

LETTER OF 16TH APRIL 1980 TO H.E. THE
GOVERNOR -- UPPER END OF THE MASTER PAY SCALE/
DISCIPLINED SERVICES PAY SCALE

16th April 1980

His Excellency Sir Murray MacLehose, G.B.E., K.C.M.G., K.C.V.O.,
Governor of Hong Kong

Your Excellency,

In the course of conducting our first review of civil service pay, concern was expressed to us, from several quarters, at the erosion in recent years of the differentials in pay between senior civil servants and the staff they supervise. In particular, it was suggested to us that the level of pay now afforded to senior professionals and related ranks was inadequate. However, while we felt that this was an issue deserving of our attention, we also considered that, because of the promotion and supervisory relationship between them, any adjustment to the pay scales of senior ranks on the Master Pay Scale must have regard to adjustments to the pay of the Directorate. Since we were aware that a review of directorate salaries was imminent, we undertook, in paragraph 7.5 of our Report No. 2, to have a further look at the upper end of the Master Pay Scale and the equivalent points on the Disciplined Services Pay Scale which was introduced in that Report, in the light of the findings of the Standing Committee on Directorate Salaries and Conditions of Service.

We have now been provided with the information necessary to comply with our undertaking, and in particular with the new level of the first point on the Directorate scale which the Standing Committee proposes to recommend. While this recommendation is of course subject to consideration by the Governor-in-Council and the Finance Committee of the Legislative Council, it provides a basis on which to proceed. In the event that a different level is approved than that recommended by the Standing Committee, we would also wish to reconsider our advice. Subject to this proviso, we have the honour to submit our recommendations on this issue.

That there has been an erosion in pay differentials for the more senior ranks on the Master Pay Scale and Disciplined Services Pay Scale is indisputable. This has arisen for two principal reasons. Firstly, it has been the practice in recent years to taper general pay awards.

Secondly, because all adjustments to pay scales since 1971 have been within the existing framework of the 48-point Master Pay Scale, improvements to grade pay scales have generally been confined to the lower ranks, thus resulting in the compression of grade pay minima and maxima. That is to say, differentials have been further reduced by the raising of lower rank pay scales while higher rank pay scales have remained unchanged. In our First Report on Civil Service Pay, we ourselves made a significant number of upward adjustments to the pay scales of lower and middle ranks in the civil service, but were constrained from making any such adjustments to the pay scales of the more senior ranks because this would have involved our encroaching upon the pay of the Directorate. On the strength of the information we have now received, we consider it appropriate to review the pay structure of these higher ranks.

We accept that there may be good reasons for tapering service-wide pay increases and in raising lower rank pay scales, when justified, without necessarily improving the pay scales of higher ranks. Nevertheless where these practices are pursued, the time comes when, if the management structure is not to be seriously weakened, and levels of responsibility are to be adequately reflected in pay, action is necessary to go some way to restore a reasonable differential between the pay of more senior officers and that of the staff they supervise. We have received sufficient evidence of the failure to retain experienced civil servants, and the strain placed on management as a result, for us to conclude that this time has now come for the Hong Kong civil service.

Having reached the conclusion that an adjustment to the upper end of the Master Pay Scale and the Disciplined Services Pay Scale is warranted, we had next to determine how such an adjustment should be made. We first examined the possibility of a straightforward increase in the dollar value of the points at the upper end of the scales, but rejected this approach since it would have produced distortion in the pattern of the scales, would do nothing to resolve the problem of compression within grade pay structures and would have involved tapering in reverse. After careful consideration, we therefore decided that the problem of differentials could best be resolved by extending the Master Pay Scale and Disciplined Services Pay Scale by three points, and by making a minor adjustment to the scale increments above Master Pay Scale Point 45 and Disciplined Services Pay Scale Point 31 to arrive at the maximum which we considered appropriate, having regard to the likely minimum pay for the Directorate. Our recommended revised scales are at Annex A to this letter.

If our proposals for the revision of the upper end of the Master Pay Scale and the Disciplined Services Pay Scale are accepted, there remains the question of how it should be applied to existing grade structures. In this connection, we recommend that civil service posts at present attracting MPS Point 46 - 48 or the DPS equivalents should in future be paid

from MPS Points 48 - 51 or the DPS equivalents. Civil service posts at present attracting MPS Points 43 - 45 or the DPS equivalents should in future be paid from MPS Points 44 - 47 or the DPS equivalents. Similarly, posts which at present have a maximum of MPS Point 45 or MPS Point 42 or DPS equivalents should have that maximum extended to MPS Point 47 or MPS Point 43 or the DPS equivalents respectively. The effect of these proposals is to extend the pay scale of the top rank on the Master Pay Scale or the Disciplined Services Pay Scale by three increments, the next rank by two increments, and where applicable, the third rank by one increment thus improving differentials generally at the upper end of the scales. We appreciate that there are one or two civil service posts with pay scales in the upper range of the Master Pay Scale which are not covered by this summary but these can be dealt with administratively within the context of our overall objectives.

