



ELEVENTH REPORT

STANDING COMMITTEE ON
DIRECTORATE SALARIES AND
CONDITIONS OF SERVICE

NOVEMBER 2008

首長級薪俸及服務條件常務委員會
Standing Committee on Directorate Salaries and Conditions of Service

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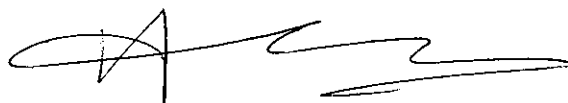
27 November 2008

The Honourable Donald Tsang, GBM
The Chief Executive
Hong Kong Special Administrative Region
People's Republic of China
Government House
Hong Kong

Dear Sir,

On behalf of the Standing Committee on Directorate Salaries and Conditions of Service, I have the honour to submit our Eleventh Report, which contains our recommendations on the grade structure review of the directorate grade.

Yours faithfully,



(Vincent CHENG Hoi-chuen)
Chairman

Standing Committee on Directorate
Salaries and Conditions of Service

Encl.

**STANDING COMMITTEE ON DIRECTORATE
SALARIES AND CONDITIONS OF SERVICE**

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CONTENTS

	Paragraphs
I. INTRODUCTION	
Background	1 – 3
Approach	4 – 7
Scope	8 – 9
General Principles and Considerations	10 – 12
II. DIRECTORATE STRUCTURE	
Existing Structure	13 – 14
Directorate Pay Scale	15 – 18
Directorate (Legal) Pay Scale	19 – 22
III. HEADS OF DISCIPLINED SERVICES	23 – 26
IV. DIRECTORATE SALARIES	
Changes Since the Last Review	27 – 30
Pay Comparison Study	31 – 37
Other Relevant Considerations	38 – 41
Recommended Directorate Pay Scales	42 – 44
V. OTHER RELATED ISSUES	45 – 49
VI. SUMMARY OF RECOMMENDATIONS	50 – 51
VII. ACKNOWLEDGEMENTS	52

APPENDICES

- A Terms of Reference of the Standing Committee on Directorate Salaries and Conditions of Service
- B Membership of the Standing Committee on Directorate Salaries and Conditions of Service
- C List of Submissions Received
- D Pay Comparison Study: Company Profile
- E Pay Comparison Study: Participating Companies
- F Existing Directorate Structure and Legal Directorate Structure
- G Existing Directorate Pay Scale, Directorate (Legal) Pay Scale and Salaries of Heads of Disciplined Services
- H Directorate Establishment as at 1 April 2008
- I Recommended Directorate Pay Scale, Directorate (Legal) Pay Scale and Salaries of Heads of Disciplined Services

I. INTRODUCTION

Background

The Standing Committee on Directorate Salaries and Conditions of Service (the Directorate Committee) is appointed by the Chief Executive to advise on the structure, salaries and conditions of service of the civil service directorate grades. Its terms of reference and membership are at **Appendix A** and **Appendix B** respectively.

2. Under its terms of reference, the Directorate Committee may conduct an overall review at such time as it determines. The Directorate Committee last conducted an overall review in 1989 during which the structure of the directorate, the grouping of departments, directorate salaries and conditions of service were examined. Since then, the directorate structure has remained largely unchanged. As for directorate pay, adjustments have been made generally in line with the rest of the civil service having regard to annual pay trend survey results and other relevant considerations.

3. In 2006, the Administration conducted a Pay Level Survey (PLS) for the civil service, which confirmed the broad comparability of the pay level of non-directorate civilian grades with private sector pay. Primarily because of the chosen methodology, the PLS did not cover the directorate grades. The results of the PLS were applied to the directorate grades on the basis of the existing set of pay relativities between the directorate grades and non-directorate civilian grades, which dates back to 1989. Having considered the Administration's invitation, the Directorate Committee decided in 2007 to conduct a grade structure review (GSR) to examine whether this set of relativities is still valid and appropriate.

Approach

4. As on previous occasions, we invited written submissions from Heads of Departments and Grades and all directorate officers. We received a total of 21 submissions including 11 from departments or grade management, four from staff associations and six from individual officers. We considered all the submissions in their entirety. A list of the submissions is at **Appendix C**. In addition, we held an open forum for directorate officers, and about 90 officers attended. We also formed a focus group (comprising 28 directorate officers) and conducted two discussion sessions.

5. As in past reviews, we commissioned an independent consultant to conduct a study on pay practices and the remuneration of senior management in the private sector with responsibilities comparable to the directorate grades. Hay Group Limited (the Consultant) conducted the study on our behalf from February to July 2008, using 1 April 2008 as the reference date.

