

# CHAPTER 1

## INTRODUCTION

1.1 Established in 1979, the main function of the Standing Commission on Civil Service Salaries and Conditions of Service is to advise and make recommendations to the Chief Executive on the principles and practices governing pay, conditions of service and salary structure of non-directorate civil servants, other than judicial officers and disciplined services staff.

1.2 The Commission provides independent advice to the Chief Executive, after taking into full account relevant factors and views expressed by the parties concerned. The decision as to whether the Commission's advice should be accepted rests with Government. The Commission's terms of reference and membership list are at Appendices A and B respectively.

1.3 This is our twentieth progress report and it gives an account of our major undertaking in 2000. In all, we held a total of six Commission meetings, four Steering Group meetings and seven informal meetings with staff councils/associations during the year.

1.4 With the retirement of **Sir Sidney Gordon, GBM, JP** on 1 August 2000, **Mr Yeung Ka-sing, JP** was appointed Chairman of the Commission. To Sir Sidney, whose discerning views and inspiring leadership have steered the Commission through the many major reviews since 1988, we would like to record our heartfelt appreciation. Four other Members viz. **Dr Wilfred Chan Siu-yuen, JP**, **Mr Nicholas S C Chiu, JP**, **Mr David W Gairns, JP** and **Mr Simon Sik-on Ip, JP** also left the Commission during the year on completion of their terms of appointment. To each of them, we would like to express our gratitude for their contribution. We also welcome **Mr Nicholas Brooke, BBS, JP**, **Mr Nicky Lo Kar-chun** and **Ms Carlye Tsui Wai-ling, JP** whose appointment to the Commission took effect from 1 August 2000.

1.5 We wish to thank the Secretary for the Civil Service and his staff for their assistance and co-operation. Last but not least, our appreciation also goes to **Mr Angus Miu**, acting Secretary General and the staff of the Commission Secretariat (list at Appendix C) for their unfailing support.

## CHAPTER 2

### **JOB-RELATED ALLOWANCES REVIEW, INDIVIDUAL SUBMISSIONS AND INFORMAL MEETINGS WITH CIVIL SERVICE STAFF ASSOCIATIONS**

2.1 A summary of our work on the job-related allowances review and our views and recommendations on the Administration's individual submissions are set out in the following paragraphs.

#### **Job-Related Allowances (JRA) Review**

2.2 On 26 May 1999, we were invited by the Administration to undertake the JRA review. We commenced work in July and set up a Steering Group comprising four Commission Members to oversee the review. The terms of reference of the review and the membership list of the Steering Group are at Appendix D.

2.3 This was a comprehensive exercise involving a revisit of the role of the JRAs in the civil service and consideration of the relevance of the principles and practices governing the dispensation of JRAs in the present-day circumstances since these were last promulgated by the Commission in 1986. We were also requested by the Administration to look into ways and means of improving the control and monitoring mechanism for the dispensation of JRAs in the civil service in future. To assist us in our review, we arranged to meet the major civil service staff associations to gauge their views and asked the Civil Service Bureau to provide us with detailed accounts of the existing operation of JRAs in the civil service. We also conducted a survey on current practices in the private sector. As we made clear to the staff associations, the results of the survey were intended for the Commission's internal reference only and would not be applied in our review. A detailed account of the JRA review is set out in a report (Report No. 38) which we submitted to the Chief Executive in June 2000. This Report has not been published pending detailed consideration by the Administration. We understand that both the departmental management and the staff sides would be consulted by the Administration prior to the implementation of the recommendations.

## **Advice on Individual Submissions**

### **(a) Simplification of Qualification Groups**

2.4 In the course of our review of civil service qualification benchmarks and starting salaries in 1999, we noticed that the naming of some of the 16 Qualification Groups (QGs) then in use had been rendered less than precise in the wake of developments since the last review in 1989. To avoid causing unnecessary confusion to civil servants and private sector companies participating in future pay comparison surveys, we recommended in our report on the 1999 Civil Service Starting Salaries Review (Report No. 36) that the Administration should consider reviewing the names and the number of the QGs with a view to simplifying the QG groupings.

2.5 This recommendation was accepted by the Administration which subsequently invited the Commission to advise on how the current system of QGs should be simplified. As a result of our review, details of which are set out in our letter of 13 March 2000 to the Chief Executive (Appendix E), the total number of QGs was reduced to 12 and the names of some of the QGs updated to reflect changes in the relevant academic qualifications. We understand that our recommendations were implemented by the Administration with effect from 22 May 2000.

