

TENTH REPORT OF THE STANDING COMMITTEE ON
DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

INTRODUCTION

I Our terms of reference, set out in full at Appendix I to this report, require us to conduct an overall review at such time as the Committee determines. The Ninth Overall Review took place in mid-1985. In late 1988 we decided to conduct a further review, principally to consider the structure of the directorate, the grouping of departments, and directorate salaries and conditions of service. As on previous occasions, Heads of Departments and Agencies were asked to make submissions which we considered in their entirety.

2. This review, the tenth in the series, was conducted in two phases. The first phase was held in November and December 1988 mainly to consider the 58 submissions which we received. We held six meetings in this phase, during which we decided, as in past reviews, to commission a survey on the salaries and benefits of senior executives in the private sector to determine the trend that had occurred since the 1985 survey. Five further meetings were held in March to May 1989. This second phase was necessary to consider the results of the private sector survey and to make recommendations on directorate salaries and conditions of service.

3. Our recommendations cover the following areas -

Grouping of Departments

(paragraphs 4 to 15);

Agencies

(paragraphs 16 to 19);

Legal Services Departments;

(paragraphs 20 to 23);

Ranking of Individual Directorate Posts

(paragraphs 24 to 32);

Personal Ranking

(paragraphs 33 to 35);

Conditions of Service and Miscellaneous Matters

(paragraphs 36 to 64);

Open Directorate

(paragraphs 65 to 67);

Directorate Structure and Salaries

(paragraphs 68 to 80);

Directorate Titles

(paragraph 81).

GROUPING OF DEPARTMENTS

General

4. Since our First Overall Review in 1964 departments have been classified into three groups by reference to a number of grading factors (see Appendix II). The three groups have been defined in the following terms -

II

(a) Group I accommodating a few major departments;

(b) a basic Group III to which all other departments belong, except for

(c) an intermediate Group II.

There are some smaller organizations such as the Television and Entertainment Licensing Authority and the Registry of Trade Unions which come under the heading of agencies. They, and the legal services departments, are outside the grouping arrangement.

5. The grouping of a department usually determines the department's directorate structure. Thus the head of a Group I department is ranked higher than that of a Group II department, who in turn is ranked higher than his Group III department counterpart. At the time of this review the directorate structure of the departments in each group is normally as follows -

Group I : Director - D6
Deputy Director - D4
Senior Assistant Director - D3
Assistant Director - D2

Group II : Director - D5
Deputy Director - D3
Assistant Director - D2

Group III : Director - D4
Deputy Director* - D3
Assistant Director - D2

*Only one post of Deputy Director is permitted in a Group III department.

6. As in previous reviews, we have considered the need to change the grading factor system. We have observed that while there may be different views on the rating of individual departments according to the factors, the validity of the grading factor system as such has not been questioned. We have concluded that the system is basically sound, and should remain unchanged.

7. We have also reviewed the appropriate number of groups. At the outset, we have received 17 proposals from Heads of Departments for upgrading their departments. While these heads have generally built their arguments on the basis of the present grouping system, there is a tendency for some of them, especially those in Group III, to regard themselves as being under-rated. With ever increasing activities and responsibilities, it is not unreasonable to assert that the work of any particular department is much more difficult now than ten or twenty years ago. However, the grouping of departments is more concerned with relativity than the absolute rise and fall of workload. Thus it is more relevant to examine whether the banding enshrined in the three-group system is adequate for present purposes given the diversity of work among different departments.

8. We believe that a balance has to be struck between too much and too little differentiation. A reduction in the number of groups would result in too great a range of responsibilities amongst departments within each group. To thus stretch the range of responsibilities encompassed in one group would only add pressure for some departments to push upward. To further sub-divide existing groups would, on the other hand, be equally difficult to reconcile with the need for sufficiently broad groups into which departments can be categorized without too much difficulty.

III

9. We feel, however, that the definition of the three groups has to be revised. At the time of this review there are 2 departments in Group I, 15 in Group II and 17 in Group III (see Appendix III). The relative size of Group II has therefore much increased since the First Overall Review, when there were 3 Group I, 6 Group II and 19 Group III departments. Given the rough balance in numbers between Groups II and III and to take account of changing circumstances, we have decided to revise the definition of the three groups to simply reflect their order of importance, in descending order from Group I to Group III. At the risk of stating the obvious, we would like to stress that the grouping only reflects relativity and is no way a judgment on the value of the services undertaken by the departments concerned.

10. We have separately considered whether an additional group of departments should be created to accommodate all existing agencies. At the time of this review Heads of Agencies are variously ranked at D3, D2 and D1 (Appendix IV) and may or may not have one directorate rank under them. To bring all these organizations under one grouping might imply a spurious sense of directorate structural homogeneity among the agencies, which we do not recommend.

11. On balance, therefore, we have concluded that the present system of three groups of departments and one group of agencies should be maintained.