6. A total of 111 benchmark posts in 60 benchmark ranks representing 69% of the total directorate establishment were selected to determine the job size using well-established human resource management tools. The evaluation was conducted by the Consultant and reviewed by the Directorate Committee with the assistance of an external human resource expert. The Consultant then invited participating companies to identify comparable positions in their companies, and compared the remuneration of civil service directorate with that of comparable positions in the private sector. All non-cash benefits were excluded for the purpose of this study. The basis for comparison was not position-by-position comparison, but rather on broad bands defined by job size. A total of 170 companies were invited and 61 took part in the survey. The profile of the participating companies by their size and economic sector are at **Appendix D**. The names of those companies who

agreed to be acknowledged are at **Appendix E**. The Consultant's report on the pay comparison study will be published separately¹.

7. The Directorate Committee held seven meetings. In our deliberations, we took full account of the views as expressed in written submissions, open forum and focus group meetings, the findings of the pay comparison study as well as other relevant considerations.

Scope

8. The GSR focused primarily on the structure and pay scales of civilian directorate grades and the salary of the heads of the disciplined services. The review did not cover conditions of service matters, since the Administration had recently completed a comprehensive review in this regard. Nevertheless, in the course of conducting the GSR, we came across certain benefits and management issues. We consider it appropriate to bring them to the attention of the Administration. These are covered in paragraphs 45 to 49.

9. In the ensuing sections, we will present our recommendations covering four aspects –

- (a) directorate structure (paragraphs 13 to 22);
- (b) heads of disciplined services (paragraphs 23 to 26);
- (c) directorate salaries (paragraphs 27 to 44); and
- (d) other related issues (paragraphs 45 to 49).

¹ The Consultant's report on the pay comparison study can be found in the website of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service (<http://www.jsscs.gov.hk>).

General Principles and Considerations

10. In conducting the GSR, we took account of Government's pay policy for the civil service which is to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service and to ensure that the remuneration is regarded as fair by both civil servants and the public they serve.

11. During the review process, we had due regard to the following key considerations –

- (a) the directorate grades are an integral part of the civil service of the Hong Kong Special Administrative Region;
- (b) changes, since the last review in 1989, in the work nature, job duties, responsibilities and workload of the directorate grades, and in the public's expectation of the directorate grades consequential upon the changing social, economic and political landscape;
- (c) the market pay practices for the private sector counterparts to the directorate grades;
- (d) the morale, retention and career progression situation of the directorate grades; and
- (e) any relevant wider community interest, including financial and economic considerations.

12. In considering the broad comparability between civil service directorate pay and private sector executive pay, we took heed from the conclusions of previous reviews that there are fundamental differences in the pay framework and pay policy between the two sectors. Whilst private sector pay information can serve as useful reference, it would neither be appropriate nor

pragmatic to have any mechanical link between the two sectors in pay determination. The considerations, as cogently presented in our First Review Report and reaffirmed in subsequent reviews, remain valid today –

“There are many other factors and conditions of service to be considered, and we have fully in mind the differences of security of employment and other considerations of service. Moreover, commercial systems of promotion and payment in the highest ranks are much more flexible than those of the public service. In the Government service, promotion is based on qualifications, experience and merit. Although it is not unusual for an officer to be promoted out of turn, officers of normal ability can reasonably expect to rise steadily in the service, although naturally not all can reach the top ranks. The salary of posts is fixed; Government pays the same salary to the holders of a post whether or not he makes a success out of it. The rewards in commerce are more unevenly distributed. The exceptionally able may rise rapidly to senior posts, while the person of average ability may remain at a relatively low level. There is no ‘pay for the job’ for these senior posts, and salaries may vary greatly accordingly to the merits of the occupant. But despite these differences of method, any reasonable assessment of fair remuneration for Government servants must take into account the range of corresponding commercial salaries.”²

² For details, please refer to the Report of the Standing Committee on Superscale/Upperscale Salaries, Report No. 1 (1964), which is available at the website of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service (<http://www.jsscs.gov.hk>).

II. DIRECTORATE STRUCTURE

Existing Structure

13. As at 1 April 2008, there were 1 311 directorate posts, including 1 091 civilian directorate officers remunerated on the Directorate Pay Scale (DPS), 107 legal directorate officers remunerated on the Directorate (Legal) Pay Scale (DLPS) and 113 disciplined services directorate remunerated on separate scales for the disciplined services. As far as the disciplined services were concerned, only the service heads were covered by this GSR.

14. The DPS consists of ten levels (D1 to D10) whilst the DLPS comprises seven levels (DL1 to DL7). These two scales and the separate scales for the disciplined services have close relativity among them. The existing directorate structure and the relevant directorate pay scales are at Appendix F and Appendix G respectively. The directorate establishment as at 1 April 2008 is at Appendix H.

