ITEM FOR FINANCE COMMITTEE

2011-12 CIVIL SERVICE PAY ADJUSTMENT

Members are invited to –

- (a) approve, with effect from 1 April 2011, an increase in pay
 - (i) by 7.24% for civil servants in the directorate and upper salary band; and
 - (ii) by 6.16% for civil servants in the middle and lower salary bands;
- (b) approve the same pay adjustment to Independent Commission Against Corruption staff;
- (c) approve the same pay adjustment to teaching and non-teaching staff of aided schools who are remunerated according to the civil service pay scales, and to those subvented sector staff who are remunerated according to the civil service pay scales;
- (d) approve corresponding adjustment to the provisions for subvented bodies whose funding is price-adjusted on the basis of formulae including a factor of civil service pay adjustment; and
- (e) note the financial implications of about \$8,967 million arising from items (a) to (d) above.

PROBLEM

We need to adjust civil service pay in accordance with the decision of the Chief Executive (CE)-in-Council. We also need to make corresponding adjustments to the pay of Independent Commission Against Corruption (ICAC) staff; to the pay of staff in aided schools and the subvented sector who are remunerated according to the civil service pay scales; and to the provisions for subvented bodies whose funding is price-adjusted on the basis of formulae including a factor of civil service pay adjustment.

PROPOSAL

Encl.

- 2. We propose that
 - (a) with effect from 1 April 2011, civil service pay be increased
 - (i) by 7.24% for civil servants in the directorate and upper salary band; and
 - (ii) by 6.16% for civil servants in the middle and lower salary bands;
 - (b) the same pay adjustment be applied to ICAC staff;
 - (c) the same pay adjustment be applied to teaching and non-teaching staff of aided schools who are remunerated according to the civil service pay scales, and to those subvented sector staff who are remunerated according to the civil service pay scales; and
 - (d) corresponding adjustment be made to the provisions for subvented bodies whose funding is price-adjusted on the basis of formulae including a factor of civil service pay adjustment.
- 3. Upon approval of the proposals at paragraph 2(a) and (b) above, the revised civil service pay scales and the revised ICAC pay scale will be as set out at Enclosure.

/JUSTIFICATION

JUSTIFICATION

(A) Civil Service Pay Adjustment

Civil service pay policy

4. The Government's civil service pay policy is to offer remuneration sufficient to attract, retain and motivate staff of suitable calibre to provide the public with an effective and efficient service; and such remuneration is to be regarded as fair by both civil servants and the public they serve by maintaining broad comparability between civil service and private sector pay. Civil service pay is compared with private sector pay on a regular basis through three different types of surveys, namely an annual pay trend survey (PTS) to ascertain year-on-year pay adjustments in the private sector; a triennial starting salaries survey to compare the starting salaries of civil service civilian grades with the entry pay of jobs in the private sector requiring similar qualifications; and a six-yearly pay level survey (PLS) to ascertain whether civil service pay remains broadly comparable with private sector pay.

The PTS mechanism

5. The annual PTS is commissioned by the tripartite PTS Committee, comprising representatives of the staff sides of the four central consultative councils (the staff sides), management representatives, and representatives from two independent advisory bodies on civil service salaries and conditions of service. It collects the year-on-year adjustments in basic and additional (e.g. bonus) pay of employees in companies from the major sectors of the economy. Under the agreed methodology, the data collected from larger (i.e. with 100 or more employees) and smaller (i.e. with 50-99 employees) companies are assigned a 75% and 25% weighting respectively; and are collated under three salary bands: upper, middle and lower³. The collated data for each band are presented in the form of a basic pay

/adjustment

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

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

The pay ranges of the three salary bands are –

⁽a) Upper: Above Master Pay Scale (MPS) 33 to General Disciplined Services (Officer) Pay Scale 39 or equivalent, viz. \$48,671 to \$96,885 for the 2011 PTS;

⁽b) Middle: From MPS 10 to 33 or equivalent, viz. \$15,875 to \$48,670 for the 2011 PTS; and

⁽c) Lower: Below MPS 10 or equivalent, viz. below \$15,875 for the 2011 PTS.

adjustment indicator, an additional pay adjustment indicator, and a gross pay trend indicator (PTI) (which is the sum of the two indicators). The payroll cost of increments paid to civil servants in each salary band (expressed as a percentage of total salary payment) is then deducted from the relevant gross PTI to arrive at the net PTI⁴.

