

26 April 1982.

His Honour Sir Philip Haddon-Cave, KBE, CMG, JP,
Deputy to the Governor of Hong Kong.

Your Honour,

Terms of Reference

We are required by Clause IX of our Terms of Reference to advise the Governor in the light of experience whether any changes in the Commission's composition or role are desirable. It is now more than three years since the Commission was first appointed, and we consider that the time is opportune, particularly in the light of recent developments, to examine our Terms of Reference to see whether any changes are required. A Sub-Committee set up to consider this question has recently reported and the recommendations contained in this letter are based on its findings.

2. The main object of the review was to consider whether the Commission's Terms of Reference are still adequate for the purposes of our present and future work, particularly in relation to the conclusion conveyed to His Excellency the Governor in our letter of 27 November 1981 that the determination of the general levels of civil service pay should take into account the total package of pay and other benefits in both the civil service and the private sector. In order to implement this total pay package concept, which has been accepted by the Government, we consider that it is essential that the Commission should be able to give proper consideration to conditions of service other than salary which have a direct bearing on the value of the total pay package. We have reached the conclusion that some changes in our existing Terms of Reference are necessary to enable us to carry out this task.

3. The Commission's title gives the impression that we have similar responsibilities in respect of conditions of service as we have in respect of civil service salaries. This is however not the case. On the one hand, Clauses I(a) and I(b) of our Terms of Reference require us not only to keep under review the principles and practices governing the salary structure of the civil service, but also to carry out regular and systematic reviews of the salary and structure of individual grades and to recommend any changes we consider necessary. On the other hand, our responsibilities in

relation to conditions of service are much more limited. In accordance with Clauses I(d) and VI, we can only advise on the major conditions of service if they are referred to us, either jointly by the Official Side and the Staff Side of the Senior Civil Service Council, or, for an undefined initial period, by the three Main Staff Associations jointly or individually.

4. We are primarily concerned with fringe benefits and job-related allowances and we have been assured by the Secretary for the Civil Service that there is nothing in our present Terms of Reference to prevent us from taking such conditions of service into account when considering individual grade pay scales. We are not however able to take the initiative to review and make recommendations on the nature or value of the benefits themselves, and we consider that it is essential that we should be able to do so, if we are to advise effectively on the implementation of the total package concept.

5. We therefore propose that our Terms of Reference should be amended to enable us to review and advise on all matters relating to those conditions of service which in our view are relevant to the concept of the total civil service pay package; we envisage that the Commission would provide the Administration with a current list of the conditions of service which it considers to be relevant to the total package concept. In principle, we consider that we should be consulted on all proposed changes to these conditions of service, as well as on all proposals for new benefits. In practice however, it may not be necessary for the Commission to be consulted on relatively minor changes, and it may be possible to agree from time to time, by exchange of letters with the Administration, on the nature of the changes in benefits which need not be referred for the Commission's advice.

6. If our Terms of Reference are to be amended to enable the Commission to take the initiative in reviewing conditions of service, the question arises as to whether the existing right of the Senior Civil Service Council and particularly that of the Staff Side to refer such matters to us should be preserved. Although these rights have so far been exercised on only one occasion, we believe that in the interests of good staff relations it is desirable to retain this provision in our Terms of Reference and we so recommend. These arrangements may need to be reviewed in the light of the changes to the existing central consultative machinery which we understand are likely to be implemented shortly as a result of the recommendations in our Report No. 4. We would however not wish the implementation of the proposals in this letter to be delayed for this reason.

7. In summary, we recommend that the Commission's Terms of Reference should be amended with the following aims in view :

- (a) to enable us to review and advise on all conditions of service which in our view are relevant to the determination of the total civil service pay package;
- (b) to enable us to advise on the introduction of new benefits and on all changes to existing conditions of service;
- (c) to preserve the right of the two Sides of the Senior Civil Service Council jointly, or the Main Staff Associations, jointly or individually, to refer to us matters covered by (a) and (b) above.

We envisage that Clauses I(d) and VI of our Terms of Reference will require considerable amendment if our proposals are accepted, and we should be grateful for an opportunity to comment on the wording of the revised Clauses before they are finalised. At that time we would also propose a number of minor amendments intended to clarify or up-date our Terms of Reference.

8. If our recommendations for amending our Terms of Reference are accepted, we trust that it will be possible to implement them quickly so as to enable us to apply the total pay package concept to our work as soon as possible.

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

(S. Y. Chung)
Chairman