

CONSULTATIVE DOCUMENT

JOB-RELATED ALLOWANCES IN THE CIVIL SERVICE

OCTOBER 1983

TABLE OF CONTENTS

I	INTRODUCTION	paragraphs 1 - 3
II	GENERAL BACKGROUND	
	Payment of Allowances in the Civil Service	paragraphs 4 - 5
	Present Position on the Payment of Allowances	paragraphs 6 - 7
III	ISSUES FOR CONSIDERATION	
	(A) BASIC PRINCIPLES GOVERNING JOB-RELATED ALLOWANCES	
	(a) Rationale for Paying Allowances	paragraphs 8 - 11
	(b) Rates of Allowances	paragraphs 12 - 14
	(c) Cut-off Point for Allowances	paragraphs 15 - 16
	(d) Multiple Allowances	paragraphs 17 - 19
	(e) Effective Date of Payment	paragraph 20
	(f) Control of Payment	paragraph 21
	(B) INDIVIDUAL JOB-RELATED ALLOWANCES UNDER REVIEW	
	(a) Extraneous Duties Allowances	paragraphs 22 - 27
	(b) Hardship Allowances	paragraphs 28 - 33
	(c) Special Allowances	paragraph 34
IV	GENERAL	paragraphs 35 - 36

Annex A Job-related Allowances in the Private Sector -
Summary of Findings by the Pay Survey & Research Unit

I. INTRODUCTION

The Standing Commission on Civil Service Salaries and Conditions of Service is conducting a review of the principles and practices governing the payment of a number of job-related allowances in the civil service. As part of the Commission's study of these matters, the Commission would like to receive the views of staff and departmental managements in the civil service, as well as those of the Administration in its capacity as overall manager of the civil service. The Commission will also be seeking views from interested private sector organisations in order to complete a balanced consultation process. This document provides background information on the subject and makes preliminary observations on which the views of the concerned parties are invited.

2. "Job-related Allowances" may be defined as additional payments to staff to compensate them for aspects of their work which are not normally expected of the particular grade or rank, and which have not been taken into account in the determination of the normal pay scales. At present, there are four categories of job-related allowances in the civil service. They are : -

- (a) Extraneous Duties Allowance
- (b) Hardship Allowance
- (c) Shift Duty Allowance
- (d) Special Allowance

3. As Shift Duty Allowance has already been dealt with by the Commission in Report No. 10 - 'Overtime and Related Allowances', it has not been included in this exercise, although the results of the present review may have a bearing on future arrangements for its payment and administration.

II. GENERAL BACKGROUND

Payment of Allowances in the Civil Service

4. Ideally, all the factors which are relevant to the determination of pay in the civil service should be reflected in the pay scales of each grade and rank. Where the majority of staff in a rank are required to undertake extra duties, or where they work in circumstances which merit some additional reward, these factors would normally be taken into account in setting pay scales. But where only a small proportion of the staff in a rank are engaged in such duties, or where these duties are of a temporary nature, various allowances have been granted to the staff concerned as recompense or as inducement for the performance of such duties. This practice of granting allowances provides a

flexible and economical method of responding to changing circumstances and, in this respect, may be preferable to the enhancement of the basic salaries of entire grades or ranks or the creation of additional posts.

5. Over the years, various broad guidelines for the approval and administration of allowances have emerged, as reflected in the recommendations of the post-war Salaries Commissions : -

the 1947 Commission : allowances should only be prescribed in respect of reimbursable expenditure incurred in the performance of duties, duties extraneous to normal work and special risk;

the 1953/54 and 1965 Commissions : the number of allowances should be kept as far as possible to the minimum, and should not be used if regradings were more appropriate;

the 1971 Commission : there was a need for formal machinery within the Government Secretariat to oversee the determination of the incidence and rates of allowances.

Present Position on the Payment of Allowances

6. At present, job-related allowances are classified into four main types. They are : -

- (a) Extraneous Duties Allowance
- (b) Hardship Allowance
- (c) Shift Duty Allowance
- (d) Special Allowance

Some 65,000 payments of allowances are currently made to civil servants each month at a cost of about \$11 million. This represents approximately 1.5% of the overall expenditure on personal emoluments. The allowances under the present review account for about two-thirds of the total cost and details are given in Section III(B) of this document.

7. In the private sector, the practice of paying employees allowances in similar circumstances does exist, although it is somewhat different to the practice in the civil service. The findings of a recent survey conducted by the Pay Survey and Research Unit are summarised in Annex A.

III. ISSUES FOR CONSIDERATION

(A) BASIC PRINCIPLES GOVERNING JOB-RELATED ALLOWANCES

(a) Rationale for Paying Allowances

8. As stated in paragraph 4, allowances play a useful part in the complex system of civil service remuneration. For many individual ranks or grades, there are inevitably certain duties and responsibilities which must be regarded as additional or extraneous to the duties normally expected of particular ranks or grades, and which have not been reflected in their pay scales. In recognition of the performance of these duties, some form of monetary reward has hitherto been considered desirable, and various allowances have been granted accordingly.