Directorate Pay Scale (DPS)

D10, D9 and DL7 ranks

15. After the introduction of the Accountability System in July 2002, the Chief Secretary (D10), the Financial Secretary (D9) and the Secretary for Justice (DL7) posts were deleted from the civil service establishment. At present, there are no posts at these three levels, and we do not see the need for retaining them. Accordingly, we **recommend** that they be removed from the directorate structure.

D7 rank

16. The D7 rank was created in the 1989 review specifically to accommodate Heads of Group I Departments, which were the bigger departments. In 2003, the Housing Department and the Education Department were merged with their respective policy Bureau, and the two Head of Department posts ranked at D7 were deleted. While there is currently no post at D7 level, there may be a case to regroup some of the existing departments to Group I in future. For this reason, we **recommend** that the D7 pay point be retained for the time being.

D1 and D2 ranks

17. Some professional grade directorate officers noted that some grades were promoted directly to D2 on entering the directorate, while they had to go through the D1 rank and often had to stay in the rank for years before they gained promotion to D2. They also felt that the unprecedented social and political changes in Hong Kong since the last overall review had resulted in increased responsibilities for D1 officers. They therefore proposed that the D1 level be deleted and be put on par with D2 officers.

18. We have examined the duties and responsibilities of current D1 and D2 jobs, and are satisfied that there are distinct functional differences between the two levels. We consider it necessary to retain the D1 level, which is predominantly a rank for chief professionals and chief staff officers. As for the difference in the grade structure among different grades, it would be up to the management of individual grades and departments to keep their grade structure under constant review to see whether refinements would be necessary based on functional grounds. We will examine the requests separately when a case has been made to us.

Directorate (Legal) Pay Scale (DLPS)

Pay scale

19. Directorate posts in legal services departments are paid from the DLPS. We note that this pay scale followed from the previous Directorate (Judicial/Legal) Pay Scale and took its present form after a separate pay scale was established for the judicial officers in November 1988. In the last review, we recommended that the relativity between DLPS and DPS be preserved.

20. The Department of Justice (DoJ) proposed that the DLPS should be delinked from the DPS, and that a separate study be conducted to compare the pay of the legal directorate with that of lawyers in the private sector. There was a similar proposal to introduce a separate pay scale for the legal directorate grades in the Intellectual Property Department (IPD).

21. We have carefully examined the proposals. We note that an independent pay scale was established for the judicial officers because of the Judiciary's special constitutional position originated from the separation of powers of the executive, the legislature and the judiciary. Unlike judicial officers, legal grades are an integral part of the civil service and we remain of the view that the existing relativity with the rest of the civil service should be preserved. For the same reason, we do not consider it appropriate to introduce a separate pay scale for the legal directorate grades in IPD. We reaffirm our recommendation in our last review that the relativity between DLPS and DPS be preserved.

Rank structure

22. As mentioned in paragraph 15, we recommend the deletion of DL7, which is the pay point for the former Secretary for Justice. If the proposed deletion of DL7 is approved, the

pay points of DPS and DLPS will be aligned at D1 to D6 levels. We note DoJ's view that the ranking of Law Officer (DL6), Principal Government Counsel (DL3) and Deputy Principal Government Counsel (DL2) posts in different divisions of the Department needs to be reviewed. There was also a suggestion to upgrade certain posts in IPD to DL1 level. We will examine the requests separately when a case has been made to us.

III. HEADS OF DISCIPLINED SERVICES

23. In the course of our last overall review in 1989, the Standing Committee on Disciplined Services Salaries and Conditions of Service (SCDS) was established. The salaries and conditions of service of the directorate officers in the seven disciplined services departments, namely the Correctional Services Department (CSD), Customs and Excise Department (C&ED), Fire Services Department (FSD), the Government Flying Service (GFS), Immigration Department (ImmD), the Hong Kong Police Force (HKPF) and the Independent Commission Against Corruption (ICAC), were no longer under the purview of the Directorate Committee except for the service heads, as the Government accepted that their salaries should bear a defined relationship with other very senior posts in the civil service. The defined relationship has been maintained since then.

24. At present, the salary of the head of HKPF is equivalent to D8, which is the pay point for a Permanent Secretary. The Commissioner, ICAC, is appointed by the Chief Executive, and the salary has been set at equivalent to D8 since the establishment of the Commission in 1974. The salary of the heads of CSD, C&ED, FSD and ImmD is equivalent to D6, which is the pay point for the head of a Group II department. The head of GFS has been kept at equivalent to D3 since the establishment of the agency in 1993.

25. The Controller, Government Flying Service (C, GFS) proposed to upgrade his post from D3 equivalent to D5 equivalent to recognise the department's increased role in the local community and in the international scene. We have examined the department's development since 1993 when the post of C, GFS was upgraded to its present level, and have not found evidence to support the proposed upgrading. We consider the present ranking at D3 equivalent to be appropriate.

26. Having considered the submissions and the role and responsibilities of the seven heads of disciplined services, we consider their present salary levels appropriate and **recommend** no change.

