

ITEM FOR FINANCE COMMITTEE

2012-13 CIVIL SERVICE PAY ADJUSTMENT

Members are invited to –

- (a) approve, with effect from 1 April 2012, an increase in pay –
 - (i) by 5.26% for civil servants in the directorate and upper salary band; and
 - (ii) by 5.80% 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 \$8,608 million arising from items (a) to (d) above.

/PROBLEM

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

2. We propose that –
 - (a) with effect from 1 April 2012, civil service pay be increased –
 - (i) by 5.26% for civil servants in the directorate and upper salary band; and
 - (ii) by 5.80% 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 sufficient remuneration 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 market pay on a regular basis through three different types of surveys under the Improved Civil Service Pay Adjustment Mechanism, namely (a) an annual pay trend survey (PTS) to ascertain the year-on-year pay adjustment movements in the private sector; (b) 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 (c) 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)¹, representatives of the Administration as well as members from the two independent advisory bodies on civil service salaries and conditions of services². It collects the year-on-year adjustments in both basic pay and additional pay (e.g. bonus, etc.) of employees in the surveyed companies from major sectors of the economy. Pay adjustment data from both larger (i.e. with 100 or more employees) and smaller (i.e. with 50-99 employees) companies are collected and assigned a 75% and 25% weighting respectively. The data are collated according to three salary bands: upper, middle and lower³, and aggregated

/in

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

² 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.

³ The pay ranges of the three salary bands for the 2012 PTS are –

- (a) Upper: Above Master Pay Scale (MPS) 33 to General Disciplined Services (Officer) Pay Scale 39 or equivalent, viz. \$51,671 to \$103,900;
- (b) Middle: From MPS 10 to 33 or equivalent, viz. \$16,855 to \$51,670; and
- (c) Lower: Below MPS 10 or equivalent, viz. below \$16,855.

in accordance with the assigned weighting into a basic pay indicator and an additional pay indicator for each salary band. The two indicators for a particular salary band are added up and presented as the gross pay trend indicator (PTI) for that band. The payroll cost of increments incurred for 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 six factors, namely (a) the net PTIs; (b) the state of Hong Kong's economy; (c) changes in the cost of living; (d) the Government's fiscal position; (e) the pay claims of the staff sides; and (f) 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.

Results of the 2012 PTS

7. The gross PTIs of the 2012 PTS (covering the 12-month period from 2 April 2011 to 1 April 2012) and the consequential net PTIs in respect of the three salary bands in the civil service are set out below –

<u>Salary band</u>	<u>Gross PTI</u> [A]	<u>Payroll cost of increments</u> [B]	<u>Net PTI</u> [A] minus [B]
Upper	6.01%	0.75%	5.26%
Middle	6.64%	0.84%	5.80%
Lower	5.71%	1.15%	4.56%

/Civil

⁴

The deduction of 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 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 2012, that –

- (a) the pay for civil servants in the directorate and upper salary band should be increased by 5.26%, 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 5.80%, 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 5.80%, 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 2012-13 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. Under the existing mechanism, if the findings of a PLS reveal a differential greater than plus/minus 5% in the pay (inclusive of any embedded “bring-up” portion) between civil servants of a particular job nature and level and their comparators in the private sector, then adjustment (either upward or downward) should be made to bring the pay for the civil servants concerned back to the limit (upper or lower as appropriate) of the acceptable range. The Standing Commission on Civil Service Salaries and Conditions of Service which has accepted the Administration’s invitation to conduct the forthcoming PLS will, as an independent advisory body, decide what recommendations to make to the Administration on the general principles of application of the findings of the PLS (when available) to the non-directorate civilian grades of the civil service.

(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 2012-13, as set out in paragraph 2(a) above, should be applied to ICAC staff.

/(C)

(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 Auxiliaries⁶ arising from the proposed pay adjustment for 2012-13 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 5.64%.

⁶ 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	4,043 ⁷
(b) ICAC	35
(c) Subvented Sector	4,520 ⁸
(d) Auxiliaries	10
Total	8,608

14. We have not made provisions in the relevant Heads of Expenditure for the proposed pay adjustment in the 2012-13 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 2012-13 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 2012-13 civil service pay adjustment exercise at its meeting held on 18 June 2012.

Civil Service Bureau
Financial Services and the Treasury Bureau
June 2012

⁷ The figure includes about \$405 million additional cost arising from pay adjustment for around 19 000 civil servants seconded to/working in trading funds, subvented and other public bodies. It also includes an estimated increase of \$586 million in retirement benefit payments for civil servants retiring in 2012-13 and civil servants under the Civil Service Provident Fund Scheme and the Mandatory Provident Fund schemes.

⁸ 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) in paragraph 13 above.