Disciplined Services

12. In the course of this review, the Government accepted the recommendations of the Review Committee on Disciplined Services Pay and Conditions of Service and has since established a Standing Committee on Disciplined Services Salaries and Conditions of Service. The Royal Hong Kong Police Force, Correctional Services, Customs & Excise, Fire Services and Immigration Departments therefore no longer fall under this Committee.

13. As regards the heads of the disciplined services, however, the Government has accepted that their salary levels should bear a defined relationship with other very senior posts in the civil service. The Government has informed us that the best way to achieve this is for this Committee to retain responsibility for advising on their salaries and, for that matter, conditions of service in relation to the salaries and conditions of service of other senior non-disciplined service posts such as Secretaries and Heads of Departments. We will consult the Standing Committee on Disciplined Services Salaries and Conditions of Service in appropriate circumstances. (The question of directorate salaries is dealt with in greater depth at paragraphs 68 to 80 below.)

Grouping of Individual Departments

14. We have examined carefully the classification of departments in the three groups against the grading factors (Appendix II) and the considerations set out at paragraph 7 above. At the outset, we have found a general increase in the responsibility and workload of most departments in keeping with the social and economic development of Hong Kong. Apart from examining the submissions by Heads of Departments and the analyses prepared by the Civil Service Branch, we have interviewed the following Branch Secretaries and Heads of Departments : the Attorney General, Secretary

for Monetary Affairs, Director of Agriculture and Fisheries and Commissioner for Transport. Additional written information was sought from some Branch Secretaries and Heads of Departments. While all the submissions we have received argue only for upgrading, we have also considered whether some departments should be downgraded. We are now satisfied that, with one exception, they are all still correctly grouped.

15. The one exception is the Transport Department. The political role of the department has been enhanced by sustained public interest in and the growing involvement of district administration with traffic and transport matters. The complexity of work undertaken by the department has also increased steadily with the rapid development of the New Territories and shifts and increases in population and industrial development. We have concluded that the department is now comparable to many Group II departments. We recommend that it be placed in Group II.

AGENCIES

16. In previous reviews we felt that there was no need to devise a set formula for ranking agencies. Instead the ranking of the Head of Agency post would depend on an

assessment of the weight of the job in question and could be any of the first three points on the Directorate Pay Scale. We have reviewed these principles and wish to re-affirm them.

IV

17. The present ranking of Heads of Agency posts is at Appendix IV. We have received three proposals for upgrading. Having scrutinized the submissions and called for additional information, we have concluded that the present rankings are appropriate, apart from the one change recommended below.

Government Data Processing Agency

18. The Government Data Processing Agency is the largest of the existing agencies and its work is of growing importance. We have been informed that the Government has studied the results of a recent consultancy on the management structure of the Agency. It is agreed that there is an urgent need to strengthen the Agency in both structure and personnel. We therefore recommend that the Agency be upgraded to a Group III department and that the rank of Data Processing Manager be upgraded from D3 to D4. We also agree that a new management rank at D2 level should be created. However, the title of and the number of posts in this rank should be processed and justified in the usual way.

19. If our recommendations on the Government Data Processing Agency and the Transport Department are accepted, and taking into account the removal of the disciplined services departments from the grouping arrangement, the revised grouping of departments will be as set out at V Appendix V.

LEGAL SERVICES DEPARTMENTS

General

20. We have traditionally reviewed the ranking of directorate posts in the Legal and Judicial group independently from the rest of the directorate. To recognize the need for separate arrangements in determining the pay and conditions of service of judicial officers, the Standing Committee on Judicial Salaries and Conditions of Service was established by the Government at the beginning of 1988. In November 1988 a separate pay scale for judicial officers was approved by the Finance Committee of the Legislative Council. The Judicial group is therefore no longer under our purview.

21. In this review, we have continued to assess the ranking of directorate posts in the Legal Department, Registrar General's Department and the Legal Aid Department in terms of status, responsibility and the level of legal experience required.

Ranking of Legal Directorate Posts

22. The existing legal directorate levels are at Appendix VI. It was put to us that DL2 should be accepted as the lowest directorate level involving managerial, supervisory and major decision-making responsibilities. We note this view but consider there is still a functional need for the DL1 ranks. We have received upgrading proposals from all three legal services departments, which we have studied carefully. However, we have concluded that the requests for upgrading mostly reflect not so much an increase in responsibilities as a belief that current salaries are too low relative to the private sector. We will address the question of salaries at paragraphs 68 to 80 below. As regards the ranking of posts, we recommend only one change which is set out below.

23. We consider that the level of responsibility of the Director of Legal Aid (currently ranked at DL4) is comparable to that of the Law Officers (DL5) in the Legal Department, i.e. the Solicitor General, the Crown Solicitor, the Crown Prosecutor, the Law Draftsman and the Law Officer (Special

Duties), each heading a Division and accountable to the Attorney General. In particular, we have taken note of the Director of Legal Aid's accountability as head of department. Coupled with the growth in size and functions of the Legal Aid Department over the years, we consider that the Director of Legal Aid should be ranked at DL5 and so recommend.