The annual pay adjustment process

6. Upon completion of the annual PTS, the staff sides submit their individual pay claims to the Administration. The CE-in-Council's advice is then sought on the pay offers to be made to the staff sides, having regard to the net PTIs, the economy, the cost of living, the Government's fiscal position, the pay claims of the staff sides and civil service morale. If the pay offers are different from the pay claims, we consult the staff sides again before seeking the CE-in-Council's final decision.

The results of the 2011 PTS

7. The gross PTIs of the 2011 PTS (covering the 12-month period from 2 April 2010 to 1 April 2011) and the consequential net PTIs in respect of the three salary bands in the civil service are set out below –

Salary Band	Gross PTI [A]	Payroll cost of increments [B]	Net PTI [A] minus [B]
Upper	7.90%	0.66%	7.24%
Middle	6.98%	0.82%	6.16%
Lower	6.14%	0.98%	5.16%

/Civil

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Deduction of the payroll cost of increments from the gross PTIs to arrive at the net PTIs was recommended by the 1988 Committee of Inquiry in view of its recommendation to include private sector merit pay and increments in the annual PTS. The Committee considered that for the sake of fairness, if all take-home pay in the private sector was taken into account in the PTS, the increment payment made to civil servants who had not yet reached the maximum pay point of their rank should also be taken into account.

Civil service pay adjustment rates

8. After taking into account the various factors set out in paragraph 6 above, the CE-in-Council has decided, with effect from 1 April 2011, that –

- (a) the pay for civil servants in the directorate and upper salary band should be increased by 7.24%, i.e. equal to the net PTI for the upper salary band;
- (b) the pay for civil servants in the middle salary band should be increased by 6.16%, i.e. equal to the net PTI for this salary band; and
- (c) the pay for civil servants in the lower salary band should be increased by 6.16%, by invoking the "bring-up" arrangement (i.e. to align the pay adjustment for the lower salary band to the net PTI for the middle salary band if the net PTI for the lower salary band is less than that for the middle salary band).
- 9. On item (c) above, the application of the "bring-up" arrangement for the lower salary band in 2011-12 does not imply that it will necessarily be applied in future years when the net PTI for the lower salary band is lower than that for the middle salary band. The CE-in-Council will continue to decide each year, in the context of the annual civil service pay adjustment exercise, whether and how the pay for the lower salary band should be adjusted, including whether to invoke the "bring-up" arrangement. Should the next (or subsequent) PLS reveal a differential of more than plus/minus 5% in the pay (inclusive of any embedded "bring-up" portion) between civil servants of a particular job level and their counterparts in the private sector, then in accordance with the agreed application framework and subject to the CE-in-Council's approval, adjustment (either upward or downward) will be made to bring the pay of the concerned civil servants back to the limit (upper or lower as appropriate) of the plus/minus 5% acceptable range.

(B) Adjustment to the Pay for ICAC Staff

10. Although ICAC staff are not civil servants, the Government's policy is to extend the civil service pay adjustment to them. We accordingly propose that the civil service pay adjustment for 2011-12, as set out in paragraph 2(a) above, should be applied to ICAC staff.

(C) Adjustments for the Subvented Sector

11. The teaching and certain non-teaching staff of aided schools are remunerated according to the relevant civil service pay scales. We therefore propose that their pay should be adjusted according to the revised relevant civil service pay scales as set out at Enclosure.

12. Other than what is stated 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, institutions funded by the University Grants Committee, etc.). 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. That said, it has been the established practice that following a civil service pay adjustment, the Government will adjust the provisions for subventions which are price-adjusted on the basis of formulae including a factor of civil service pay adjustment. Where the civil service pay adjustment involves a pay rise, the additional provisions for subventions will in general be calculated in accordance with the weighted average of the pay rise decided for the civil service⁵. 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.

