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30 December 2002

Professor Chan Yuk-shee
Chairman
Pay Trend Survey Committee
c/o Room 701
Tower Two, Lippo Centre
89 Queensway
Hong Kong

A handwritten signature in cursive script, appearing to read 'Dear Professor Chan'.

2003 Civil Service Pay Adjustment

I am writing to advise you of the latest position regarding the 2003 civil service pay adjustment exercise, which will have implications on the conduct or otherwise of a pay trend survey for 2002-03.

As you may be aware, in September this year my Bureau set up a working group involving staff representatives to discuss the handling of the 2003 civil service pay adjustment and related issues. In view of this development, I advised the Chairman of the Standing Commission on Civil Service Salaries and Conditions of Service on 9 September 2002 that it would be appropriate to hold in abeyance the preparatory work for the 2002-03 pay trend survey pending a decision of the Chief Executive in Council on the handling of the 2003 civil service pay adjustment.

In recent weeks, the Administration has been in close discussion with the staff sides of the central consultative councils as well as the four major service-wide staff unions on the seriousness of our fiscal deficit and the need for staff and management to act in concert in tackling the deficit problem. In this connection, we have explained to staff that the Administration has not yet taken a final decision on the 2003 civil service pay adjustment. But it would be reasonable to factor in the potential impact that any salary reduction might help in meeting the working target of reducing the Government's

operating expenditure by \$20 billion by 2006-07. We have explained to staff that any pay adjustment for the civil service will be implemented in accordance with a fair, lawful and reasonable adjustment mechanism and that we shall consult staff fully and extensively before a final decision is to be taken.

To facilitate the formulation of a mutually agreeable solution, I have recently proposed to the staff representatives that we should re-convene the working group which has been set out earlier this year to discuss, on the basis of the existing mechanism, a new and improved mechanism for civil service pay adjustment. In addition, I have proposed that –

- (a) pending the completion of a review of the methodology of the annual pay trend survey, we should not conduct a pay trend survey for 2002-03;
- (b) a pay level survey should be conducted to compare the pay levels in the civil service with those in the private sector; and
- (c) consideration should be given to the need to provide for the new civil service pay adjustment mechanism in law.

The afore-mentioned working group will meet in early January 2003 to deliberate on the above proposed way forward. I consider it appropriate to continue to hold in abeyance the preparatory work for the 2002-03 pay trend survey.

I shall write again to keep you posted on further developments on this matter.



(Joseph W P Wong)
Secretary for the Civil Service

c.c. Chairman, Standing Commission on Civil Service Salaries and Conditions of Service

Chairman, Committee on Disciplined Service Salaries and Conditions of Service

Chairman, Committee on Directorate Salaries and Conditions of Service

SG, JSSCS