval of the proposals at paragraph 2 above, we will adjust the provisions for ICAC and the Auxiliaries in accordance with the established mechanism.

Adjustments to the Provisions for the Subvented Sector

28. The salary of the staff in the subvented sector is delinked from that of the civil service. The only exception is the salary of teaching and related staff in the aided school sector, which is pegged to the relevant civil service pay scales for the policy objective of promoting the movement of teachers between government and aided schools. Subject to FC's approval of the proposals at paragraph 2 above, the provisions for aided schools will be adjusted to allow the same adjustment to be made to the salaries of teaching and related staff of aided schools.

29. Other than salary of staff of aided schools as set out in the above paragraph, the Government, as a general rule, is not involved in the determination of pay or pay adjustment of staff working in subvented bodies (e.g. the Hospital Authority, social welfare non-governmental organisations and institutions funded by the University Grants Committee). These are matters between the concerned bodies as employers and their employees. Therefore, the Government will not directly impose any pay adjustment applicable to the civil service to employees in the subvented sector. However, it has been the established practice that following an annual civil service pay adjustment, the Government will adjust the subventions which are price-adjusted on the basis of formulae that include a factor of civil service pay adjustment. Where the civil service pay adjustment involves a pay rise, the additional subventions will in general be calculated according to the weighted average of the pay rise decided for the civil service¹². It would be up to individual subvented bodies, as employers, to decide whether to increase the salaries of their own employees and, if so, the rate of increase. We will, through the relevant Controlling Officers, remind the subvented bodies concerned that the additional subventions from the Government are meant to allow room for pay adjustment for their staff.

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¹² If the proposed 2023-24 civil service pay adjustment is approved, the weighted average of civil service pay adjustment rates would be 4.17%.

FINANCIAL IMPLICATIONS

30. The financial implications for the civil service, ICAC, the subvented sector and the Auxiliaries arising from the proposed pay adjustment for 2023-24 are as follows –

	\$ million
(a) Civil Service	5,218 ¹³
(b) ICAC	42
(c) Subvented Sector	6,237 ¹⁴
(d) Auxiliaries	23
Total	11,520¹⁵

31. We have not made extra provisions under the relevant Heads of Expenditure for the proposed pay adjustment in the 2023-24 Estimates. While it is not possible to quantify at this stage the exact amount of supplementary provision needed under each Head of Expenditure, we expect that the provisions in the 2023-24 Estimates should be sufficient to cover the additional expenditure arising from the proposed pay adjustment for the year.

32. On 9 March 1983 (vide Item B170), FC delegated to the Financial Secretary (FS) the authority to approve supplementary provision without limit in personal emoluments subheads, provided that the supplementary provision is required for salaries and allowances in accordance with approved pay scales and rates of allowances, and in respect of approved posts. On 23 July 1986 (vide Item 76), FC further delegated to FS the authority to approve supplementary provision without limit in recurrent subventions subheads provided that the supplementary provision is required for salaries and allowances in accordance with approved Government pay scales and rates within the approved ambit of the subhead. Subject to FC's approval of the proposals at paragraph 2 above, we shall approve under delegated authority the supplementary provisions required under the relevant Heads of Expenditure.

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¹³ The figure includes an additional cost of about \$411 million arising from pay adjustment for around 18 550 civil servants seconded to or working in trading funds, subvented and other public bodies, and an estimated increase of \$692 million in pension payments for those retiring in 2023-24. It also includes the estimated additional cost of around \$72 million arising from the pay lead rectification.

¹⁴ This figure has excluded the financial implications arising from pay adjustment for civil servants seconded to or working in subvented bodies, which have been incorporated under item (a).

¹⁵ The figure includes the estimated additional cost of around \$155 million (\$72 million for civil servants and the remaining \$83 million for ICAC staff, subvented organisations and the auxiliaries) arising from the pay lead rectification.

PUBLIC CONSULTATION

33. We briefed the Legislative Council Panel on Public Service on the 2023-24 civil service pay adjustment at its meeting on 19 June 2023. Members supported the proposed adjustment and our submission to FC.