### **(b) Fringe Benefits Package for Recruits**

2.6 As part of the Civil Service Reform, the Administration sought our advice in March 2000 on new arrangements for recruits in terms of leave and leave passage and housing benefits. The key features of the Administration's proposals include -

- (a) leave earning rates to be reduced and leave to be counted on a working day basis; accumulation of earned leave to be limited to two years' entitlement and encashment of leave balance of an officer on his/her leaving the service;
- (b) leave passage (for directorate officers only) to be made non-accountable and payable only to the officer; and

- (c) introduction of a non-accountable cash allowance (NCA) to replace the existing Home Financing Scheme (HFS) and the Rent Allowance Scheme (RAS) for recruits remunerated on or above MPS 34 or equivalent, and the existing Home Purchase Scheme (HPS) for recruits between MPS 22 to 33, subject to a quota system. The NCA would be payable for a period of up to 10 years. Its rates would be similar to those under the current HFS and HPS. As NCA recipients would not be subjected to the double housing benefits (DBR) restriction, the NCA rates would be discounted by 5% to cover the additional costs arising from the removal of the restriction.

We saw no objection to (a) and (b) above which were broadly in line with similar practices in the private sector. On (c), we endorsed the Administration's rationale to introduce the NCA but had reservations about the discounting arrangement. To maintain cost-neutrality to Government, the Administration proposed that the NCA rates be discounted by about 5% on its estimation that about 5% of eligible staff at present do not receive any housing benefits probably due to DBR. We could not see the logic of this arrangement which, we thought, was unfair to staff. In our letter of 17 March 2000 (Appendix F) to the Chief Executive we indicated our support for the Administration's proposed fringe benefits package for new recruits and our reservations on the discounting arrangement.

2.7 We were subsequently informed by the Secretary for the Civil Service that the discounting arrangement had been re-considered by the Administration in the light of our comments. The Administration, however, decided that on financial grounds the discounting arrangement should remain as proposed. We understand that the new fringe benefits package was implemented on 1 June 2000.

### **(c) Injury and Death Benefits under the New Civil Service Entry System**

2.8 We were invited by the Administration in April 2000 to advise on its proposed arrangements for injury and death benefits for new recruits on probationary and agreement terms under the new civil service entry system. The objective was to maintain a level of injury and death benefits for new

recruits which would be broadly comparable to the provisions for existing staff.

2.9 At present, all civil servants, whether on permanent or temporary terms, who suffer duty-related injury or death receive compensation similar to other employees in Hong Kong under the Employees' Compensation Ordinance (ECO) (Cap. 282). Permanent and pensionable officers, however, are eligible for alternative options of additional benefits under the pension schemes. For new recruits on probationary and agreement terms, therefore, the Administration proposed that the present level of compensation under the ECO should also apply to them. However, since they are not pensionable officers, the alternative options of additional benefits provided for under the pension schemes will not be applicable to these recruits.

2.10 As for civil servants who die in service (irrespective of cause), those on pensionable terms are presently provided with additional payment under the pension schemes. For officers with less than five years' service, this is equivalent to 12 months' salary. For those with more than five years of service, the amount is calculated according to formulae prescribed in the pension legislation. To maintain broadly comparable level of benefits, the Administration proposed that new recruits on probationary and agreement terms be granted a death benefit of 12 months' final salary if they die in service, irrespective of cause and length of service. This amount would be paid to the staff concerned in addition to any duty-related compensation (if payable) and any other benefits he may receive, such as accrued retirement benefits under a Mandatory Provident Fund Scheme, pro rata end-of-contract gratuity payable and/or ex-gratia payment for their accrued leave.

2.11 We supported the Administration's proposals which we considered to be fair and reasonable. Our decision was conveyed to the Secretary for the Civil Service in a letter dated 19 May 2000 (Appendix G). We understand that the new proposals came into effect on 1 June 2000.

**(d) Abolition of the Efficiency Bars System and Reform on Civil Service Regulations on the Granting of Increments**

2.12 The efficiency bars system in the civil service had a number of drawbacks e.g. bars were limited to certain grades and ranks and applied only

at specific points on the pay scales. Over the years the passage of efficiency bars had become an almost automatic process with no regard to an officer's actual performance. In May 2000, we were invited by the Administration to consider its proposal to abolish the efficiency bars system. At the same time, it proposed to reform the civil service increment system to make it become a more effective tool to monitor staff performance. This would require Heads of Department/Grade to be more vigilant in the granting of increments and to initiate stoppage or deferment of increments where staff performance fall below the stipulated standard.