IV. DIRECTORATE SALARIES

Changes Since the Last Review

27. As stated in paragraph 11, we have taken into account changes in the work nature, job duties and responsibilities of the directorate grades and in the public's expectation of the directorate grades consequential upon the changing social, economic and political landscape. It is evident from the written submissions, the open forum and focus group discussions that civil service directorate officers have encountered many new challenges since our last review in 1989. The role and responsibilities of directorate officers have increased in scope and complexity as a result of the changes in the social, political and economic scenes.

28. The closer links with the Mainland and international authorities, the rising public expectations, the constitutional and political developments, the greater and more active participation of Legislative and District Council Members and other external stakeholders are among those recent developments that have

increased the responsibilities of the directorate grade. The process of drawing up and implementing policies has become longer and more complicated whilst the Government is subject to close media and public scrutiny. Moreover, budgetary constraints, the restrictions on civil service growth, the emergence of mixed staff workforce, and decentralisation of various human resource and financial management functions have resulted in greater and more complex responsibilities on all fronts. Directorate officers not only have to cope with the additional responsibilities and stress, they are also expected to lead their departments and bureaux to rise to the new challenges while maintaining quality services and enhancing productivity.

29. Moreover, we also recognise that there are certain features of directorate jobs, such as restrictions on personal activities like investment, participation in political activities and post-retirement employment, and the very high standard of personal integrity required, which are distinctive in the civil service.

30. We note that the differential between the top point of the Master Pay Scale (MPS 49) and the bottom point of the Directorate Pay Scale (D1) is currently 11.5% of MPS 49. This falls short of the 15% we recommended in our last review. Many directorate officers had represented to us that 11.5% is too small a gap to recognise the increase in responsibilities on moving into the directorate. We accept that there should be a reasonable differential between the top of MPS and the bottom of DPS in view of the substantial increase in responsibilities and special features of directorate jobs. We will examine the present pay level of D1 in the context of the pay comparison study and other relevant considerations as detailed in paragraphs 31 to 41.

Pay Comparison Study

31. Based on the private sector pay comparison study as mentioned in paragraphs 5 and 6, there are distinct differences between the private sector and civil service in the rank and remuneration structure. In the private sector, there are “big jumps” between jobs at successive levels especially at the senior levels whereas in the civil service, the gap from one directorate level to the next is “step-by-step”. The other notable difference is that there is no variable pay in the civil service whereas in the private sector, it is a significant component of total cash. Variable pay is often performance-tied and non-guaranteed.

32. As regards measures of market comparison, the Consultant has identified three common choices, namely Base Salary, Guaranteed Cash and Total Cash. Base Salary represents basic salary plus fixed bonus; Guaranteed Cash covers Base Salary plus fixed cash allowance; and Total Cash means Guaranteed Cash plus variable pay and other non-fixed cash benefits. For those organisations that place heavier emphasis on stability of their workforce and where performance or deliverables are difficult to measure or assess, they tend to adopt Base Salary or Guaranteed Cash as the basis for comparison in determining their executive remuneration. Having regard to the characteristics of the civil service directorate, the Consultant recommended that Guaranteed Cash be adopted as a reference for civil service directorate. We agree and **recommend** that comparison with private sector pay be based on Guaranteed Cash.

33. In terms of target market positioning, the Consultant advised that it was common for companies to adopt market median (P50) for benchmarking purposes. In this connection, the Consultant recommended a tiered approach for the civil service in setting its target market position, i.e. a more aggressive target of third quartile (P75) for the directorate entry ranks of D1 and D2, progressing to below market median for the top ranks.

In making this recommendation, the Consultant considered it appropriate to entice and reward D1/D2 officers in “making the grade”, and to send clear signals to officers aspiring to the directorate in order to retain talent in an increasingly competitive environment. At the most senior levels, the Consultant considered that they carry a larger civic role of serving the community, for which there is no close comparison in the private sector. Other intangible factors such as honour, power and contribution to society become more significant.

34. We agree with the Consultant that a tiered approach is appropriate, and **recommend** a target market position of third quartile for D1 and D2, and median for D3 and D4. However, we do not consider it appropriate to set a target market position for D5 and above as private sector pay at these levels is more volatile, heavily affected by the state of the economy and more closely tied to performance of the individuals and companies. At these levels, we accept that civil service salaries cannot match those of some top executives in the private sector. We **recommend** that their salary should primarily be set with regard to internal relativity with the lower levels. However, we consider it appropriate to keep track of changes in private sector executive remuneration to see whether adjustments should be made in the future.

35. In terms of pay adjustment, the Consultant advised that the private sector normally regarded a variance of more than 15% (and more at the higher levels) as a concern that required attention or action as appropriate. Given the volatility of remuneration levels for senior executives in the private sector, we consider it reasonable to have a margin of 15% before action should be taken.