Civil Service Bureau
Financial Services and the Treasury Bureau
June 2023

Enclosure to FCR(2023-24)43

Directorate Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
	(311,550)	(320,500)
8	302,550	311,250
	(302,250)	(310,900)
7	293,400	301,800
	(279,850)	(287,900)
6	271,800	279,600
	(265,250)	(272,850)
5	257,550	264,950
	(257,400)	(264,800)
	(249,900)	(257,050)
4	242,550	249,500
	(233,300)	(240,000)
	(226,400)	(232,900)
	(220,000)	(226,300)
3	213,700	219,850
	(200,950)	(206,700)
	(195,050)	(200,650)
	(189,450)	(194,900)
2	183,850	189,150
	(169,350)	(174,200)
	(164,300)	(169,000)
	(159,350)	(163,900)
1	154,700	159,150

Note: Figures in brackets represent increments.

Directorate (Legal) Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
	(279,850)	(287,900)
6	271,800	279,600
	(265,250)	(272,850)
5	257,550	264,950
	(257,400)	(264,800)
	(249,900)	(257,050)
4	242,550	249,500
	(233,300)	(240,000)
	(226,400)	(232,900)
	(220,000)	(226,300)
3	213,700	219,850
	(200,950)	(206,700)
	(195,050)	(200,650)
	(189,450)	(194,900)
2	183,850	189,150
	(169,350)	(174,200)
	(164,300)	(169,000)
	(159,350)	(163,900)
1	154,700	159,150

Note: Figures in brackets represent increments.

Master Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
49	138,855	142,840
48	134,030	137,875
47	129,375	133,090
46 (44B)	124,835	128,420
45 (44A)	120,520	123,980
44	112,925	116,165
43	109,000	112,130
42	104,515	107,515
41	100,190	103,065
40	96,055	98,810
39	92,090	94,735
38	88,015	90,540
37	84,160	86,575
36 (33C)	80,345	82,650
35 (33B)	77,145	80,730
34 (33A)	76,380	79,930
33	75,620	79,135
32	72,225	75,585
31	68,975	72,180
30	65,875	68,940
29	62,950	65,875
28	60,100	62,895
27	57,395	60,065
26	54,840	57,390
25	52,370	54,805
24	50,080	52,410
23	47,820	50,045
22	45,670	47,795
21	43,610	45,640
20	41,530	43,460
19	39,560	41,400
18	37,685	39,435
17	35,915	37,585
16	34,185	35,775

Master Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
15	32,545	34,060
14	30,990	32,430
13	29,500	30,870
12	27,825	29,120
11	26,185	27,405
10	24,670	25,815
9	23,295	24,380
8	21,875	22,895
7	20,540	21,500
6	19,265	20,165
5	18,120	18,965
4	16,980	17,770
3	15,950	16,695
2	14,965	15,665
1	14,080	14,735
0	13,240	13,860

Model Scale 1 Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
13	18,320	19,175
12	17,955	18,790
11	17,585	18,405
10	17,245	18,050
9	16,905	17,695
8	16,580	17,355
7	16,280	17,040
6	15,950	16,695
5	15,640	16,370
4	15,320	16,035
3	14,990	15,690
2	14,690	15,375
1	14,370	15,040
0	14,075	14,730

Disciplined Services (Commander) Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
	(279,850)	(287,900)
4	271,800	279,600
	(257,400)	(264,800)
	(249,900)	(257,050)
3a	242,550	249,500
	(233,300)	(240,000)
	(226,400)	(232,900)
	(220,000)	(226,300)
3	213,700	219,850
	(200,950)	(206,700)
	(195,050)	(200,650)
	(189,450)	(194,900)
2	183,850	189,150
	(174,450)	(179,450)
	(169,550)	(174,400)
	(164,300)	(169,000)
1	159,350	163,900

Note: Figures in brackets represent increments.

Disciplined Services (Officer) Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
40	153,935	158,355
39	150,915	155,245
38	146,075	150,265
37	140,410	144,440
36	134,760	138,630
35	129,730	133,455
34	124,925	128,510
33	120,450	123,905
32	112,865	116,105
31	108,820	111,945
30	104,870	107,880
29	101,100	104,000
28	97,405	100,200
27	93,905	96,600
26	90,455	93,050
25	87,065	89,565
24	83,995	86,405
23	80,945	83,270
22	77,995	81,400
21	77,015	80,590
20	76,250	79,790
19	75,490	79,000
18	72,785	76,170
17	69,765	73,010
16	66,795	69,900
15	63,755	66,720
14	60,770	63,595
13	57,855	60,545
12	54,930	57,485
11	52,265	54,695
10	49,755	52,070
9	47,305	49,505
8	44,840	46,925
7	42,415	44,385
6	40,020	41,880