We have also considered whether our recommended new scale structures should be applied on an individual grade basis. However, we have noted that the relativities between civil service pay at the level with which we are concerned have been established over many years and to apply our proposals on a selective basis would involve exercising a judgement on these relativities without any firm evidence for doing so. We therefore recommend that our revised scales be applied across-the-board.

If our proposals for restructuring the upper end of the Master Pay Scale and the Disciplined Services Pay Scale are accepted, we further recommend the conversion to the new scales should be in accordance with the standard rules. The majority of civil servants affected by our proposals will therefore benefit over a period thereby improving their prospects in the longer term rather than immediately. We also recommend that to avoid complications in ranks where incremental credit may be granted for previous experience, new recruits should not enter the revised pay scales at points above the previous maximum.

Although the recommendations contained in this letter are consequent upon the acceptance of recommendations for adjustments to the pay of the Directorate, we consider the date of implementation should be the same as the date of implementation of the recommendations in our First Report on Civil Service Pay i.e. 1st October 1979, since this is the date from which we would have made such changes had we not been constrained by the minimum of the Directorate Scale. We also consider it important that our revised scales, if

accepted, be introduced in time for them to form the basis to which any general pay award resulting from the current pay trend survey is applied.

We have the honour to be
Your Excellency's obedient servants,

S.Y. Chung
Chairman

Chen Shou-lum

Rev. P.T. McGovern

Grace Ho

Gallant Y.T. Ho

G.M. Macwhinnie

John L. Soong

F.L. Walker

Maisie Wong

Annex A

Proposed Revision to the Upper End of Civil Service Pay Scales

| <u>MPS</u> | | | <u>DPS (O)</u> | | |
|--------------|-----------|------------------|----------------|-----------|------------------|
| <u>Point</u> | <u>\$</u> | <u>Increment</u> | <u>Point</u> | <u>\$</u> | <u>Increment</u> |
| 51 | 13000 | - | 37 | 13000 | - |
| 50 | 12500 | 500 | 36 | 12500 | 500 |
| 49 | 12000 | 500 | 35 | 12000 | 500 |
| 48 | 11500 | 500 | 34 | 11500 | 500 |
| 47 | 11000 | 500 | 33 | 11000 | 500 |
| 46 | 10500 | 500 | 32 | 10500 | 500 |
| 45 | 10000 | 500 | 31 | 10000 | 500 |
| 44 | 9600 | 400 | 30 | 9600 | 400 |
| 43 | 9200 | 400 | 29 | 9200 | 400 |
| 42 | 8800 | 400 | 28 | 8850 | 350 |
| 41 | 8400 | 400 | 27 | 8500 | 350 |
| 40 | 8000 | 400 | 26 | 8150 | 350 |
| 39 | 7650 | 350 | 25 | 7850 | 300 |
| 38 | 7300 | 350 | 24 | 7550 | 300 |
| 37 | 6950 | 350 | 23 | 7250 | 300 |
| 36 | 6650 | 300 | 22 | 7000 | 250 |
| 35 | 6350 | 300 | 21 | 6750 | 250 |
| 34 | 6050 | 300 | 20 | 6500 | 250 |
| 33 | 5800 | 250 | 19 | 6250 | 250 |
| 32 | 5550 | 250 | 18 | 6000 | 250 |
| 31 | 5300 | 250 | 17 | 5750 | 250 |
| 30 | 5050 | 250 | 16 | 5500 | 250 |
| 29 | 4800 | 250 | 15 | 5250 | 250 |
| 28 | 4600 | 200 | 14 | 5000 | 250 |
| 27 | 4400 | 200 | 13 | 4750 | 250 |
| 26 | 4200 | 200 | 12 | 4500 | 250 |
| 25 | 4000 | 200 | 11 | 4250 | 250 |
| 24 | 3800 | 200 | 10 | 4050 | 200 |
| 23 | 3600 | 200 | 9 | 3850 | 200 |
| 22 | 3400 | 200 | 8 | 3650 | 200 |
| 21 | 3250 | 150 | 7 | 3450 | 200 |
| 20 | 3100 | 150 | 6 | 3250 | 200 |
| 19 | 2950 | 150 | 5 | 3050 | 200 |
| 18 | 2800 | 150 | 4 | 2850 | 200 |
| 17 | 2650 | 150 | 3 | 2710 | 140 |
| 16 | 2500 | 150 | 2 | 2570 | 140 |
| 15 | 2350 | 150 | 1 | 2440 | 130 |
| 14 | 2200 | 150 | | | |
| 13 | 2050 | 150 | | | |
| 12 | 1900 | 150 | | | |
| 11 | 1750 | 150 | | | |
| 10 | 1650 | 100 | | | |
| 9 | 1550 | 100 | | | |
| 8 | 1450 | 100 | | | |
| 7 | 1350 | 100 | | | |
| 6 | 1275 | 75 | | | |
| 5 | 1200 | 75 | | | |
| 4 | 1150 | 50 | | | |
| 3 | 1100 | 50 | | | |
| 2 | 1050 | 50 | | | |
| 1 | 1000 | 50 | | | |