36. Based on the findings of the pay comparison survey using 1 April 2008 as the reference date, the analysis is as follows –

- (a) Base Salary – the civil service directorate is close to the third quartile of the market for D1 and D2 officers and median for D3 and D4 officers, but is paid below market median at the senior levels;
- (b) Guaranteed Cash Compensation – the civil service directorate is close to the median of the market for D1 to D4 officers but is paid below market median at the senior levels, pay for D1 and D2 is below the third quartile, although the variance is within 15%; and
- (c) Total Cash Compensation – the civil service directorate is below median of the market across all levels, and the gaps are significant at the senior levels.

37. Using Guaranteed Cash as the basis for comparison and the tiered approach for target market positioning as set out in paragraph 33, the above findings indicate that directorate salaries at D1 to D4 are within the 15% variance, and no immediate action is called for. At D5 and above, the gap with the market is significant. This would normally call for a pay adjustment. However, there are other factors that we need to consider and we will examine these in the following paragraphs.

Other Relevant Considerations

38. At the moment, civil servants enjoy job security, a progressive pay scale, a steady career progression and a stable work environment. Directorate officers are generally promoted from non-directorate grades and direct recruitment is rare and far between. Apart from retirement and completion of agreement, the wastage at the directorate levels is very low (around 1% in the year ending 31 March 2008). We also note that almost all directorate officers are on pensionable terms. We have

examined retirement benefits in the private sector, although they are not part of the comparison survey. We are satisfied that the retirement benefits for directorate officers generally compare favourably with those in the private sector.

39. As stated in paragraph 12, while private sector practice is a useful reference in order to recruit and retain staff of the right calibre and to uphold staff morale, it would neither be appropriate nor pragmatic to have any mechanical link between the two sectors in pay determination, given the fundamental differences in the pay framework and pay policy between the two sectors. Other factors must also be considered. These include the economic situation, Government's financial position, public reaction and wider community interest. The survey was conducted in April 2008, which reflected the market situation in the previous 12 months. Since then, the economy has deteriorated rapidly and private sector employees could face pay cuts or even job loss in the near future. It is clear that the survey had captured private sector pay data in a very good year, and that the same may not be repeated in the coming few years.

40. Against this background and taking into account the factors in paragraphs 38 and 39, we are of the view that a prudent approach needs to be taken in determining directorate salaries. We recognise that there is a pay gap with the private sector, particularly at the senior levels, and that in normal situations, some pay adjustments would be reasonable. However, a balance has to be struck. In view of the current economic climate, we consider it more appropriate to keep the existing pay points whilst improving the existing incremental scales.

41. In our last review, we recommended the award of increments to directorate officers on D1 to D4, as we considered that an officer who had been in a particular rank for several years generally would do the job better than an officer who had just been promoted to that rank. Directorate officers on D5 to D8, who are Heads of Departments or Permanent Secretaries, do not

enjoy any increments. Staff had put to us that the incremental scale should be improved, by increasing the number of increments and awarding the increments annually rather than every two or three years, in line with the practice for non-directorate staff. There were also requests for extending the award of increments to all ranks.

Recommended Directorate Pay Scales

42. Balancing the survey findings and the factors set out in paragraphs 38 to 41, we consider it appropriate to improve the incremental scales and **recommend** introducing one additional increment for D1 to D4, and a new increment for D5 to D8. We also **recommend** the increments be awarded on a biennial basis. We do not however recommend any salary adjustment to the existing pay points of the Directorate Pay Scale.

43. Accordingly, we **recommend** at **Appendix I** a revised Directorate Pay Scale, which incorporates the structural changes and the new increments, and a recommended Directorate (Legal) Pay Scale where the existing relativity with the Directorate Pay Scale would be preserved. The salaries for the heads of the disciplined services are shown alongside the two pay scales. We also **recommend** that the revised pay scales should take effect from a future date.

44. The prevailing macro environment necessitates that a prudent approach should be adopted, and we appreciate that the situation may evolve over time. We note that officers appointed in and after June 2000 are not on pensionable terms and some in this batch would make it to the directorate in a few years' time. This significant change in the pay package might affect Government's ability to retain and motivate officers. In this connection, we consider it appropriate to revisit directorate salaries in the not too distant future, say in two to four years' time, to see whether the directorate remuneration is sufficient to retain

and motivate officers, particularly those who are not eligible for civil service pension. We would then have an opportunity to re-examine this issue, taking into account all relevant considerations including the changing economic situation at that time.

