

Decision of 2020-21 civil service pay adjustment

A spokesman for the Civil Service Bureau said today (June 2) that the Chief Executive-in-Council (CE-in-Council) has decided that the pay for civil servants in the upper, middle and lower salary bands and the directorate in 2020-21 should be frozen with retrospective effect from April 1, 2020.

In arriving at this decision, the CE-in-Council has fully and thoroughly considered all relevant factors under the established annual civil service pay adjustment mechanism, including:

- * the net pay trend indicators (net PTIs);
- * the state of Hong Kong's economy;
- * changes in the cost of living;
- * the Government's fiscal position;
- * the pay claims of the staff side; and
- * civil service morale.

The Net PTIs

According to the 2020 Pay Trend Survey, the net PTIs for the upper, middle and lower salary bands are 1.68 per cent, 1.98 per cent and 1.15 per cent respectively.

The State of Hong Kong's Economy

The threat of COVID-19 and the necessary anti-epidemic measures seriously disrupted a wide range of economic activities in Hong Kong. The real Gross Domestic Product contracted sharply by a record 8.9 per cent year-on-year in the first quarter of 2020. Furthermore, the seasonally adjusted unemployment rate, after rising noticeably from 3.3 per cent in the fourth quarter of 2019 to 4.2 per cent in the first quarter of 2020, surged further to 5.2 per cent in February to April 2020. The underemployment rate likewise soared from 1.2 per cent in the fourth quarter of 2019 to 3.1 per cent in February to April 2020.

Changes in the Cost of Living

For the 12-month period ending March 2020, the headline Composite Consumer Price Index (CPI), which reflects the impact of the changes in consumer prices on approximately 90 per cent of households, increased by 2.8 per cent as compared to the previous 12-month period ending March 2019.

The Government's Fiscal Position

The Government ran a fiscal deficit of about \$10.6 billion in 2019-20, the first time for Hong Kong over the past 15 years. In 2020-21, the fiscal deficit is estimated to increase substantially to around \$280 billion or even more. As at March 31, 2020, the fiscal reserves stood at \$1,160.3 billion,

though the figure is expected to drop to around \$800 billion to \$900 billion by the end of 2020-21.

The Pay Claims of the Staff Side

The staff side of the four central consultative councils made different pay claims for the 2020-21 pay adjustment, ranging from a pay freeze to a 4 per cent pay rise.

Civil Service Morale

Civil servants cite their dedication and hard work in fighting the COVID-19 epidemic and rising public expectations to justify recognition from the Government for their efforts. Given the positive net PTIs and a headline Composite CPI of 2.8 per cent, the staff side generally consider that the pay rise should not be less than the net PTIs or the headline Composite CPI.

"The CE-in-Council fully recognised civil servants' efforts and contributions in coping with the social events and COVID-19 in the past year. The pay freeze decision was made by the CE-in-Council having thoroughly considered all relevant factors under the established mechanism. Hong Kong's economy and the Government's fiscal position are being hit hard. While all the three net PTIs and the headline Composite CPI are in the positive, it should be pointed out that the net PTIs are but one of the six relevant factors to be taken into account for deciding the annual civil service pay adjustment. The pay freeze decision has, therefore, been made in strict accordance with the established civil service pay adjustment mechanism," the spokesman said.

"The Government has informed the staff side representatives of the four central consultative councils and representatives of the four major service-wide staff unions of the decision. We will brief the Legislative Council Panel on Public Service on June 19."