FINANCIAL IMPLICATIONS

13. The financial implications for the civil service, ICAC, the subvented sector and the Auxiliaries arising from the proposed pay adjustment for 2011-12 are as follows –

/(a)

⁵ If the proposed civil service pay adjustment is approved, the weighted average of civil service pay adjustment rates would be 6.47%.

With reference to the civil service pay adjustment, we will make adjustment to the pay of members of the Auxiliaries in accordance with the established adjustment mechanism. Such adjustment will be approved by the Secretary for Financial Services and the Treasury under delegated authority.

		\$ million
(a) Civil Service		4,121
(b) ICAC		41
(c) Subvented Sector		4,793
(d) Auxiliaries		12
	Total	8,967

14. We have not made provisions in the relevant Heads of Expenditure for the proposed pay adjustment in the 2011-12 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 savings, if any, and the general reserve set aside in the 2011-12 Estimates should be sufficient to cover the additional expenditure arising from the proposed pay adjustment for the year. Subject to Members' approval of the proposal, we shall approve under delegated authority the supplementary provision required under individual Heads of Expenditure.

PUBLIC CONSULTATION

15. We briefed the Legislative Council Panel on Public Service on the 2011-12 civil service pay adjustment exercise at its meeting held on 20 June 2011.

Civil Service Bureau Financial Services and the Treasury Bureau June 2011

7

The figure includes about \$438 million additional cost arising from pay adjustment for around 20 000 civil servants seconded to/working in trading funds, subvented and other public bodies. It also includes an estimated increase of \$428 million in retirement benefit payments for civil servants retiring in 2011-12 and civil servants under the Civil Service Provident Fund Scheme and the Mandatory Provident Fund schemes.

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

Enclosure to FCR(2011-12)36

Directorate Pay Scale

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011)
	(200,000)	(214,500)
8	194,200	208,250
	(194,000)	(208,050)
7	188,350	202,000
	(179,650)	(192,650)
6	174,450	187,100
	(170,300)	(182,650)
5	165,350	177,300
	(165,250)	(177,200)
	(160,450)	(172,050)
4	155,700	166,950
	(149,750)	(160,600)
	(145,350)	(155,850)
	(141,250)	(151,500)
3	137,200	147,150
	(129,000)	(138,350)
	(125,250)	(134,300)
	(121,600)	(130,400)
2	117,950	126,500
	(108,650)	(116,500)
	(105,450)	(113,100)
	(102,300)	(109,700)
1	99,400	106,600

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Directorate (Legal) Pay Scale

Point	(as at 31.3.2011)	(w.e.f. 1.4.2011) \$
	(179,650)	(192,650)
6	174,450	187,100
	(170,300)	(182,650)
5	165,350	177,300
	(165,250)	(177,200)
	(160,450)	(172,050)
4	155,700	166,950
	(149,750)	(160,600)
	(145,350)	(155,850)
	(141,250)	(151,500)
3	137,200	147,150
	(129,000)	(138,350)
	(125,250)	(134,300)
	(121,600)	(130,400)
2	117,950	126,500
	(108,650)	(116,500)
	(105,450)	(113,100)
	(102,300)	(109,700)
1	99,400	106,600

Master Pay Scale

Point	(as at 31.3.2011)	(w.e.f. 1.4.2011)
49	89,140	95,595
48	86,045	92,275
47	83,060	89,075
46 (44B)	80,145	85,945
45 (44A)	77,375	82,975
44	74,675	80,080
43	72,075	77,295
42	69,105	74,110
41	66,255	71,050
40	63,510	68,110
39	60,890	65,300
38	58,195	62,410
37	55,640	59,670
36 (33C)	53,130	56,975
35 (33B)	50,775	54,450
34 (33A)	49,480	53,060
33	48,670	51,670
32	46,490	49,355
31	44,400	47,135
30	42,410	45,020
29	40,515	43,010
28	38,685	41,070
27	36,945	39,220
26	35,290	37,465
25	33,710	35,785
24	32,235	34,220
23	30,785	32,680
22	29,400	31,210
21	28,065	29,795
20	26,735	28,380
19	25,460	27,030
18	24,255	25,750
17	23,115	24,540
16	22,005	23,360
15	20,950	22,240
14	19,945	21,175
13	18,990	20,160
12	17,905	19,010