RANKING OF INDIVIDUAL DIRECTORATE POSTS

General

24. We have received a number of proposals for the upgrading of individual directorate posts other than heads of departments or agencies. As noted at paragraph 5 above, the directorate structure of a department is related to the department's grouping. Our consideration of the grouping of individual departments (paragraphs 14 - 19 above) therefore has had a bearing on our examination of the ranking of individual directorate posts.

25. In addition to examining the arguments forwarded by the departments or agencies concerned, we have also sought further clarification from the respective Secretariat Branch Secretaries. In some cases we have found the present

rankings appropriate and cannot support the upgrading proposals. In other cases the proposals either require further study or are outside the context of this review. The proposals in the latter category include the following -

- (a) the creation of a D4 deputy in the Buildings and Lands Department;
- (b) upgrading the post of Regional Highways Engineer to D3;
- (c) upgrading the post of Chief Treasury Accountant to Assistant Director of Accounting Services in the Housing Department; and
- (d) the directorate structure for the Hospital Services Department and Department of Health.

They will be dealt with separately. We have nevertheless identified some cases where we recommend a change.

Commissioner of Banking, Monetary Affairs Branch

26. We have observed that the Commissioner's responsibilities have increased considerably with the increased significance to Hong Kong of the banking sector since the post was created in 1964 at D4 level. More specifically we note that the new Banking Ordinance (1986) and the extension of full supervision to deposit-taking companies in 1985-86 have added to the Commissioner's responsibilities. There has also been an enormous increase in the number of banks licensed in Hong Kong in recent years, making Hong Kong now second only to London. We therefore recommend upgrading the Commissioner's post to D5. (This becomes D6 in the revised scale recommended at paragraph 79 below.)

Deputy Secretary, Government Secretariat

27. The criteria of ranking Deputy Secretary posts in the Government Secretariat set out in the Eighth Overall Review are that the D3 rank should be the basic rank for Deputy Secretaries but that a Deputy Secretary post may be ranked at D4 in exceptional circumstances -

- (a) where the area of responsibility of a Branch is so wide and issues involved so complex that one of the Deputy Secretaries needs for organizational reasons to be charged with responsibilities for coordination within the Branch; or

- (b) where, regardless whether there is one or more Deputy Secretary posts in the Branch, the responsibility of a particular Deputy Secretary post is significantly heavier than the norm.

These recommendations have been accepted by the Administration.

28. In 1987, a review by the Administration established that the duties of eleven Deputy Secretary posts had increased in complexity and that the responsibility attaching to these posts had become significantly heavier than the norm. These posts were therefore upgraded to D4.

29. We have examined six proposals to upgrade existing D3 Deputy Secretary posts to D4 and have taken the opportunity to review the criteria of ranking Deputy Secretary posts to take into account changing circumstances.

30. Taking a broad view, as all Secretaries are ranked at the same level, it is not unreasonable to argue that there should be one D4 Deputy Secretary in each Branch. Having evaluated the duties and responsibilities of all Deputy Secretaries, we consider that the level of responsibility of some Deputy Secretaries is still lower than that of other Deputy Secretaries, however. To this extent it would not be appropriate to rank all Deputy Secretaries at D4. We have also been told by the Administration that the grade structure and career development of the Administrative Service require a mix of D3 and D4 Deputy Secretaries. If all Deputy Secretaries were ranked at D4, Administrative Officers Staff Grade 'C' (D2) posted as Principal Assistant Secretaries would have to move out of the Secretariat once they became Administrative Officers Staff Grade 'B' (D3), thus affecting continuity in some Branches. We have therefore resolved to allow each Branch one, but only one, D4 Deputy Secretary within its permanent structure.

31. We recommend that the following new criteria for ranking Deputy Secretaries should be adopted -

- (a) Deputy Secretary posts may be ranked at D4 or D3; but

(b) each Secretary may have not more than one deputy (irrespective of the title of the post) ranked at D4; and

(c) Secretaries should have the discretion to move the D4 ranking among their deputies following a redistribution of duties or on account of shifts in the relative weight of their deputies' jobs, subject to the advice of this Committee and the Establishment Sub-Committee and the approval of the Finance Committee of the Legislative Council.

32. We suggest that the titles of D4 and D3 Deputy Secretaries be differentiated.

PERSONAL RANKING

33. A personal ranking approach has been adopted since the Eighth Overall Review to recognize the merit of a Head of Department or Agency in exceptional circumstances. Under

this approach, a long-serving and meritorious departmental officer at the Head of Department or Agency level may be appointed substantively to a higher rank on a personal basis. This however does not affect the normal ranking of the post he is occupying and, when he leaves, his successor is appointed to the normal rank of the post.

