

## I. INTRODUCTION

In a letter to His Excellency the Governor dated 27 November 1981 (which was subsequently published in our Report No. 7 : Interim Report on Civil Service Pay Policy) we presented our preliminary views on the system for making overall adjustments to civil service pay. In the letter we made it clear that our proposals were of an interim nature and that we proposed to continue our study of civil service pay policy with the intention of submitting a further report in due course. This, our Second Report on Civil Service Pay Policy, is that further report.

2. Our previous recommendations were concerned only with the arrangements for the 1982 civil service pay adjustment. The scope of this report is also limited to the system for making general pay adjustments and, at this stage, certain of our recommendations are applicable only to the arrangements for 1983. Again therefore our report is to some extent of an interim nature. We make no apology for this. Civil service pay policy is a highly complex subject and is also too important, not only to civil servants but to the economic and social development of Hong Kong as a whole, to be the subject of final advice. In our opinion, it is essential that all aspects of civil service pay policy should be kept under continuing review in the light of changing circumstances.

## II. HISTORICAL BACKGROUND

3. During the 1950s and 1960s it was the practice, every five or six years, to appoint a salaries commission which was given the task of reviewing both the general level of civil service pay and the salary and structure of individual grades. The 1965 Salaries Commission laid down the principle of fair comparison with the private sector as the basis of civil service pay policy, following the accepted policy at that time in the British Civil Service, which derived largely from the Priestley Royal Commission Report of 1955.

4. Following the acceptance of the recommendations of the 1965 Salaries Commission, the Hong Kong Government issued a "Statement of Principles and Aims of Civil Service Remuneration", which was accepted by the Staff Side of the Senior Civil Service Council. The basic principles of pay policy enshrined in this statement were as follows :