SOUTH CHINA MORNING POST
17 MAY 1991

$5.2b bill for civil servant salary rise

By FANNY WONG

AT least $5.2 billion will be needed to foot the bill for the civil service salary rise if the Pay Trend Survey indicator, which says private sector employees are getting about 13 per cent wage increases, is to be followed.

Despite the staff's call for the Government to follow the Pay Trend Survey findings, they are set to be disappointed.

With the tight budgetary position, some officials are understood to be maintaining that an increase of about 10 per cent will be more realistic.

The demand by some civil service staff associations to be awarded a 14 per cent pay rise will be unpalatable as the administration is determined not to take the lead to fuel inflation.

Also the cost arising from a 14 per cent pay increase is expected to use almost all of the contingency funds the Government has set aside for the current financial year.

Officials are caught in a dilemma that while not wanting to fuel inflation, staff are bound to take the rising costs of living as the reason for their claim for a higher pay award.

The Government is understood to be bracing for a tough period of bargaining with the staff side in the next few weeks as the inflation rate stood at 12.9 per cent in the 12-month period to the end of March.

The Pay Trend Survey indicated private sector salary increases have been running at 13.12 per cent for senior staff, 13.71 per cent for middle-rank staff and 13.27 per cent for lower-rank last year.

According to the Finance Branch's calculations, for every one per cent salary increase for staff, including those in the subvented sector, it will cost taxpayers about $400 million.

A 14 per cent wage increase would amount to an extra staff pay bill of $5.6 billion while the contingency funds for recurrent spending only stand at about $6 billion.

The annual wage award aside, the contingency funds are also reserved to pay for a range of other things and services whose financial implications are not yet clear.

As part of the official effort to combat soaring inflation, the administration is expected to bring down salary cost which forms a main component in the Government's recurrent spending.

Last year, an extra $4.6 billion had added to the pay bill of government staff which exclude those working in the subvented sector such as hospitals, schools and social welfare institutions.

The $4.6 billion payment was to cover both the costs for the annual salary increase and one special pay award granted to civil servants.

Meanwhile, the Financial Secretary-designate, Mr Hamish Macleod, said yesterday that there were no easy options in the field of revenue and taxes.

Speaking at the annual dinner of the Hongkong institute of Economic Science last night, he indicated that both direct and indirect taxes had their problems and therefore the dilemma involving government revenue would remain.

The problem with direct taxes was not just volatility but also reliability as a source of income.

For indirect taxes, a problem would be their tendency to push up the Consumer Price Index (A).