34. There have been renewed suggestions that the scheme should be extended to directorate officers who are not Heads of Departments or Agencies. We are however of the view that the possibility of these officers' advancing further in their career and the undesirability of their receiving the same salary as their supervising officers for carrying lower responsibilities still argue against the proposal. We have also considered whether increments should be granted to long-serving directorate officers on a personal basis. We suggest that this should be considered in the wider context of whether increments should be introduced into the present fixed-point directorate pay scales. We deal with this at paragraphs 72 to 73 below.

35. We have reviewed all possible claims to personal ranking but have not identified any candidate for consideration at this stage. However, we have asked the Administration to review the position in a year or so to take into account relevant developments.

CONDITIONS OF SERVICE AND MISCELLANEOUS MATTERS

36. We have reviewed the following conditions of service for directorate officers -

- (a) pensions, contracts and post-retirement employment;
- (b) education allowances;
- (c) medical and dental benefits;
- (d) use of Government cars;
- (e) housing benefits;

(f) leave and passage arrangements; and

(g) miscellaneous benefits such as club membership.

In all cases we have examined the existing arrangements and considered all the views put to us. We are satisfied that in general the conditions of service for directorate officers compare favourably with those in the private sector, although in some cases some fine-tuning may be required. Our comments on each subject are set out in greater detail below.

Pensions, Contracts and Post-Retirement Employment

(a) Pensions

37. Four points have been made in the representations we have received. First, provision should be made to maintain the real value of pensions. Second, the maximum commutation level should be increased. Third, the introduction of a fixed exchange rate with sterling should be considered. Fourth, the multiplying factor should be updated to take into account normal life expectancy.

38. We note that basic pension is adjusted annually in accordance with movements in the Consumer Price Index (A), the expenditure bracket of which covers the majority of pensioners. As such we do not recommend any change to the existing arrangements.

39. As regards the maximum commutation level for the lump sum pension gratuity, we welcome its increase from 25% in the old pension scheme to 50% in the new pension scheme. This should provide pensioners with a degree of flexibility in planning their financial resources to meet commitments on retirement and at the same time ensure a steady source of recurrent income thereafter.

40. We see the proposal for a fixed exchange rate for retirement benefits as a response to currency fluctuations. While we appreciate the concern expressed, we are agreed that the Hong Kong Government should not take on the liability of exchange rate protection arrangements. The movement of exchange rates over the years during which a pension is earned means that the position is not always adverse. Officers who choose to work outside their countries of origin have to accept the risks as well as the advantages of doing so.

41. The multiplying factor was increased from 12.5 to 14 in 1983. We do not at this stage recommend further changes to the factor which is designed to ensure that the lump-sum gratuity is broadly comparable in value to the portion of the annual pension it replaces.

(b) Contracts

42. Concern has been expressed at the prospects for renewal of contracts. Under the existing arrangements, the further employment of local agreement officers is subject to no promotion blockage being caused. The provision is in line with that for officers in the permanent establishment under the old pension scheme. The further employment of overseas officers is normally subject to no promotion blockage being caused or the lack of a suitable local replacement. We do not recommend changes to these arrangements.

43. In connection with the review of arrangements for renewal of contracts, we have considered the present criteria of eligibility for local and overseas terms of appointment. We note that an officer's connections with Hong Kong are more important than his nationality. Thus if a candidate is found suitable for appointment to a rank to which overseas

appointment may be made he may normally be offered appointment on overseas conditions of service if he satisfies the following criteria -

- (a) he is not habitually resident in Hong Kong, Macau, China or Taiwan; and
- (b) he has his general background or social ties somewhere other than Hong Kong, Macau, China or Taiwan; and
- (c) if appointed on local conditions of service, he would suffer a material degree of dislocation or uprooting from an environment to which he belongs.

We understand that in doubtful cases where it is difficult to determine the status of a candidate under these basic criteria, a "10-year rule" applies whereby no further consideration will be given to the candidate's claim to overseas status unless he has lived overseas for at least 10 years after he has obtained his university degree or his full professional qualification.

44. We welcome the involvement of the Public Service Commission in doubtful cases. However, we feel that the requirement for a candidate to have lived overseas for at least 10 years after qualifying before he could be considered for appointment on overseas terms is on the long side. We suggest that 7 years would be more appropriate. We understand that an overall review of the criteria for determining overseas/local status will be undertaken.

(c) Post-Retirement Employment

45. It has been proposed that greater flexibility in the arrangements governing post-retirement employment be introduced. We have been told that these arrangements have indeed been updated since 1 July 1987 so that a pensioner normally only needs to seek approval for taking up post-retirement employment within the first two years of retirement or on expiry of his re-employment agreement. In some cases, however, a longer period may be determined by the Governor. Those who are required to seek approval within a period longer than two years are notified individually. We

welcome the revised arrangements as an improvement over the previous requirement that pensioners should seek such approval any time after their retirement.

