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SECRETARY FOR THE CIVIL SERVICE
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11 June 2002

Dear Colleagues,

2002 Civil Service Pay Adjustment

Further to my letter of 28 May, I am writing to inform you that the Chief Executive has decided today not to appoint a Committee of Inquiry under the 1968 Agreement signed between the Government and the main staff associations (1968 Agreement) to look into the 2002 civil service pay adjustment, as requested by the Staff Side of the Senior Civil Service Council (SCSC).

The 1968 Agreement provides that a Committee of Inquiry can be appointed by the Chief Executive where there are no prospects of reaching agreement on a matter within the scope of the Agreement, provided that the matter in dispute is not one which in the opinion of the Chief Executive :

- (a) is trivial; or
- (b) is a matter of settled public policy; or
- (c) affects the security of Hong Kong.

Having carefully considered the request of the Staff Side of SCSC, the Chief Executive is of the opinion that it is a matter of settled public policy that in determining the size of each year's civil service pay adjustment, the Government takes into account the following factors: the net pay trend indicators derived from an independent private sector pay trend survey, the state of the economy, budgetary considerations, changes in the cost of living, the staff

sides' pay claims and civil service morale. Some of the considerations under the existing mechanism such as the net pay trend indicators and the cost of living are capable of upward and downward movements. It is thus inherent in our annual pay adjustment policy and mechanism that civil service pay may be increased or decreased. The 2002 civil service pay adjustment exercise has been conducted in full accordance with a settled public policy and a mechanism accepted by the Government and the civil service; and the final decision on a civil service pay reduction has taken account of all the relevant consideration factors.

In response to the suggestion of the Staff Side of SCSC that the Government should restore an alleged "shortfall" in pay adjustment which has accumulated since 1989, the Chief Executive is of the opinion that it is a matter of settled public policy that each civil service pay adjustment exercise is taken as a separate and independent exercise based on circumstances prevailing at the time. Hence, there is no question of restoring any "shortfalls" in pay adjustment carried over from previous years.

The Government is committed, and the staff sides have hitherto urged the Government, to follow the established mechanism in handling this year's civil service pay adjustment exercise. We have invited the staff sides of the four central consultative councils to submit their pay claims for this year's civil service pay adjustment and to put forward their comments on the Government's pay offer. The Chief Executive in Council has also given full and fair consideration to these views and comments in deciding on this year's pay adjustment.

On the Chief Executive in Council's decision to give effect to the 2002 civil service pay adjustment by legislation, this is a matter of implementation of a settled public policy. Whether the decision could have been implemented without legislation and whether the proposed legislation is constitutional are questions of law, which a Committee of Inquiry would not be able to resolve.

In view of the foregoing, the Chief Executive is of the opinion that the matter in dispute is a matter of settled public policy and has therefore decided under clause 7(1) of the 1968 Agreement that there is no case to appoint a Committee of Inquiry to look into the 2002 civil service pay adjustment.

I would like to take the opportunity to inform you that we introduced the Public Officers Pay Adjustment Bill (the Bill) for implementing the 2002 civil service pay adjustment into the Legislative Council (LegCo). It is our intention to obtain LegCo's approval of the Bill within the current legislative session so that the pay reduction can be implemented with effect from 1 October 2002.

This year's civil service pay adjustment has been decided on the basis of a mechanism accepted by all civil servants. I note that many colleagues consider the pay adjustment reasonable and accept the pay reduction as a measure of their readiness to share the burden with the rest of the community in the current climate. I appeal to all colleagues to demonstrate their commitment to the community they serve.

I shall write again to keep you posted on the progress of the 2002 civil service pay adjustment exercise.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Joseph W P Wong', written in a cursive style.

(Joseph W P Wong)
Secretary for the Civil Service