

**SCS' Meeting with DCC Members
on the Progress Report on the Development of An Improved Pay
Adjustment Mechanism for the Civil Service**

Following the issue of the “Progress Report on the Development of An Improved Pay Adjustment Mechanism for the Civil Service” on 26 November 2003, the Civil Service Bureau organized two discussion forums on the subject on 8 and 16 December 2003 respectively. At these discussion forums, the SCS met some 517 Departmental Consultative Committee Staff Side Representatives to brief them on the Progress Report and responded to views expressed and questions raised by staff representatives. Salient points raised during the two discussion forums and SCS’ response were as follows –

Issues raised by Staff	SCS’ Response
<p><i>Basic Law (BL) Provisions</i></p> <p>1. BL provisions, particularly Article 100 should be one of the most important factors in determining civil service pay. The Administration must ensure that any new policy on civil service pay and conditions of service must be consistent with the BL. The Joint Declaration and a letter from the late Mr. Hadden Cave, the former Chief Secretary, to civil servants in 1984 also indicated that civil service pay for serving civil servants would not be reduced below the June 1997 level.</p>	<ul style="list-style-type: none"> • BL was indeed a very important factor. Article 100 contains a “no less favourable than before” provision while there are different interpretations of the provision, it is the current Administration’s policy that during its term of office ending June 2007, the pay of civil servants who are serving before 1 July 1997 will not be reduced below the level as at 30 June 1997 in dollar terms. In contemplating any changes to the existing arrangement, we would ensure that they were consistent with the BL provisions insofar as they affected civil servants who were serving immediately before 1 July 1997. Our objective of the exercise was to put in place an improved adjustment mechanism for long-term adoption in the civil service. In coming to a decision on the application of the findings of the pay level survey, we should be guided by the principles of lawfulness, fairness and reasonableness. We should also take full account of staff concerns as well as the overall interest of the community as a whole.

<p>2. The interpretation of BL 100 would have an important bearing on civil service pay. Would the Government seek an interpretation of this Article from the National People's Congress (NPC) ?</p>	<ul style="list-style-type: none"> • We had no plan to seek an interpretation of BL100 from the NPC.
<p><i>Application of PLS Findings</i></p> <p>3. Since Government had not clearly advised on how the Pay Level Survey (PLS) results would be applied, staff worried that the PLS result would be applicable to all serving civil servants and that the pay level would be adjusted to a level lower than the 1997 level. If the PLS indicated a result lower than the 1997 level, would Government adjust civil service pay correspondingly across-the-board?</p>	<ul style="list-style-type: none"> • The question of how the results of the PLS should be applied to serving officers was a complex and sensitive issue. We would continue to discuss the issue in the Steering Committee (SG) and Consultative Group (CG). We would put forward general ideas on the "application" issue for consultation with the SG and CG as early as possible. For civil servants appointed before 1 July 1997, it was the current Administration's declared policy that during its term of office ending June 2007 there would be no further downward adjustment of salaries after the passage of the Public Officers Pay Adjustments (2004/05) bill in the LegCo.
<p>4. How would the Administration ensure a reasonable and fair application of PLS findings to those civil servants appointed on various terms after July 1997 ?</p>	<ul style="list-style-type: none"> • It is our objective to apply the PLS results to civil servants appointed on various terms in a reasonable and fair manner. We have therefore allowed adequate time for extensive staff consultation and thorough examination. We hope to reach a consensus on this complicated issue.

<p><i>Methodology/Factors to be considered in the PLS</i></p> <p>5. It was impracticable to make a direct comparison between the civil service and private sector jobs since the public sector could not be run on a commercial basis. The PLS should take into account the year-end bonus and other benefits applicable to private sector employees.</p>	<ul style="list-style-type: none"> We appreciated the differences in the nature of work between civil service jobs and private sector jobs. We had commissioned a consultant to assist us in designing the PLS methodology. All relevant factors would be taken into account in designing the PLS. Views of staff on the design of the survey methodology would be welcome.
<p>6. The civil service fringe benefits/welfare had been gradually cut over the last few years. Would these adjustments be taken into account in ascertaining the civil service pay level ?</p>	<p>It was Government policy to review civil service fringe benefits from time to time and an exercise was underway. For the purpose of the PLS, we were inclined to focus on the basic pay (i.e. excluding fringe benefits) for comparison while information on private sector, allowances, bonus and other benefits would be collected.</p>
<p>7. Working experience of the civil servants should be reflected in the pay levels on top of the required academic and professional qualifications in order to attract and retain experienced talents to join and stay in the civil service.</p>	<ul style="list-style-type: none"> Suggestion noted and will be passed on to the consultant.
<p>8. The fact that civil servants were subject to close scrutiny of the media/public had to be taken into account in determining civil service pay levels.</p>	<ul style="list-style-type: none"> We fully agreed that honesty and integrity are the core values of the civil service. Upholding these core values would be an important consideration underpinning the civil service pay system and policy.

