

## CHAPTER NINE

### OTHER MATTERS

#### Introduction

9.1 In the course of our review, we have received representations and submissions on a number of issues of varying degrees of importance and relevance to our review. We have considered the many points, both major and minor, which have been put to us and the main outcome of our deliberations is to be found in the preceding chapters of this report. However, there were several other issues on which after due deliberation we think we should express our views.

#### Pensions

9.2 We have received a number of representations containing proposals for an improved pensions enhancement rate and seeking compensation for the loss of salary and fringe benefits for disciplined services staff who are required to retire on operational grounds under Section 10(3) of the Pension Benefits Ordinance 1987. For the majority of disciplined services staff this means retirement at 55 instead of 60 as with their civilian counterparts in the civil service.

9.3 This is a complex matter which we have not been able to consider fully, but we are not satisfied that there are sufficient grounds to recommend any change to the existing pensions enhancement rate; and the specific proposals that have been put have such substantial defects that we are unable to support any of them. It is however possible that better proposals could be devised.

9.4 We regret that we are not able to take this matter further, and recommend that because it affects the disciplined services as a whole and to a far greater extent than any other service it should be re-examined by the new Standing Committee, which we propose as one of its early tasks.

9.5 In particular, we are aware that pensions enhancement is intended only to compensate for the loss of opportunity to earn pension, and **we recommend** that the proposed Standing Committee should examine the case for paying compensation in some form to staff for loss of salary and fringe benefits as a result of retiring before the normal age of 60 under the new pension scheme. We have taken no account in our salary recommendations of the general rule of retirement at 55.

### **Home Purchase Scheme**

9.6 We have received a number of representations from the disciplined services staff that they suffer a reduction in Home Purchase Allowance as a result of having to retire at the age of 55, (i.e. five years earlier than the general civil service). Although we were aware that this allowance was not a condition of service, we did examine the issue very closely as the submission was strongly put to us by among others, the staff association representing Junior Police Officers. The information we were able to obtain did not suggest that disciplined services staff had been unduly disadvantaged because of their earlier retirement age than the general civil service. In the normal course of events, we believe that the disciplined services staff will not suffer any loss of potential benefits provided they submit their applications as and when they become eligible to join the Home Purchase Scheme. For those who have quarters, this becomes a matter of choice between two forms of housing benefit.

### **Payment of loading charges for life insurance policies**

9.7 We received several strong representations that a number of police officers enlisted for standby or actually engaged in high risk duties on a voluntary basis have been required to pay a higher than normal premium for their life insurance policies. We understand that a suggestion to introduce a reimbursement scheme or the creation of a special allowance for this category of staff has been put forward by Police Force management and is being considered by Civil Service Branch and Finance Branch.

9.8 We have examined the evidence laid before us and we are aware that the Fire Services staff are required to pay a higher than normal premium on their life insurance for the danger inherent in fire fighting. However, we consider that as the risks faced by Fire Services staff are inherent in their job as fire officers or firemen they should be appropriately compensated for in their pay, and our recommendations take full account of this factor. However, in respect of the police, it is clearly not appropriate to take into general account the special risk factors mentioned in the preceding paragraph in determining overall pay because the number of officers involved is very small; but we consider compensation is justified. **We recommend** that compensation for the higher premiums on life insurance policies of the officers in question should be paid and that it should take the form of a reimbursement allowance subject to a maximum considered appropriate by the Government.

### **Exchange rate variations**

9.9 Strong representations were made to us in submissions by and on behalf of expatriate officers that the movement of the exchange rate between sterling and the Hong Kong dollar was a factor to which we should give special

consideration in our recommendations about pay, and also more particularly about pensions. We understand and sympathise with the serious problems and anxieties that prompted these recommendations.

9.10 The history of the exchange rate over the last 25 years or so (an appropriate period to take when considering the effects of exchange rate fluctuations on career earnings and pensions) shows that it has fluctuated from a low point of \$16 to the pound in 1967 to a high point of \$7.95 to the pound in 1979. More recently it has for some months stood at around \$13.25. The fixed link established for a number of years now between the Hong Kong and US dollars means that the sterling rate is likely to continue to vary, and it is clear that such variations inevitably affect those who earn their incomes in Hong Kong and have financial commitments in the United Kingdom.

9.11 Though we sympathise with those affected, we are clear that we cannot and should not put forward any specific recommendations on this subject, whether in relation to pay or to pensions. Choosing to work abroad on expatriate terms has its advantages and disadvantages, and, as the movement of the exchange over the last 25 years has shown, exchange rate variation can sometimes be an advantage and sometimes a disadvantage. We do not think it would be acceptable to the taxpayer to provide guarantees against the disadvantages without also having some mechanism for recovering windfall gains; and, apart from the elementary but intractable problem of choosing the base rate, we do not think the practical problems of pay fluctuating downwards with the exchange could be acceptably overcome.

9.12 At the minimum, the proposition has been put forward that pensions at least should be protected against a hypothetical catastrophic fall in the exchange rate. We simply do not accept the hypothesis; but even if we did, we find we would have to reject this apparently straightforward and appealing idea. If there were a catastrophic fall in the exchange rate, this would affect all the retired employees of the Hong Kong Government, including not only those who retire to the UK, but also those in Hong Kong itself and the substantial numbers who have retired to live in many other parts of the world as well; and we do not think it would be equitable to add to the immense problems that would face the Hong Kong taxpayer the further burden of finding foreign exchange to protect the pensions of any particular element, large or small, among Hong Kong's retired public servants.