V. OTHER RELATED ISSUES

45. The Consultant has identified the absence of variable pay, often performance-tied, as one of the key reasons for the pay gap with the private sector. We note that there were mixed views on the proposal to introduce performance pay in the civil service. During our focus group discussions, some directorate officers expressed support for more cash incentives to reward performance. Others were concerned about the practical implications. We remain of the view that while performance pay could be considered for the civil service as a longer-term objective, it must be supported by a robust and transparent performance management system. The Administration may wish to examine this issue having regard to the experience of other jurisdictions and the local conditions.

46. Another reason for the pay gap is housing allowance, which is a fixed allowance in the private sector without restrictions while civil service directorate officers are subject to certain rules including the ten-year rule. Statistics indicate that over 60% of directorate officers have exhausted their entitlement to any housing benefits (primarily because of the ten-year rule) and another 3% or so are not claiming because of the rules that prevent double benefits. A number of submissions had asked for the rules to be relaxed. As these rules are applicable to the whole civil service, it might not be appropriate to introduce changes to directorate officers alone. However, the situation should be monitored to see whether adjustments should be made in the future.

47. Many staff criticised the inadequacies of medical and dental services provided to civil servants, with some proposing encashment of the benefit. Some officers requested extending the provision of free medical examination to D1 and D2 officers. The latter request echoed our recommendation made in the last overall review in 1989. The Administration may wish to revisit the matter at an appropriate time.

48. There were quite a few proposals to improve staff management and career development. Suggested measures include stepping up training and development, open directorate to maximise manpower resource, secondment to statutory bodies, merger of small grades, and more flexible retirement age to facilitate staff succession. Others requested a more flexible use of acting allowance or other forms of monetary incentive to give recognition to additional duties shouldered or exceptional jobs performed.

49. Another concern is the restrictions in directorate growth and in civil service growth overall, which have resulted in increased workload and work pressure, stress and frustration. Consideration could be given to improving the overall manpower position where appropriate.

VI. SUMMARY OF RECOMMENDATIONS

50. In summary, we **recommend** –

- (a) the Directorate Pay Scale to be revised from ten to eight levels, with the obsolete levels of D9 and D10 removed and the D7 level retained for the time being to cater for any possible regrouping of departments in future (paragraphs 15 and 16);

- (b) the Directorate (Legal) Pay Scale to be revised to six levels, with the obsolete level of DL7 removed and the existing relativity with the Directorate Pay Scale preserved (paragraphs 15 and 21);
- (c) the salaries of the heads of HKPF and ICAC to continue to be equivalent to D8; the salaries of the heads of CSD, C&ED, FSD and ImmD to continue to be equivalent to D6 and the salary of C, GFS to continue to be equivalent to D3 (paragraph 26);
- (d) comparison with private sector pay to be based on Guaranteed Cash (paragraph 32), with a target market position of the third quartile for D1 and D2, and median for D3 and D4. No target market position to be set for officers on D5 and above (paragraph 34);
- (e) one additional increment at the top of the pay scales for D1 to D4 officers, and an increment to be introduced to D5 to D8 officers, with corresponding changes to the Directorate (Legal) Pay Scale and the salaries of the heads of disciplined services (paragraph 42);
- (f) all increments to be awarded on a biennial basis (paragraph 42); and
- (g) the revised directorate pay scales and revised salaries of the disciplined services heads at Appendix I to take effect from a future date (paragraph 43).

51. We also consider that pay comparison surveys should be conducted at more frequent intervals and that the next review on directorate salaries could be conducted in say, two to four years' time, as stated in paragraph 44.

VII. ACKNOWLEDGEMENTS

52. We would like to record our appreciation to those who have contributed to this review through written submissions, participation in the open forum, focus group, pay comparison survey, and to all the participating companies for their co-operation and support in the private sector pay comparison study. We also thank the Secretary General of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service, and her staff for their invaluable support throughout the review.

APPENDICES

**Standing Committee on Directorate
Salaries and Conditions of Service**

Terms of Reference

- (a) The Committee will keep under review the structure, i.e. the number of levels and the pay rates appropriate to each post of the Directorate, including the grouping of departments for salary purposes, together with the other conditions of service of directorate officers, and will make recommendations to the Chief Executive, Hong Kong Special Administrative Region.

- (b) The Committee will also, when it so determines, conduct an overall review. In the course of this, the Committee should accept the existing internal structure of departments and not consider the creation of new Directorate posts. If, however, the Committee in an overall review discovers anomalies, it may comment upon and refer such matters to the Chief Secretary for Administration.