Disciplined Services (Officer) Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
5	37,570	39,315
4	35,455	37,105
3	33,775	35,345
2	32,090	33,580
1	30,730	32,160
1a	29,405	30,770
1b	28,130	29,440

Disciplined Services (Rank and File) Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
32	57,425	60,095
31a	56,055	58,660
31	54,690	57,235
30	52,085	54,505
29	49,605	51,910
28	47,715	49,935
27	45,880	48,015
26	44,555	46,625
25	43,225	45,235
24	41,980	43,930
23	40,900	42,800
22	39,765	41,615
21	38,685	40,485
20	37,665	39,415
19	36,655	38,360
18	35,655	37,315
17	34,605	36,215
16	33,650	35,215
15	32,710	34,230
14	31,780	33,260
13	30,855	32,290
12	29,915	31,305
11	29,000	30,350
10	28,090	29,395
9	27,220	28,485
8	26,290	27,510
7	25,395	26,575
6	24,650	25,800
5	23,625	24,725
4a	23,295	24,380
4	22,970	24,040
3	22,325	23,365
2	21,680	22,690
1	21,100	22,085

Police Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
	(311,550)	(320,500)
59	302,550	311,250
	(265,250)	(272,850)
	(257,550)	(264,950)
58	249,900	257,050
	(233,300)	(240,000)
	(226,400)	(232,900)
	(220,000)	(226,300)
57	213,700	219,850
	(200,950)	(206,700)
	(195,050)	(200,650)
	(189,450)	(194,900)
56	183,850	189,150
	(179,150)	(184,300)
	(174,450)	(179,450)
	(169,550)	(174,400)
	(164,300)	(169,000)
55	159,350	163,900
54b	154,690	159,130
54a	150,915	155,245
54	146,075	150,265
53	140,410	144,440
52	134,760	138,630
51	129,730	133,455
50	124,925	128,510
49	120,450	123,905
48	112,865	116,105
47	108,820	111,945
46	104,870	107,880
45	101,100	104,000

Police Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
44	97,405	100,200
43	93,905	96,600
42	90,455	93,050
41	87,065	89,565
40	83,995	86,405
39	80,945	83,270
38	77,995	81,400
37	77,015	80,590
36	76,250	79,790
35	75,490	79,000
34	72,785	76,170
33a	71,275	74,590
33	69,765	73,010
32	66,850	69,960
31	63,900	66,870
30	61,950	64,830
29	59,280	62,035
28	56,455	59,080
27	53,770	56,270
26	51,455	53,850
25	49,715	52,025
24	48,255	50,500
23	46,855	49,035
22	45,490	47,605
21	44,160	46,215
20	42,875	44,870
19	41,625	43,560
18	40,460	42,340
17	39,325	41,155
16	38,245	40,025
15	37,195	38,925
14	36,130	37,810
13	35,095	36,725
12	34,105	35,690

Police Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
11	33,290	34,840
10	32,170	33,665
9	31,200	32,650
8	30,250	31,655
7	29,385	30,750
6	28,480	29,805
5	27,650	28,935
4	26,845	28,095
3	26,015	27,225
2	25,250	26,425
1	24,555	25,700

Note: Figures in brackets represent increments.

Training Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
16	32,465	33,975
15	30,915	32,355
14	29,430	30,800
13	28,145	29,455
12	26,425	27,655
11	24,265	25,395
10	22,280	23,320
9	20,985	21,965
8	19,695	20,615
7	18,495	19,360
6	17,370	18,180
5	16,295	17,055
4	15,310	16,025
3	14,390	15,060
2	13,480	14,110
1	12,680	13,270

Craft Apprentice Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
4	12,480	13,065
3	11,440	11,975
2	10,345	10,830
1	9,305	9,740
0	8,775	9,185

Technician Apprentice Pay Scale

Point	as at 31.3.2023	w.e.f. 1.4.2023
	\$	\$
4	15,775	16,510
3	14,390	15,060
2	13,000	13,605
1	11,965	12,525
0	11,225	11,750