#### **Linked Agreements**

9.13 A number of respondents have expressed concern over the question of linked agreements for contract officers in the police force. Although this subject is not, strictly speaking, a condition of service, we have looked into the

rationale behind the existing practice in the force. The reason for not extending the offer of linked agreements to Gazetted Officers (i.e. Superintendents and above) is to provide the necessary flexibility for the force in the implementation of its localisation strategy. We are also aware that at present, the option to transfer to established offices is still open to agreement officers in the police force. Force management has indicated that despite the discontinuation of linked agreements for Gazetted Officers, there is no immediate intention to refuse further agreements to officers who are efficient in their performance. The lack of permanence in an officer's service with the Government is in our view, the price that has to be paid if an officer chooses to remain on agreement terms of service with the payment of gratuity at the end of each contract. We have therefore concluded that we should not suggest any change in the existing practice.

#### **Aftercare staff, Correctional Services Department**

9.14 It was submitted to us that the pay scale of aftercare staff of Correctional Services Department (CSD) should be brought into line with that of the Assistant Social Work Officer (ASWO) in Social Welfare Department (SWD). We appreciate that the work of these CSD staff bears a considerable resemblance to the work of staff in the probation section and correctional homes in SWD as they both provide counselling to young offenders, help secure employment and accommodation for supervisees, and monitor their social activities to ensure that they will lead a constructive and law-abiding life. We do not find, however, that the duties of the two grades are the same. The scope of an ASWO's responsibilities covers a substantially wider field. In addition to probation and aftercare duties, an ASWO's range of responsibilities encompasses youth, community, rehabilitation, family services, elderly and child care and medical social services. Moreover, the entry requirement of the ASWO is a degree in social work which is higher than the normal entry qualification of the CSD Officer rank.

9.15 We do not find it appropriate to make a special adjustment to the pay scale of the aftercare staff separately from the rest of CSD. In assessing the factors in pay determination we have taken into account the full range of duties carried out by CSD staff, including those performed by the aftercare staff.

#### **Officer (Hospital), Correctional Services Department (CSD)**

9.16 We have received a number of submissions from Officers working in institutional hospitals and the Siu Lam Psychiatric Centre of CSD, making several requests, notably for payment of Hardship Allowance (Obnoxious Duties), reduction in hours of work and the revision of pay scales for Officers in the "hospital stream". We do not support the suggestion to reduce the existing hours of work nor do we find

it necessary to provide separate pay scales for Officers in the "hospital stream". We consider that the factors they brought to our attention should be reflected in the pay for the job. We have therefore taken them into account in our pay recommendations.

9.17 However, we have observed that some 31% of the Officer (Hospital) posts in institutional hospitals remain vacant and only some 30% of the existing staff working in institutional hospitals are qualified nurses. This is cause for concern and we believe that the persistent difficulties in recruiting qualified nurses in CSD could, among other reasons, lie in the level of entry pay. The substantially revised pay levels that we propose for the Officer rank in Chapter 5 should, we hope, help provide more incentive for Registered Nurses to join the Correctional Services. We understand that a Registered Nurse (Psychiatric) has a lead over an ordinary Registered Nurse in the general civil service and **we recommend** that the entry pay for an Officer recruit with an approved psychiatric nursing qualification should be set at GDS(O) point 9 i.e. one point higher than a candidate with a general nursing qualification. This, together with the new pay levels we propose for CSD, should help in attracting more psychiatric nurses into the department. If serious problems continue it will be open to departmental management to put forward its own proposals for consideration by the new Standing Committee.

#### **Holiday and leave arrangements for operational staff in Fire Services Department (FSD)**

9.18 A number of representations we received pointed out that the operational staff of FSD are required to work on statutory public holidays for which they receive no compensation. It was also represented to us that, unlike the rest of the civil service, FSD operational staff were not permitted to take leave in half-day units.

9.19 We have examined the existing holiday and leave arrangements for FSD operational staff vis-a-vis the common practice for the rest of the civil service. We note that the FSD staff are the only group in the civil service who are not eligible for days-off on general holidays. We also appreciate that the existing leave deduction arrangement for FSD operational staff is such that they have more off-duty hours for each day of casual leave taken than their colleagues in the rest of the civil service.

9.20 In setting the pay scales of the Fire Services grades for the purpose of this review we have not taken into account the requirement for these staff to work on general holidays. **We recommend** that the staff concerned ought to be granted time-off in lieu for working on any day which happens to be a general holiday. The number of hours of time-off to be granted is tied closely to the leave deduction question and it needs to be carefully calculated. Limited time and resources precluded us from making a detailed study of the

method of leave deduction for FSD staff on shift duty. We are thus unable to make any conclusive recommendations in this area. **We recommend** that these issues should be further considered by the Administration in consultation with the proposed Standing Committee on Disciplined Services Salaries and Conditions of Service, and brought to a conclusion as soon as possible.