Education Allowances

46. Points made in the submissions generally cover the rates of the allowances, the age limit and the countries covered.

47. As regards rates, we think it reasonable that parents should bear part of the cost of educating their children. We therefore do not recommend increasing the present rates of allowances which leave civil servant parents to contribute about 25% and 40% of the amount of educating their children locally and overseas respectively.

48. We have been told that the aim of the present age limit of 19 is to assist officers in providing basic primary and secondary education for their children. To raise the age limit by a few years would mean covering tertiary education, which would be a substantial increase in costs. We are unable to support the proposal.

49. We have however found proposals for relaxing the rules governing the countries covered by the overseas education allowance to be reasonable. We feel that consideration should be given to extending the allowance for local officers to countries other than the United Kingdom, and for overseas officers to countries other than their country of origin. This would accord with private sector practice. In addition, such extension would have a positive effect in retaining local officers in the civil service in so far as many may wish to educate their children in countries other than the United Kingdom, especially Canada, the United States and Australia.

50. The Administration has informed us that to extend the country coverage of the overseas education allowance would involve a change to the basic rationale for providing the allowance. We have been told that the allowance was introduced in 1964 for overseas officers only mainly to compete on the recruitment of overseas officers with other territories which had such a scheme. The allowance was extended to local officers in 1972 in respect of their children's education in the United Kingdom only. This was on grounds of equity between local and overseas officers and in order to strengthen the British connection. The Administration is wary of the political and financial implications should the country coverage be extended and has

advised that no change should be introduced pending a full review of the justifications for the scheme. The difficulties faced by the Administration notwithstanding, we believe that changes along the lines we suggest above should be made.

Medical and Dental Benefits

51. We have received a number of representations criticizing the inadequacies of the medical and dental benefits that are in practice provided for directorate officers. We understand that the Administration is currently reviewing the provision of medical and dental facilities to civil servants in general and we have observed that the dental service is improving as more dental chairs are added. We therefore do not make recommendations at this stage other than the one below.

52. We recommend annual medical check-ups for all directorate officers aged 40 and above. This would be in line with private sector practice. To avoid further straining the Department of Health, the possibility of contracting-out by tender should be considered.

Use of Government Cars

53. We have received submissions arguing for a liberalization of the present arrangements governing the use of Government transport by directorate officers. We note that at present officers on salary point D6 may use departmental cars, if available, for all purposes without charge. High Court Judges or more senior officers in the Judiciary may use the specifically allocated Transport pool cars, if available, for all purposes. Officers on salary points D4/DL4 and D5/DL5 or equivalent who are :

(i) in the 'Heads of Departments and Posts of Equivalent Status' category of the Civil and Miscellaneous Lists; or

(ii) Deputy Secretaries in the Government Secretariat or Deputy Heads of Group I Departments

may use a departmental car, if available, without charge :

(a) for not more than one home-to-office return journey per day; and

- (b) to attend any function in or outside office hours, but only when the invitation arises from their official position.

54. We feel that the provision of Government cars and drivers for home-to-office journeys is not a cost-effective way of providing benefits to senior officials. We would however leave it to the Administration to decide whether the request that pool cars be used for this purpose should be acceded to.

Housing Benefits

55. We have examined the provision of housing benefits to directorate officers in the light of the many representations made. In particular, we have studied the quarters allocation system, furniture and fitting out of quarters, the availability of recreational areas in quarters, air-conditioning allowances, the Home Purchase Scheme, the Housing Loan Scheme and the Cooperative Housing Schemes. We understand that the Administration is reviewing all existing civil service housing benefits and will develop specific proposals. The objective of the review is to encourage home ownership by civil servants and to make the most effective use of the financial resources that can be made available for the purpose. We do not wish to recommend any changes pending the outcome of the Administration's review.

Leave and Passages

56. Many representations we have received propose improved leave and passage arrangements by introducing more flexibility to the present system. We have weighed the arguments for and against all the various proposals, several of which are commented on below.

57. Under existing arrangements, officers entitled to annual leave are also entitled to an annual passage and the two entitlements have to be taken together, i.e. the officer must spend his annual leave overseas and make use of his passage for this purpose. In the Ninth Overall Review, we recommended that those officers who were entitled to annual leave with passages be permitted to split their entitlements so that they might take two holidays with passages within a twelve-month period. This recommendation has been implemented since 1 April 1988 for local and overseas officers on D4/DL4 and above. We have received proposals for extending the same flexibility to officers on D3/DL3 and below. This would apply to overseas officers only since local officers on D3/DL3 and below are not entitled to annual leave passages. We support this proposal.