**Standing Committee on Directorate
Salaries and Conditions of Service**

Membership

Chairman

Mr Vincent Cheng Hoi-chuen, GBS, JP

Members

Ms Chiang Lai-yuen (from 1 April 2008)

Mr Chow Chung-kong

Ms Teresa Ko Yuk-yin, JP

Dr Thomas Leung Kwok-fai, BBS, JP (up to 31 March 2008)

Mr Nicky Lo Kar-chun, JP

Mr Tim Lui Tim-leung, BBS, JP

Appendix C

List of Submissions Received

Government Departments / Grade Management

Civil Aviation Department

Administrative Service Division, Civil Service Bureau

Department of Justice

Electrical and Mechanical Services Department

Government Flying Service

Government Logistics Department

Hong Kong Police Force

Inland Revenue Department

Labour Department

Planning Department

Treasury

Staff Associations

Administrative Service Association

HKSAR Government Civil Engineers Association

HKSAR Government Executive Grade Association

Hong Kong Senior Government Officers Association

Directorate Officers

Six individual officers

Appendix D

Pay Comparison Study: Company Profile

Number of participating companies **61**

Distribution of companies by size:

<u>No. of employees</u>	<u>No. of Companies</u>
100 – 1 000 staff	25
1 001 – 5 000 staff	26
More than 5 000 staff	10
<i>Total</i>	<i>61</i>

Distribution of companies by sector:

<u>Sector</u>	<u>No. of Companies</u>	<u>% of Total</u>
Community, social and personal services	11	18
Construction	4	7
Financing, insurance, real estate and business	18	29
Hotels and restaurants	1	2
Manufacturing	5	8
Transport, storage, communication and utility	7	11
Wholesale, retail and import/export	15	25
<i>Total</i>	<i>61</i>	<i>100</i>

Appendix E

Pay Comparison Study: Participating Companies

1. Airport Authority
2. Bank of China (Hong Kong) Limited
3. Bossini Enterprises Limited
4. Carlsberg Brewery Hong Kong Limited
5. Cathay Pacific Airways Limited
6. Centaline (Holdings) Company Limited
7. Chen Hsong Holdings Limited
8. Chevron Companies (Greater China) Limited
9. China Construction Bank (Asia) Corporation Limited
10. Citic Pacific Limited
11. CLP Holdings Limited
12. Dah Chong Hong Holdings Limited
13. The Dairy Farm Company Limited
14. DBS Bank (HK) Limited
15. DKSH Hong Kong Limited
16. Du Point China Limited
17. Esquel Enterprises Limited
18. Hang Seng Bank Limited
19. Hasbro Far East Limited
20. HKR International Limited
21. Hong Kong Aero Engine Services Limited
22. Hong Kong and China Gas Company Limited
23. Hong Kong Convention & Exhibition Centre (Management) Limited
24. Hong Kong Exchanges and Clearing Limited
25. Hong Kong Housing Society
26. Hong Kong Trade Development Council
27. Hopewell Holdings Limited
28. The Hong Kong and Shanghai Banking Corporation Limited
29. HSBC Insurance (Asia) Limited
30. Hsin Chong Construction Group Limited

31. InterContinental Hong Kong
32. Jardine Matheson Limited
33. Johnson Electric Industrial Manufactory Limited
34. K. Wah International Holdings Limited
35. Kerry Properties Limited
36. KPMG
37. Lai Sun Group
38. Lane Crawford (Hong Kong) Limited
39. Li & Fung Group
40. Modern Terminal Limited
41. Motorola Asia Pacific Limited
42. Mandatory Provident Fund Authority
43. MTR Corporation Limited
44. Ocean Park Hong Kong
45. Otis Elevator Company (Hong Kong) Limited
46. PricewaterhouseCoopers
47. Sa Sa International Holdings Limited
48. SAE Magnetics (Hong Kong) Limited
49. San Miguel Brewery Hong Kong Limited
50. Schindler Lifts (Hong Kong) Limited
51. Securities and Futures Commission
52. Shell Hong Kong Limited
53. Shui On Construction and Materials Limited
54. Shun Tak Holdings Limited
55. Sing Tao News Corporation Limited
56. Standard Chartered Bank (Hong Kong) Limited
57. Union Medical Centre Limited
58. Whirlpool Hong Kong Limited

Plus three companies which do not wish to have their names disclosed.

Appendix F

Existing Directorate Structure and Legal Directorate Structure

Directorate Level	Typical Posts	Legal Directorate Level	Typical Posts
D10	Former Chief Secretary ^(Note 1)		
D9	Former Financial Secretary ^(Note 1)		
		DL7	Former Secretary for Justice ^(Note 1)
D8	Permanent Secretary of a Bureau		
D7	Head of a Group I department ^(Note 2)		
D6	Head of a Group II department (e.g. Director of Highways)	DL60	<ul style="list-style-type: none"> • Law Officer • Director of Legal Aid
D5	Head of a Group III department (e.g. Director of Accounting Services)	DL5	Director of Intellectual Property
D4	<ul style="list-style-type: none"> • Deputy Director of a Group I department • (Senior) Deputy Secretary of a Bureau 	DL4	Official Receiver
D3	<ul style="list-style-type: none"> • Deputy Director of a Group II or Group III department • Senior Assistant Director of a Group I department • Deputy Secretary of a Bureau 	DL3	<ul style="list-style-type: none"> • Deputy Director of Intellectual Property • Deputy Director of Legal Aid • Principal Government Counsel • Principal Solicitor
D2	<ul style="list-style-type: none"> • Assistant Director of a department • Principal Assistant Secretary of a Bureau 	DL2	<ul style="list-style-type: none"> • Assistant Director of Intellectual Property • Deputy Principal Legal Aid Counsel • Deputy Principal Government Counsel • Deputy Principal Solicitor
D1	Chief professional (e.g. Chief Engineer)	DL1	<ul style="list-style-type: none"> • Assistant Principal Legal Aid Counsel • Assistant Principal Solicitor