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011)
11	16,855	17,895
10	15,875	16,855
9	14,975	15,900
8	14,065	14,935
7	13,195	14,010
6	12,380	13,145
5	11,645	12,365
4	10,910	11,585
3	10,250	10,885
2	9,620	10,215
1	9,040	9,600
0	8,505	9,030

Model Scale 1 Pay Scale

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011)
13	11,770	12,500
12	11,535	12,250
11	11,295	11,995
10	11,080	11,765
9	10,865	11,535
8	10,655	11,315
7	10,455	11,100
6	10,250	10,885
5	10,045	10,665
4	9,840	10,450
3	9,635	10,230
2	9,430	10,015
1	9,230	9,800
0	9,035	9,595

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General Disciplined Services (Commander) Pay Scale

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011) \$
	(179,650)	(192,650)
4	174,450	187,100
	(149,750)	(160,600)
	(145,350)	(155,850)
	(141,250)	(151,500)
3	137,200	147,150
	(129,000)	(138,350)
	(125,250)	(134,300)
	(121,600)	(130,400)
2	117,950	126,500
	(112,050)	(120,150)
	(108,800)	(116,700)
	(105,450)	(113,100)
1	102,300	109,700

General Disciplined Services (Officer) Pay Scale

Point	(as at 31.3.2011)	(w.e.f. 1.4.2011)
20	06.005	102.000
39	96,885	103,900
38	93,775	100,565
37	90,145	96,670
36	86,515	92,780
35 34	83,280 80,200	89,310
34 33	,	86,005 82,025
	77,325 74,625	82,925 80,030
32 31	74,023	77,165
30	69,345	74,365
30 29	66,855	71,695
28	64,400	69,065
2 7	62,095	66,590
26	59,820	64,150
25	57,570	61,740
24	55,540	59,560
23	53,525	57,400
22	51,570	55,305
<u></u> 21	49,850	53,460
20	49,480	53,060
19	48,590	51,585
18	46,845	49,730
17	44,915	47,680
16	42,990	45,640
15	41,040	43,570
14	39,115	41,525
13	37,235	39,530
12	35,360	37,540
11	33,640	35,710
10	32,025	34,000
9	30,450	32,325
8	28,865	30,645
7	27,305	28,985
6	25,765	27,350
5	24,185	25,675
4	22,815	24,220
3	21,740	23,080
2	20,655	21,925

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011)
1	19,775	20,995
1a	18,925	20,090
1 b	18,110	19,225
1c	17,335	18,405
1d	16,590	17,610

General Disciplined Services (Rank and File) Pay Scale

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011)
29	31,930	33,895
28	30,710	32,600
27	29,530	31,350
26	28,685	30,450
25	27,820	29,535
24	27,020	28,685
23	26,330	27,950
22	25,605	27,180
21	24,900	26,435
20	24,240	25,735
19	23,595	25,050
18	22,945	24,360
17	22,275	23,645
16	21,660	22,995
15	21,055	22,350
14	20,455	21,715
13	19,855	21,080
12	19,255	20,440
11	18,670	19,820
10	18,080	19,195
9	17,515	18,595
8	16,925	17,970
7	16,340	17,345
6	15,840	16,820
5	15,185	16,125
4	14,770	15,680
3	14,355	15,240
2	13,940	14,800
1	13,560	14,400
1a	13,180	13,995

Police Pay Scale

Point	(as at 31.3.2011)	(w.e.f. 1.4.2011) \$
	(200,000)	(214,500)
59	194,200	208,250
	(170,300)	(182,650)
	(165,350)	(177,300)
58	160,450	172,050
	(149,750)	(160,600)
	(145,350)	(155,850)
	(141,250)	(151,500)
57	137,200	147,150
	(129,000)	(138,350)
	(125,250)	(134,300)
	(121,600)	(130,400)
56	117,950	126,500
	(112,050)	(120,150)
	(108,800)	(116,700)
	(105,450)	(113,100)
55	102,300	109,700
54a	96,885	103,900
54	93,775	100,565
53	90,145	96,670
52	86,515	92,780
51	83,280	89,310
50	80,200	86,005
49	77,325	82,925
48	74,625	80,030
47	71,955	77,165
46	69,345	74,365
45	66,855	71,695
44	64,400	69,065
43	62,095	66,590
42	59,820	64,150
41	57,570	61,740
40	55,540	59,560