58. We have considered a proposal to waive the application of the forfeiture formula to local officers on D4/DL4 and above whose annual leave consists of 45 days "overseas" leave and 10.5 days "local flexible" leave who spend more than 7 days of their "overseas" leave locally. Local officers have their home ties in Hong Kong and may not wish to spend most of their annual leave overseas. Moreover, it can be expensive to do so if the officer has no overseas accommodation of his own. That said, if local officers were exempted from the forfeiture formula, they would be enjoying more favorable leave terms than their overseas counterparts because they would be entitled to the same leave earning rate but without the restriction of the forfeiture formula. Also, the splitting of annual leave and passages has made it possible to alleviate any inconvenience or expense caused by the forfeiture formula since it allows a local officer to take his overseas leave in two portions rather than in a single stretch. On balance, therefore, we do not propose to make any changes to the existing arrangements.

59. Many Heads of Departments have proposed improvements to passage benefits. The most common suggestion is that officers be permitted to use the non-standard passage allowance to pay for other travel-related expenses such as hotel accommodation. Others have proposed a non-accountable cash allowance for leave passages. A few have commented on the grading of leave passages and the provision of school passages.

60. At the time of this review the Government is separately studying its passage arrangements and the grading of leave passages. We are not in favour of the suggestion to replace the present arrangement by a cash allowance payable to civil servants on a totally non-accountable basis, because there would be no safeguard on the use of the allowance for overseas travel. However, we do not object to introducing further flexibility, including allowing officers to use part of the passage allowance for travel-related expenses.

61. In this connection, we note that the Government is exploring the possibility of replacing the direct provision of leave passages with the payment of a cash allowance. The main features of the proposal are as follows: -

- (a) a cash allowance would be paid to an officer in advance of his departure on leave;
- (b) at least 70% of the allowance would have to be spent on travel and be accountable. This would be verified by requiring the officer to submit his used air ticket to the Treasury after his return from leave together with any evidence of other travel costs that may be required;
- (c) the remaining portion of the allowance (30%) could be spent on travel-related expenses on a non-accountable basis;

(As a variation to (b) and (c), officers could be allowed to join package tours on a 100% accountable basis.)

- (d) the allowance would be equal to an officer's current non-standard passage allowance e.g. \$14,435 (Economy Class) or \$28,336 (First Class) for local directorate officers and overseas officers whose country of origin is the United Kingdom; and
- (e) serving officers would be given the option of retaining their existing passage benefits. The exercise of this option would be irrevocable.

62. We note that this proposal to provide a partly non-accountable cash allowance is different from the usual private sector practice of opening passage accounts or reimbursing travel expenses against receipts. Questions of tax liability and possible malpractice need therefore to be addressed. The private sector survey of salaries and fringe benefits at senior management levels (paragraph 70 below) included coverage of private sector leave passage arrangements. It was found that for a majority of the employees who enjoyed this benefit, the leave passage could be used for hotels. However, the leave passage was allowable as cash only for a few.

63. We agree that the Administration's proposal could provide staff with greater flexibility in their leave arrangements without increasing the Government's passage costs. We understand that the introduction of a scheme along the lines of the proposal would require a variation of the existing passage agreement between the Hong Kong Government and British Airways. We have no objection to the proposal being pursued.

Miscellaneous Conditions of Service

64. We have reviewed the provision of miscellaneous benefits to directorate officers such as club membership, insurance coverage for officers on duty outside Hong Kong, proposals for a five-day working week and comments on the rules on the prevention of double benefits. We agree that the existing arrangements are reasonable and do not propose that they should be changed.

OPEN DIRECTORATE

65. We recommended in the Seventh Overall Review that the Administration should move towards a more "open" directorate in which inter-departmental movement would become more common. In the Ninth Overall Review we noted the lack of support among Heads of Departments and Agencies for any move towards a formal and fully open directorate and the very real difficulties in the way of achieving this. We concluded that it would be best to continue with the present informal arrangements for cross-postings between different career streams.

66. We have received two proposals on the open directorate concept. The first concerns the need to ensure a fair balance between professional and administrative

streams. We wish to point out that this is not the major aim of the arrangement, which seeks to ensure the best possible use of administrative and professional talent.

Cross-postings are, and should be, arranged according to operational needs. We understand, nonetheless, that the number of cross-postings is regularly monitored. In practice, the proportion of Administrative Officers in departmental posts or departmental officers in the Administrative Service has varied little in the past five years and a rough balance continues to exist.

67. The second proposal is for extending the open directorate concept to enable D1 or non-directorate departmental officers to be considered for promotion to the Administrative Service directorate. As this would mean a one-way movement of departmental officers to the Administrative Service, there would be a depletion of able officers in departments where there is great need for them. We would instead suggest that in order to make the best possible use of available talent, timely examination of promotion blockages that may exist in departments should be conducted to ensure that effective measures are taken to retain able officers within the department. Officers with exceptional administrative ability and versatility should still be identified for transfer to the Administrative Service under the existing informal arrangements for cross-posting between different career streams. These arrangements should continue.