2.13 We considered and supported the Administration's proposals. However, we felt that the Administration had not gone far enough. In our view, a true performance-based reward system should consist of not only penalty for inefficiency but also reward for efficient and exemplary performances. We, therefore, recommended that the Administration should consider, as the next step, how efficient and exemplary performances could be given proper recognition in its overall reform of the increment system.

2.14 Our advice was conveyed to the Secretary for the Civil Service in a letter dated 9 June 2000 (Appendix H). We understand that the Administration's proposals were implemented on 1 October 2000.

#### **(e) Cessation of the Furniture and Domestic Appliances Allowances**

2.15 In May 2000, we were invited by the Administration to advise on its proposal to cease the payment of the Furniture and Domestic Appliances Allowances (F&DAA) to officers who were not yet eligible for the allowances but who, under the existing provision, would become eligible on reaching MPS Point 34 (or equivalent). The Administration's proposal was made in response to the Director of Audit's Report tabled at the Public Accounts Committee on 16 February 2000.

2.16 In the view of the Director of Audit, F&DAA is essentially "a refund of rent" to officers who pay rent to Government for accommodation, either in the form of quarters or private tenancies. Officers who are not required to pay rent to Government should not, therefore, be eligible for F&DAA.

2.17 Following extensive research into the history of the granting of F&DAA dating back to the 1950's, the Administration concluded that while F&DAA originated from a deduction of rent in 1955, over the years, the allowances had become part and parcel of the conditions of service for eligible officers, whether or not they were eligible for furniture and domestic appliances and were paying rent to Government. On account of this, the Administration did not consider it appropriate to remove F&DAA from existing beneficiaries. The Administration considered that there were contractual provisions to retain officers' eligibility for the allowances and that Government, as a good employer, should honour its obligation to its employees.

2.18 However, the Administration considered that it would be appropriate to remove F&DAA from officers who were presently ineligible but who, in view of the current provision under the Civil Service Regulations, would become eligible on reaching MPS Point 34 (or equivalent). On this basis, the Administration proposed that, with effect from a cut-off date, serving officers appointed before 1 May 1999 who were not on or above MPS Point 34 (or equivalent) would not become eligible for F&DAA even on reaching MPS Point 34 (or equivalent) in future. This proposal would not affect serving officers, provided they were not debarred from receiving such allowances.

2.19 At the Commission's meeting on 15 June 2000, we considered the Administration's proposal. We saw no reason to dispute the Administration's decision and endorsed its proposal. Our views and recommendations were conveyed to the Chief Executive in a letter dated ---- 20 June 2000 (Appendix I). We understand that the Administration's proposal was implemented on 1 July 2000.

#### **(f) Review of Overtime and Related Allowances**

2.20 The general principles governing overtime (OT) and the payment of overtime allowance (OTA) were last reviewed by the Commission in 1982. In view of the lapse of time, the Administration considered it necessary to carry out another review in 2000. Following consultation with the staff sides, the Administration sought our advice in September 2000 on the introduction of new measures to strengthen the administration of OT and related

allowances. These included, inter alia, clarifying the meaning of the word “unavoidable” to remove ambiguity on whether OT should or should not be performed; approval for OT work to be exercised by a responsible officer who himself is not eligible for OTA; the salary cut-off point should continue to apply so that staff at a certain salary level would not be eligible for OTA; and OT should normally be compensated by time-off unless impracticable within a reasonable time.

2.21 The Administration did not consider it necessary to change the current rates for OT. The Administration had also reviewed other related issues including, inter alia, the stand-by duty allowance, but concluded that these provisions were still valid and should not be changed.

2.22 At the Commission’s meeting on 5 October 2000, we considered and supported the Administration’s proposals for the administration of OT and related allowances. Our views and recommendations were conveyed to the Chief Executive in a letter dated 12 October 2000 (Appendix J). We understand that the new arrangements were implemented on 1 December 2000.

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### **(g) Annual Updating on Civil Service Starting Salaries**

2.23 One of our recommendations in Report No. 36 (Report on the 1999 Civil Service Starting Salaries Review) was that “a full benchmark and starting salaries review should be conducted, say, every three to four years, with annual updating carried out in the interim”. This is to ensure that the starting salaries for jobs in the civil service would be kept in line with those for jobs with comparable entry qualifications in the private sector.