Notes

- (1) D10, D9 and DL7, which corresponded to the pay for the Chief Secretary, the Financial Secretary and the Secretary for Justice before the introduction of the Accountability System, have become vacant since July 2002.
- (2) There is no post holder at D7 after the merger of the two Group I departments (i.e. Education Department and Housing Department) with their respective Bureau in January 2003.

Appendix G

Existing Directorate Pay Scale, Directorate (Legal) Pay Scale and Salaries of Heads of Disciplined Services

Directorate Pay Scale		Directorate (Legal) Pay Scale		Salaries of Heads of Disciplined Services	
Point	\$	Point	\$	Department	\$
D10	241,750				
D9	228,500				
		DL7	215,400		
D8	202,000			HKPF, ICAC	202,000
D7	195,900				
D6	181,450	DL6	181,450	CSD, C&ED, FSD, ImmD	181,450
D5	172,000	DL5	172,000		
D4	(166,900) 161,950	DL4	(166,900) 161,950		
D3	(151,200) (146,950) 142,700	DL3	(151,200) (146,950) 142,700	GFS	(151,200) (146,950) 142,700
D2	(130,300) (126,500) 122,700	DL2	(130,300) (126,500) 122,700		
D1	(109,700) (106,400) 103,400	DL1	(109,700) (106,400) 103,400		

() Figures in brackets represent increments.

Legend

<i>CSD</i>	Correctional Services Department	<i>HKPF</i>	Hong Kong Police Force
<i>C&ED</i>	Customs and Excise Department	<i>ImmD</i>	Immigration Department
<i>FSD</i>	Fire Services Department	<i>ICAC</i>	Independent Commission Against Corruption
<i>GFS</i>	Government Flying Service		

Appendix H

Directorate Establishment as at 1 April 2008

<u>Directorate Levels</u>	<u>Permanent Establishment</u>
Directorate Pay Scale	
D10	0
D9	0
D8	18
D7	0
D6	27
D5	13
D4	70
D3	98
D2	406
D1	459
	<i>Sub-total</i>
	1 091
Directorate (Legal) Pay Scale	
DL7	0
DL6	6
DL5	1
DL4	1
DL3	21
DL2	63
DL1	15
	<i>Sub-total</i>
	107
Disciplined Services Directorate	113
	<i>Sub-total</i>
	113
	Total
	1 311

Notes

- (1) Supernumerary directorate posts are excluded.
- (2) The figures exclude directorate posts in the Independent Commission Against Corruption and the Judiciary.

Appendix I

Recommended Directorate Pay Scale, Directorate (Legal) Pay Scale and Salaries of Heads of Disciplined Services

Directorate Pay Scale		Directorate (Legal) Pay Scale		Salaries of Heads of Disciplined Services	
Point	\$	Point	\$	Department	\$
D8	(208,050) 202,000			HKPF & ICAC	(208,050) 202,000
D7	(201,800) 195,900				
D6	(186,900) 181,450	DL6	(186,900) 181,450	CSD, C&ED, FSD & ImmD	(186,900) 181,450
D5	(177,150) 172,000	DL5	(177,150) 172,000		
D4	(171,900) (166,900) 161,950	DL4	(171,900) (166,900) 161,950		
D3	(155,750) (151,200) (146,950) 142,700	DL3	(155,750) (151,200) (146,950) 142,700	GFS	(155,750) (151,200) (146,950) 142,700
D2	(134,200) (130,300) (126,500) 122,700	DL2	(134,200) (130,300) (126,500) 122,700		
D1	(113,000) (109,700) (106,400) 103,400	DL1	(113,000) (109,700) (106,400) 103,400		

() Figures in brackets represent increments. Figures in bold indicate new increments.

Legend

<i>CSD</i>	Correctional Services Department	<i>HKPF</i>	Hong Kong Police Force
<i>C&ED</i>	Customs and Excise Department	<i>ImmD</i>	Immigration Department
<i>FSD</i>	Fire Services Department	<i>ICAC</i>	Independent Commission Against Corruption
<i>GFS</i>	Government Flying Service		