Directorate Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
8	(214,500)	(225,800)
	208,250	219,200
7	(208,050)	(219,000)
	202,000	212,650
6	(192,650)	(202,800)
	187,100	196,950
5	(182,650)	(192,250)
	177,300	186,650
4	(177,200)	(186,500)
	(172,050)	(181,100)
	166,950	175,750
	(160,600)	(169,050)
3	(155,850)	(164,050)
	(151,500)	(159,450)
	147,150	154,900
	(138,350)	(145,650)
2	(134,300)	(141,350)
	(130,400)	(137,250)
	126,500	133,150
	(116,500)	(122,650)
1	(113,100)	(119,050)
	(109,700)	(115,450)
	106,600	112,200

Note: Figures in brackets represent increments.

Directorate (Legal) Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
	(192,650)	(202,800)
6	187,100	196,950
	(182,650)	(192,250)
5	177,300	186,650
	(177,200)	(186,500)
	(172,050)	(181,100)
4	166,950	175,750
	(160,600)	(169,050)
	(155,850)	(164,050)
	(151,500)	(159,450)
3	147,150	154,900
	(138,350)	(145,650)
	(134,300)	(141,350)
	(130,400)	(137,250)
2	126,500	133,150
	(116,500)	(122,650)
	(113,100)	(119,050)
	(109,700)	(115,450)
1	106,600	112,200

Note: Figures in brackets represent increments.

Master Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
49	95,595	100,625
48	92,275	97,130
47	89,075	93,760
46 (44B)	85,945	90,465
45 (44A)	82,975	87,340
44	80,080	84,290
43	77,295	81,360
42	74,110	78,010
41	71,050	74,785
40	68,110	71,695
39	65,300	68,735
38	62,410	65,695
37	59,670	62,810
36 (33C)	56,975	59,970
35 (33B)	54,450	57,315
34 (33A)	53,060	55,850
33	51,670	54,665
32	49,355	52,220
31	47,135	49,870
30	45,020	47,630
29	43,010	45,505
28	41,070	43,450
27	39,220	41,495
26	37,465	39,640
25	35,785	37,860
24	34,220	36,205
23	32,680	34,575
22	31,210	33,020
21	29,795	31,525
20	28,380	30,025
19	27,030	28,600
18	25,750	27,245
17	24,540	25,965
16	23,360	24,715

Master Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
15	22,240	23,530
14	21,175	22,405
13	20,160	21,330
12	19,010	20,115
11	17,895	18,935
10	16,855	17,835
9	15,900	16,825
8	14,935	15,805
7	14,010	14,825
6	13,145	13,910
5	12,365	13,085
4	11,585	12,260
3	10,885	11,520
2	10,215	10,810
1	9,600	10,160
0	9,030	9,555

Model Scale 1 Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
13	12,500	13,225
12	12,250	12,965
11	11,995	12,695
10	11,765	12,450
9	11,535	12,205
8	11,315	11,975
7	11,100	11,745
6	10,885	11,520
5	10,665	11,285
4	10,450	11,060
3	10,230	10,825
2	10,015	10,600
1	9,800	10,370
0	9,595	10,155

General Disciplined Services (Commander) Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
	(192,650)	(202,800)
4	187,100	196,950
	(160,600)	(169,050)
	(155,850)	(164,050)
	(151,500)	(159,450)
3	147,150	154,900
	(138,350)	(145,650)
	(134,300)	(141,350)
	(130,400)	(137,250)
2	126,500	133,150
	(120,150)	(126,450)
	(116,700)	(122,850)
	(113,100)	(119,050)
1	109,700	115,450

Note: Figures in brackets represent increments.

General Disciplined Services (Officer) Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
39	103,900	109,365
38	100,565	105,855
37	96,670	101,755
36	92,780	97,660
35	89,310	94,010
34	86,005	90,530
33	82,925	87,285
32	80,030	84,240
31	77,165	81,225
30	74,365	78,275
29	71,695	75,465
28	69,065	72,700
27	66,590	70,095
26	64,150	67,525
25	61,740	64,990
24	59,560	62,695
23	57,400	60,420
22	55,305	58,215
21	53,460	56,270
20	53,060	55,850
19	51,585	54,575
18	49,730	52,615
17	47,680	50,445
16	45,640	48,285
15	43,570	46,095
14	41,525	43,935
13	39,530	41,825
12	37,540	39,715
11	35,710	37,780
10	34,000	35,970
9	32,325	34,200
8	30,645	32,420
7	28,985	30,665
6	27,350	28,935
5	25,675	27,165

General Disciplined Services (Officer) Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
4	24,220	25,625
3	23,080	24,420
2	21,925	23,195
1	20,995	22,215
1a	20,090	21,255
1b	19,225	20,340
1c	18,405	19,470
1d	17,610	18,630