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011) \$
39	53,525	57,400
38	51,570	55,305
37	49,850	53,460
36	49,480	53,060
35	48,590	51,585
34	46,845	49,730
33	44,915	47,680
32	43,025	45,675
31	41,130	43,665
30	39,290	41,710
29	37,475	39,785
28	35,695	37,895
27	33,910	36,000
26	32,435	34,435
25	31,460	33,400
24	30,540	32,420
23	29,625	31,450
22	28,945	30,730
21	28,220	29,960
20	27,485	29,180
19	26,785	28,435
18	26,040	27,645
17	25,310	26,870
16	24,610	26,125
15	23,940	25,415
14	23,255	24,690
13	22,595	23,985
12	21,955	23,305
11	21,425	22,745
10	20,705	21,980
9	20,085	21,320
8	19,470	20,670
7	18,910	20,075
6	18,330	19,460
5	17,795	18,890
4	17,275	18,340
3	16,750	17,780
2	16,250	17,250
1	15,780	16,755
1a	15,325	16,270

Independent Commission Against Corruption Pay Scale

Point	(as at 31.3.2011)	(w.e.f. 1.4.2011)
	(170,300)	(182,650)
	(165,350)	(177,300)
48	160,450	172,050
	(149,750)	(160,600)
	(145,350)	(155,850)
	(141,250)	(151,500)
47	137,200	147,150
	(129,000)	(138,350)
	(125,250)	(134,300)
	(121,600)	(130,400)
46	117,950	126,500
	(112,050)	(120,150)
	(108,800)	(116,700)
	(105,450)	(113,100)
45	102,300	109,700
44a	96,885	103,900
44	93,775	100,565
43	90,145	96,670
42	86,515	92,780
41	83,280	89,310
40	80,200	86,005
39	77,265	82,860
38	74,585	79,985
37	71,885	77,090
36	69,275	74,290
35	66,565	71,385
34	64,085	68,725
33	61,580	66,040
32	59,110	63,390
31	56,600	60,700
30	54,120	58,040
29	51,665	55,405
28	49,480	53,060
27	48,415	51,395

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011)
26	46,945	49,835
25	44,795	47,555
24	42,570	45,190
23	40,395	42,885
22	38,210	40,565
21	36,010	38,230
20	34,330	36,445
19	32,660	34,670
18	31,280	33,205
17	29,895	31,735
16	28,510	30,265
15	27,465	29,155
14	27,115	28,785
13	26,410	28,035
12	25,695	27,280
11	24,315	25,815
10	22,945	24,360
9	21,670	23,005
8	20,420	21,680
7	19,155	20,335
6	17,830	18,930
5	16,500	17,515
4	15,185	16,125
3	14,635	15,540
2	14,075	14,945
1	13,570	14,410

Training Pay Scale

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011) \$
16	20,900	22,185
15	19,900	21,125
14	18,945	20,110
13	18,115	19,230
12	17,005	18,055
11	15,595	16,560
10	14,320	15,205
9	13,485	14,320
8	12,660	13,440
7	11,885	12,620
6	11,165	11,855
5	10,470	11,115
4	9,830	10,440
3	9,245	9,815
2	8,660	9,195
1	8,140	8,645

Craft Apprentice Pay Scale

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011) \$
4	8,015	8,510
3	7,345	7,800
2	6,640	7,050
1	5,970	6,340
0	5,630	5,980

Technician Apprentice Pay Scale

Point	(as at 31.3.2011) \$	(w.e.f. 1.4.2011) \$
4	10,140	10,765
3	9,245	9,815
2	8,355	8,870
1	7,685	8,160
0	7,210	7,655