DIRECTORATE STRUCTURE AND SALARIES

68. We have reviewed the overall directorate structure to see if the number of points on the directorate pay scales are appropriate in terms of broadbanding while at the same time sufficiently recognizing different levels of responsibility. The existing directorate levels are listed at Appendix VII. We are satisfied that in general the existing structure is working well. We would nonetheless recommend two changes which are detailed below.

VII

69. We are satisfied that there is a clear distinction in terms of personal accountability between department heads, including Group III heads, and deputies of, say, a Group I department in that the head is ultimately responsible for all the decisions and activities of the department while the deputy may refer matters upwards as necessary. There is therefore a prima facie case for ranking all Heads of Departments higher than all deputies on account of the responsibilities of heading an organization. Under the present directorate structure, however, heads of Group III departments (D4) are ranked at the same level as deputies in Group I departments and some Deputy Secretaries. We therefore recommend some recognition for the heads of Group III departments by the creation of a new point above D4 in the directorate pay scale. This point would be for heads of Group III departments only.

70. We also consider that the range and weight of subjects for which a Branch Secretary is responsible are wider and heavier than all department heads, and the demands on Secretaries are increasing steadily. A Secretary is responsible for policies executed by all the departments and agencies under his purview, in addition to overseeing matters dealt with by the policy branch alone. With the development of representative government and the concurrent increase in the degree of public accountability and scrutiny, Secretaries play a political role which is distinctly more difficult than that of a department head. We therefore recommend separating the heads of Group I departments from the Branch Secretaries by creating a directorate point to accommodate heads of Group I departments only. This new point should be set at about 8% above the current point D5.

71. We believe that the existing legal directorate levels, with the exception of the ranking of the Director of Legal Aid (paragraph 23 above), should remain unchanged. If our recommendations are accepted, the revised directorate structure will be as at Appendix VIII and the revised legal directorate structure as at Appendix IX.

VIII

IX

Increments

72. We have again studied proposals to introduce an element of increment in directorate salaries. The present fixed-point directorate pay scales are meant to reflect the proper pay for the job at various levels. However, it is not unreasonable to argue that an officer who has several years of experience in a particular directorate rank generally does the job better than an officer who has just been promoted to that rank. In addition, the Administration has informed us that, even with cross-postings, many directorate officers face limited promotion prospects. About 52% of directorate officers have been at their present pay point for three years or more. Constraints on the growth of the civil service, the relative youthfulness of many of the most senior officers, and the raising of the retirement age to 60 under the new pension scheme may combine to prevent or delay the promotion of meritorious officers.

73. We have therefore come to the conclusion that there is now a case to give some recognition to experienced directorate officers who have remained in one rank for some years. In this connection, we have studied the incremental scales in the upper echelons of the UK civil service, where Deputy Secretaries and Under Secretaries receive increments and only Permanent Secretaries do not. Given the existing differentials in Hong Kong between the various points on the directorate pay scales, the incremental scales are likely to be short. For officers on D1-D4 we therefore recommend awarding an increment of about 3% on the completion of two years service in the rank. We recommend that a second increment of about 3% be awarded to officers on D1-D3 on completion of a further three years service in the rank. Directorate officers above D4 are Heads of Departments or Branches and we do not consider it appropriate to introduce increments at such senior levels.

Recognition of Directorate Responsibilities

74. We note that the gap between the top point of the Master Pay Scale (MPS 51) and the bottom point of the Directorate scale (D1) is currently only 10.3% of MPS 51. Given the increase in directorate responsibilities associated with the unprecedented social and political change in Hong Kong since the last review in 1985, we consider the present differential to be too small a step to recognize the move into senior management which promotion to the directorate usually represents. We recommend that the differential should be not less than 15% of MPS 51.

Private Sector Survey

75. We last conducted a survey of remuneration of senior management in the private sector during the Ninth Review in 1985. We took the opportunity of this review to commission another confidential survey of salaries and fringe benefits at senior management levels in the private sector. The survey was carried out by the Senior Partners of Price Waterhouse Management Consultants and Peat Marwick Management Consultants Ltd. on our behalf. Several stages were involved. First, a survey questionnaire was designed to identify the information required. Four positions, i.e. chief executive or managing director, general manager, chief professional executive and corporate lawyer, were included. Questions covered salaries for each year since 1985 and fringe benefits as well. No upper limit was placed on the salaries about which information was to be gathered. In the second stage, a preliminary list of possible participants was produced. On the basis of this list, plus historical information on past participation and our own judgement, a final list of survey participants was agreed on. A survey questionnaire was then sent to each participating company. The completed questionnaires were returned to either of the two consultants and the data centrally analyzed by Price Waterhouse Management Consultants. A report on the findings was then submitted to us and the original data destroyed in order to preserve the confidentiality of the company information.