General Disciplined Services (Rank and File) Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
29	33,895	35,860
28	32,600	34,490
27	31,350	33,170
26	30,450	32,215
25	29,535	31,250
24	28,685	30,350
23	27,950	29,570
22	27,180	28,755
21	26,435	27,970
20	25,735	27,230
19	25,050	26,505
18	24,360	25,775
17	23,645	25,015
16	22,995	24,330
15	22,350	23,645
14	21,715	22,975
13	21,080	22,305
12	20,440	21,625
11	19,820	20,970
10	19,195	20,310
9	18,595	19,675
8	17,970	19,010
7	17,345	18,350
6	16,820	17,800
5	16,125	17,065
4	15,680	16,590
3	15,240	16,125
2	14,800	15,660
1	14,400	15,240
1a	13,995	14,810

Police Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
	(214,500)	(225,800)
59	208,250	219,200
	(182,650)	(192,250)
	(177,300)	(186,650)
58	172,050	181,100
	(160,600)	(169,050)
	(155,850)	(164,050)
	(151,500)	(159,450)
57	147,150	154,900
	(138,350)	(145,650)
	(134,300)	(141,350)
	(130,400)	(137,250)
56	126,500	133,150
	(120,150)	(126,450)
	(116,700)	(122,850)
	(113,100)	(119,050)
55	109,700	115,450
54a	103,900	109,365
54	100,565	105,855
53	96,670	101,755
52	92,780	97,660
51	89,310	94,010
50	86,005	90,530
49	82,925	87,285
48	80,030	84,240
47	77,165	81,225
46	74,365	78,275
45	71,695	75,465
44	69,065	72,700

Police Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
43	66,590	70,095
42	64,150	67,525
41	61,740	64,990
40	59,560	62,695
39	57,400	60,420
38	55,305	58,215
37	53,460	56,270
36	53,060	55,850
35	51,585	54,575
34	49,730	52,615
33	47,680	50,445
32	45,675	48,325
31	43,665	46,200
30	41,710	44,130
29	39,785	42,095
28	37,895	40,095
27	36,000	38,090
26	34,435	36,430
25	33,400	35,335
24	32,420	34,300
23	31,450	33,275
22	30,730	32,510
21	29,960	31,700
20	29,180	30,870
19	28,435	30,085
18	27,645	29,250
17	26,870	28,430
16	26,125	27,640
15	25,415	26,890
14	24,690	26,120
13	23,985	25,375
12	23,305	24,655
11	22,745	24,065
10	21,980	23,255

Police Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
9	21,320	22,555
8	20,670	21,870
7	20,075	21,240
6	19,460	20,590
5	18,890	19,985
4	18,340	19,405
3	17,780	18,810
2	17,250	18,250
1	16,755	17,730
1a	16,270	17,215

Note: Figures in brackets represent increments.

Independent Commission Against Corruption Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
	(182,650)	(192,250)
	(177,300)	(186,650)
48	172,050	181,100
	(160,600)	(169,050)
	(155,850)	(164,050)
	(151,500)	(159,450)
47	147,150	154,900
	(138,350)	(145,650)
	(134,300)	(141,350)
	(130,400)	(137,250)
46	126,500	133,150
	(120,150)	(126,450)
	(116,700)	(122,850)
	(113,100)	(119,050)
45	109,700	115,450
44a	103,900	109,365
44	100,565	105,855
43	96,670	101,755
42	92,780	97,660
41	89,310	94,010
40	86,005	90,530
39	82,860	87,220
38	79,985	84,190
37	77,090	81,145
36	74,290	78,200
35	71,385	75,140
34	68,725	72,340
33	66,040	69,515
32	63,390	66,725
31	60,700	63,895
30	58,040	61,095

Independent Commission Against Corruption Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
29	55,405	58,320
28	53,060	55,850
27	51,395	54,375
26	49,835	52,725
25	47,555	50,315
24	45,190	47,810
23	42,885	45,370
22	40,565	42,920
21	38,230	40,445
20	36,445	38,560
19	34,670	36,680
18	33,205	35,130
17	31,735	33,575
16	30,265	32,020
15	29,155	30,845
14	28,785	30,455
13	28,035	29,660
12	27,280	28,860
11	25,815	27,310
10	24,360	25,775
9	23,005	24,340
8	21,680	22,935
7	20,335	21,515
6	18,930	20,030
5	17,515	18,530
4	16,125	17,065
3	15,540	16,445
2	14,945	15,815
1	14,410	15,250

Note: Figures in brackets represent increments.

Training Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
16	22,185	23,470
15	21,125	22,350
14	20,110	21,275
13	19,230	20,345
12	18,055	19,100
11	16,560	17,525
10	15,205	16,090
9	14,320	15,155
8	13,440	14,220
7	12,620	13,355
6	11,855	12,545
5	11,115	11,760
4	10,440	11,050
3	9,815	10,385
2	9,195	9,730
1	8,645	9,150

Craft Apprentice Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
4	8,510	9,005
3	7,800	8,255
2	7,050	7,460
1	6,340	6,710
0	5,980	6,330

Technician Apprentice Pay Scale

Point	as at 31.3.2012	w.e.f. 1.4.2012
	\$	\$
4	10,765	11,390
3	9,815	10,385
2	8,870	9,385
1	8,160	8,635
0	7,655	8,100