9. Over the years, job-related allowances have, in some cases, become a permanent element in the pay of certain groups of staff whose pay scales are not considered to reflect their duties fully. The amount of money paid out suggests that for these staff the allowances have in effect been recurrent rather than temporary in nature, and that they have become a regular addition to the basic salary of the staff concerned. Reservations have been expressed in some quarters about whether this is justified, and, on the other hand, whether due recognition has been given to those staff who genuinely deserve special consideration because of the onerous nature of their duties.

10. One problem that has emerged is the difficulty of defining the criteria under which certain job-related allowances should be paid. An element of judgement is often involved and though criteria have been laid down for the grant of job-related allowances they are necessarily open to interpretation. Even where clear-cut eligibility criteria were laid down when a particular allowance was first granted, with the passage of time these criteria have often been eroded as a result of later decisions made on individual groups of staff. This is particularly evident in the case of Obnoxious Duties Allowance, which was originally intended for staff undertaking duties of a particularly offensive, obnoxious and objectionable nature. In practice the payment of this allowance has become very common and a substantial number of payments, totalling more than 25,000 each month, are currently made.

Views Sought

11. The Commission would welcome views and any proposals for changes on the following points : -

- (a) Should job-related allowances be given to staff to compensate them for aspects of their work which are not normally expected of the particular grade or rank, and which have not been taken into account in the determination of the pay scale?

- (b) Should a job-related allowance be granted only occasionally, and not be allowed to become recurrent income for staff?
- (c) Should the eligibility criteria for Extraneous Duties Allowance, Hardship Allowance and Special Allowance still be largely based on subjective judgement?

(b) Rates of Allowances

12. At present the rates of standard allowances, including Extraneous Duties Allowance, Dangerous Duties Allowance and Obnoxious Duties Allowance, are expressed as percentages of Point 1 of the Master Pay Scale (at present \$1,700 per month). This enables the rates to be adjusted automatically whenever basic salaries are adjusted, thus obviating the need to review the rates to take account of erosion in the real values of allowances as a result of inflation or other factors. A possible drawback here is that the need to undertake periodic reviews of the justification and amount of the allowance in the light of changing circumstances may be overlooked.

13. Another feature of the existing rates of standard allowances is that different allowances, or different levels of responsibility in the case of Extraneous Duties Allowance, attract different percentage points. The original rationale for choosing these percentages may have been that they produced the nearest percentage equivalents to the amounts paid at that time. There appears to be scope for rationalisation with regard to the method of determining the rates of allowances.

Views Sought

14. The Commission would welcome views on the following questions relating to rates of allowances : -

- (a) Should MPS Point 1 continue to be the basis for calculating rates of allowances, or should the rates of allowances be fixed and reviewed periodically?
- (b) Would it be more appropriate to tie the rates of job-related allowances to the recipient's own pay scale? Would this produce a pattern of allowances which would be difficult to administer?
- (c) If MPS Point 1 should continue to be the basis for calculating rates of allowances, are the current percentages attached to different allowances appropriate?

(c) Cut-off Point for Allowances

15. The current view on the payment of allowances to senior officers appears to be that staff on or above a certain level should not be eligible for the payment of standard allowances. For instance, overtime allowance may be paid to most officers on or below the salary level of Point 23 of the Master Pay Scale who work for longer than their conditioned hours, and there are also provisions for the payment of honoraria for overtime worked by some officers on MPS 24 up to MPS 36 for periods of prolonged overtime. It has been suggested that the higher an officer rises in rank, the more inappropriate it is to pay him allowances although there may well be individual circumstances where such payments are justified. An alternative proposition is that eligibility for allowances should be determined by reference to whole ranks rather than to a fixed point in the salary scale. In this connection, it is for consideration whether ranks performing middle or higher management functions should be eligible for allowances.

Views Sought

16. The Commission would welcome views on the following questions : -

- (a) Is there some salary point above which a job-related allowance is incompatible with an officer's salary and status?
- (b) If payment of an allowance by reference to a single cut-off point is considered inappropriate, what arrangements could be introduced as an alternative?

(d) Multiple Allowances

17. There is at present nothing to prevent staff from drawing more than one allowance. Allowances are given for specific reasons and it would not be appropriate to introduce any reduction or restriction where a job is, say, both obnoxious and dangerous at the same time. On the other hand, it could be argued that it is inappropriate to pay separate allowances for a number of different job factors which are tied to the same basic duties. This argument is particularly relevant when Extraneous Duties Allowance and Obnoxious Duties Allowance are paid for the same job simultaneously.