76. Altogether, thirty-three companies participated in the survey. Of these, 26 are operating companies or have both operating and holding company functions. Nineteen of these organizations have between 1,000 and 5,000 employees. They represent many different industries. Appendix X shows the profile and Appendix XI the names of those companies which agreed to disclose their identity. The main finding of the survey is that the average of the most common pay increases over the four-year period 1985-86 to 1988-89 for the surveyed positions was in the region of 60%. The most common pay increase in 1988-89 was about 14.5%. These findings compare with a cumulative increase of 24.5% in directorate pay since the adjustment recommended in our last (Ninth) Review in 1985. This 24.5% has been based on the adjustments to the upper band of the non-directorate in 1986, 1987 and 1988. To bring the cumulative increase to 60% would mean an increase of 28.5% on top of the 24.5%.

77. While private sector practice is important in determining rates of pay in the civil service, other factors must also be taken into account. Our remarks in 1964 (First Report) bear repetition once again -

" 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 higher 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 holder of a post whether or not he makes a conspicuous success 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 according 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."

78. We accept that civil service directorate salaries cannot match those of some top executives in the private sector. However, we believe that some regard should be had to pay trends (as opposed to levels) of senior executives in

the private sector. Accordingly we recommend that with effect from 1 April 1989 the following new directorate pay scale which incorporates the structural changes (paragraphs 69, 70 ,73 and 74 above) and their consequential effects on individual directorate pay points be introduced :

Existing Directorate Pay Point	\$	New Directorate Pay Point**	\$
D8	79,650	D10	100,850
D7	75,300	D 9	95,350
		D 8	84,350
D6	66,600	D 7	81,800
D5	59,800	D 6	75,750
		D 5	71,750
			(69,650) *
D4	56,650	D 4	67,600
			(63,150)
			(61,300)
D3	49,850	D 3	59,500
			(54,400)
			(52,800)
D2	42,950	D 2	51,250
			(45,800)
			(44,450)
D1	36,150	D 1	43,150

** See Appendix VIII

* Figures in brackets represent increments

79. Having considered all relevant factors, we recommend the following revised directorate (legal) pay scale where the existing relativity with the directorate pay scale would be preserved and an element of increments introduced -

Corrigendum

- 46 -

Existing Directorate (Legal) Pay Point	\$	New Directorate (Legal) Pay Point**	\$
DL7	70,950	DL7	89,850
DL6~	66,600		
DL5	59,800	DL6	75,750
		DL5	71,750
			(69,650) *
DL4	56,650	DL4	67,600
			(63,150)
			(61,300)
DL3	49,850	DL3	59,500
			(54,400)
			(52,800)
DL2	42,950	DL2	51,250
			(45,800)
			(44,450)
DL1	36,150	DL1	43,150

** See Appendix IX

~ There are no posts remunerated at DL6

* Figures in brackets represent increments

80. We recommend that the salary of the Commissioner of Police should be equivalent to D8 on the revised scale and that the salary of the heads of the other four disciplined services should be equivalent to D6 on the revised scale.

DIRECTORATE TITLES

81. The Administration has informed us that the directorate titles, i.e. Director, Deputy Director and Assistant Director, of the Trade Department have caused some misunderstanding in the bureaucracies of Hong Kong's principal trading partners and in multilateral trading organizations with which the department's directorate frequently come into contact. We agree that there is a case for the department's directorate titles to fit into the milieu in which their holders work and match the titles of their counterparts. We therefore recommend that the Director of Trade be retitled Director-General of Trade and that his Deputies and Assistants be retitled Deputy Director-General of Trade and Assistant Director-General of Trade respectively.

IMPLEMENTATION DATES

82. We understand that the Government may wish to implement the new directorate pay scales incorporating our recommendations on directorate salaries and structure (paragraphs 78 and 79 above) with effect from the same common future date as is selected for implementation of the recommendations to be made by the Standing Commission on Civil Service Salaries and Conditions of Service in its current salary structure review. We understand that in that

event, directorate salaries would be increased by 14.5% with effect from 1 April 1989 as part of the civil service pay adjustment for 1989. We would not object to this staged approach. We advise that our other recommendations should be implemented from a current date.

CHANGES IN MEMBERSHIP

83. Mr. S.L. Chen, CBE, who joined the Committee in April 1985, resigned in November 1987. He was a most valued colleague during the period. We are grateful to him for his help and sound advice.

84. The Honourable Martin G. Barrow, OBE, and Mr. Vincent Lo were appointed Members in August 1988.

ACKNOWLEDGEMENTS

85. We would like to record our appreciation to Mr T Clydesdale of Price Waterhouse Management Consultants and Mr D W Gairns of Peat Marwick Management Consultants Ltd. for their assistance in conducting the private sector survey.

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LI Fook-wo
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