<p>9. The PLS should not include small companies as the reliability of their personnel and financial records were questionable. Companies which recruited people outside Hong Kong where the salary level was comparatively low should also be excluded in the survey.</p>	<ul style="list-style-type: none"> • The Consultant would be invited to advise on this aspect. Our current thinking was that individual companies in the survey field should be generally known as steady and good employers who conducted wage and salary administration on a rational and systematic basis. Also, the selected companies should not use the government pay adjustment as the main factor in determining their own pay adjustments.
<p>10. Further civil service pay cut would undermine the recovery of the economy of the territory.</p>	<ul style="list-style-type: none"> • View noted.
<p><i>Upward and Downward Pay Adjustment Mechanism</i></p> <p>11. Would the mechanism be used to effect pay reduction for a staff who obtained a mediocre appraisal report ?</p>	<ul style="list-style-type: none"> • The current exercise was not meant to be used as a tool to tackle sub-standard performance of civil servants which would continue to be dealt with under our staff management and discipline system.
<p>12. Would Government bypass the staff consultation process in formulating the upward and downward pay adjustment mechanism? In future, when the upward and downward pay adjustment mechanism was in place, would staff consultation be made for further pay adjustment ?</p>	<ul style="list-style-type: none"> • We would conduct staff consultation at every key stage of the exercise. The timetable shown in the progress report already included the schedule for consultation at various stages.

<p><i>Political Consideration</i></p> <p>13. The deferment of the PLS exercise was aimed at avoiding the issue from being politicalized at the 2004 LegCo election.</p>	<ul style="list-style-type: none"> • We did not defer the PLS to avoid the 2004 LegCo election. Determining civil service pay levels was a very complicated and sensitive issue. We believed it was appropriate to allow adequate time for wider consultation and examination of the complicated issue. The revised timetable was generally welcomed by staff.
<p>14. Civil service pay should be an employment matter between the civil service and Government. There was no need to involve LegCo or the public in the determination of civil service pay.</p>	<ul style="list-style-type: none"> • Civil servants salaries were met by the public coffer. The remuneration paid to civil servants should be regarded as fair and reasonable not only by the civil servants themselves but also by the public they serve. Government's main responsibility was to the community as a whole. The pay system for the civil service could not operate completely independently from the forces and conditions of the local labour market at large. We considered that board comparability with private sector should remain an important factor in setting civil service pay. In taking forward the exercise, we would take full account of staff views as well as the overall interests of the community as a whole.
<p><i>Staff Consultation</i></p> <p>15. Would Government implement the new pay adjustment mechanism even if a consensus could not be reached with the civil service.</p>	<ul style="list-style-type: none"> • We aimed to implement a reasonable and fair new pay adjustment mechanism which had the general support of the civil service as well as that of the community at large.

<p>16. The Administration should enhance the transparency of the discussion of CG within the civil service, for example, permitting staff members to present at CG's meetings in attendance.</p>	<ul style="list-style-type: none"> • We would enhance the transparency of the discussions. We fully understood staff concerns over the current exercise and were committed to allow adequate time for thorough staff consultation from time to time throughout the exercise.
<p>17. Staff were not given sufficient time to study the progress report prior to the "consultation" session.</p>	<ul style="list-style-type: none"> • The progress report (which was released and posted onto CSB homepage on 26 November) was not a consultative document but aimed at setting out the progress reached so far. It did not contain any specific proposals. More consultation within the civil service would be conducted when the consultant's report was available in the second quarter of 2004.
<p><i>Miscellaneous</i></p> <p>18. Given its poor track record in conducting the PLS in 1986, the Hay consultant could hardly be trusted.</p>	<ul style="list-style-type: none"> • Selection of the consultant in the current exercise was made on a fair basis in accordance with established practice. It should be borne in mind that the current consultant was tasked to design the Survey methodology and the actual conduct of the PLS would be the subject of a further consultancy study.
<p>19. Some civil service grades/ranks have since the last PLS experienced substantial changes in their job nature and requirements. The Administration should review these grades/ranks in the context of the current exercise.</p>	<ul style="list-style-type: none"> • The PLS was meant to be a service-wide exercise. For those civil service grades/ranks which had experienced significant changes in their job nature and requirements with the result that adjustments to their pay scales might be warranted, individual grade structure reviews should be carried out at the appropriate time after completion of the PLS.

<p>20. Would there be another round of Voluntary Retirement (VR) for surplus staff in the civil service? Could we be granted a lump sum and then re-appointed ?</p>	<ul style="list-style-type: none"> • There was no such plan at this stage.
<p>21. Owing to VR, posts at promotional ranks had much been reduced. Given the increase in workload and poor promotion prospect, would the Government consider introducing incentive schemes to boost the civil service's morale?</p>	<ul style="list-style-type: none"> • We were considering additional schemes to recognize and reward officers with meritorious service and would announce the details shortly.

Civil Service Bureau
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