2.24 Following Government’s acceptance of this recommendation, the Commission was invited in June 2000 to conduct the first updating exercise to ascertain if there had been any changes in the starting salaries of private sector employees between 2 September 1999 to 1 September 2000.

2.25 Given that the purpose of this exercise was to keep track of changes, if any, the Commission decided that the survey should focus primarily on the starting salaries of jobs in the 133 private companies which had participated in the 1999 Review using the same survey methodology as in that review.



2.26 The findings of our survey showed that overall there had not been any significant changes in private sector starting salaries during the period under survey. A report on the survey findings was forwarded to the Secretary for the Civil Service on 5 October 2000.

2.27 We were informed by the Administration on 7 October 2000 that in view of the survey findings, the starting salaries in the civil service would remain unchanged for 2000.

### **Informal Meetings with Civil Service Staff Associations**

2.28 Since 1992, the Commission has held informal meetings each year with the staff sides of the Senior Civil Service Council (SCSC) and the Model Scale 1 Staff Consultative Council, two central consultative councils constituted by the Government. The staff side of the SCSC is made up of the Association of Expatriate Civil Servants of Hong Kong, the Senior Non-Expatriate Officers Association and the Hong Kong Chinese Civil Servants' Association. In order to canvass a wider spectrum of views, the Commission decided in 1996 to meet also three major confederation type of unions not represented on the SCSC viz. the Hong Kong Civil Servants General Union, the Government Employees Association and the Federation of Civil Service Unions. These meetings have proved to be very useful in keeping the Commission apprised of issues of topical concern to civil servants.

2.29 The informal meetings in 2000 were held between October and December. Among the many issues raised, the one that loomed larger in the minds of the staff sides continued to be the Civil Service Reform launched by the Government in March 1999. While they were generally in support of the spirit and direction of reform, they were visibly perturbed by the negative impacts so far on morale as a result of the quickening pace with which the reform measures had been rolled out and the rapid deterioration of relationship between the central Government and the major staff councils/associations in the course of the reform process. To remedy the situation, the Hong Kong Chinese Civil Servants' Association told us that they had already submitted proposals to the Administration aimed at rebuilding the partnership between the Government and the staff associations in the new millennium.

2.30 On salaries, we noted their view that following general recovery of Hong Kong's economy and media reports of pay increases of between 2% and 5% in major private companies, there should be corresponding increases of pay for civil servants in 2001. On conditions of service, their interest appeared to focus mostly on the new provident fund scheme and the insurance-based medical and dental benefits schemes under study by the Administration. They looked forward to receiving more information from the Administration about the details of these new schemes.

2.31 They also briefed us on progress of the proposed conversion of MOD 1 staff from Category B to Category A status and the revived consideration by the Administration of the applications by the Hong Kong Civil Servants General Union, the Government Employees Association and the Federation of Civil Service Unions for admission into the Senior Civil Service Council. We are pleased to know that these two long standing issues are finally moving ahead with the joint cooperation between the Administration and the staff sides.

2.32 In the course of the year, the Secretary General and Secretariat staff also maintained close contact with major interested private sector organisations to keep track of developments in the private sector, as well as to clarify misconceptions or explain matters related to civil service pay, conditions of service and pay trend surveys.

## CHAPTER 3

### PAY TREND SURVEY SYSTEM

3.1 The pay trend survey system produces annual indicators of the average pay movements of full-time employees of private sector companies participating in the survey. The Pay Survey and Research Unit (PSRU) collects from these companies information about any changes in pay arising from general salary adjustments, bonuses, merit payments and inscale increments. These data are analysed to produce gross pay trend indicators (PTIs) for three different salary bands, which are then presented to the Pay Trend Survey Committee for verification and agreement.

3.2 In accordance with the recommendations of a Committee of Inquiry in 1988, the Administration deducts the value of civil service increments at their payroll cost (expressed as a percentage of the total payroll cost for each salary band) from the gross PTIs to produce the net PTIs. In adjusting civil service pay, the Administration takes account of the net PTIs as well as other factors such as staff morale, budgetary considerations and the prevailing social and economic conditions.

#### **Pay Trend Survey Committee**

3.3 The Pay Trend Survey Committee (PTSC) is an independent body established by the Administration on the Commission's advice in 1983. It is chaired by a Member of the Commission and comprises representatives of the Administration and the staff sides. Its membership is at Appendix K.

3.4 The main function of the PTSC is to commission the annual pay trend survey, oversee the operation of the PSRU in conducting the pay trend survey and agree to its results. Once the findings of a pay trend survey have been agreed, neither the PTSC, nor for that matter the Commission, is involved in any way in subsequent discussions between the Administration and the staff sides on any pay adjustment based on the survey results.

3.5 In tendering advice to the Chief Executive on the methodology for the pay trend survey, the Commission will, as prescribed by its terms of reference, have regard to the advice of the PTSC.

3.6 The PTSC held four meetings during the year. The first meeting was held in early-May to receive a report from the Controller of the PSRU about the findings of the 1999/2000 pay trend survey; the second in mid-May to examine and validate the survey findings; the third in October to review the methodology and the survey field in preparation for the 2000/2001 survey; and the last one in December to consolidate the survey field and to commission the PSRU to undertake the 2000/2001 pay trend survey. The PSRU, under the guidance of the Secretary General of the Commission, continued to provide support to the PTSC.

### **1999/2000 Pay Trend Survey**

3.7 The 1999/2000 pay trend survey took place between January and May 2000. Out of a survey field of 83 companies, the PSRU collected information on pay adjustments in 71 participating companies (comprising 122,273 employees) over the twelve-month period from 2 April 1999 to 1 April 2000 and analysed the data in accordance with the approved methodology. As agreed by the PTSC, the survey findings were released for public information on 10 May 2000 prior to formal validation by the PTSC on 17 May 2000. A summary of the validated results of the survey is at  
----- Appendix L.

3.8 The Government decided on 30 May 2000 to freeze the pay for all civil servants across the salary bands in the financial year of 2000/2001 starting from 1 April 2000. As a result, the pay scales for the civil service  
----- were not adjusted in 2000, a full set of which is at Appendix M.

### **Review of Methodology and Survey Field for the 2000/2001 Pay Trend Survey**

3.9 To prepare for the pay trend survey for 2000/2001, the PTSC reviewed the survey methodology and survey field at its meeting in October. Since the methodology had worked well to produce creditable data for the compilation of the gross PTIs, the PTSC decided to continue to use the same methodology without change for the 2000/2001 pay trend survey. With four companies either opting out of their own volition or being deleted from the survey field due to their failure to comply with the approved methodology, the survey field was reduced to 79 companies. To improve the survey field, the PTSC decided to add ten new companies, bringing the total to 89, for the 2000/2001 survey.

## **Creation of a new Information Technology (IT)/High Technology (HT) Sector in the Pay Trend Survey field**

3.10 With the rapid development of the IT/HT industry in Hong Kong, the PTSC was concerned whether there was enough representation of IT/HT companies in the pay trend survey and whether a new IT/HT sector should be created in the existing survey field. The PTSC noted that at present 15 companies in the survey field were engaged in IT/HT and related activities. Together, they employed over 27,000 employees, accounting for 20% of the survey population. Since the economic sector classification for the pay trend survey field had been drawn up by reference to that adopted by the Census and Statistics Department (C&SD), the advice of C&SD was sought on whether a new IT/HT sector should be created in the pay trend survey field. The advice of C&SD was that there was as yet no such sector under the International Standard Industrial Classification on which the C&SD classification had been modelled. On account of this, the PTSC agreed that it would not be opportune at this stage to create a new IT/HT sector in the pay trend survey field.

3.11 At its meeting in December 2000, the PTSC agreed to commission the PSRU to undertake the 2000/2001 pay trend survey between January and early May 2001.

## **CHAPTER 4**

### **FUTURE PROGRAMME OF WORK**

4.1 In the year ahead, we will continue to discharge our responsibilities under the Commission's terms of reference and to tender advice on any proposals the Administration may put to us dealing with changes to the pay and conditions of service for individual grades or for the civil service as a whole.

4.2 We will continue to keep the methodology of the pay trend survey under review to ensure that the survey data collected is as creditable as possible. We will also conduct the annual updating of civil service starting salaries in the latter half of the year.

4.3 Last but not least, we will continue our liaison with the seven major civil service staff councils/associations and our contact with organizations outside the civil service to keep abreast of developments relevant to the discharge of our duties and responsibilities.