

CHAPTER 4

RATES FOR ALLOWANCES

4.1 At present, the rates for allowances are set in various ways. Whilst standard allowances are set having regard to Point 1 of the Master Pay Scale, non-standard allowances are set mainly as percentages of Point 1 of the Master Pay Scale, as fixed amounts, or as additional increments.

4.2 In paragraph 4.10 of our Report on Overtime and Related Allowances (Report No. 10), we indicated that further consideration should be given to the appropriateness of using Point 1 of the Master Pay Scale as the basis for the calculation of Shift Duty Allowances. In the Consultative Document, the question therefore was asked whether Point 1 of the Master Pay Scale should continue to be used to determine the rate for allowances or whether it would be more appropriate to pay fixed amounts or to tie the rate to the recipient's salary. Whilst the majority of departmental managements and private sector organisations favoured the continued use of Point 1 of the Master Pay Scale as the basis for determining the rate for allowances, a significant number of staff associations would prefer to link the rate for allowances to the recipient's salary.

Basic Principles

4.3 The first question which needs to be decided is therefore whether allowances for the same extra duty should be paid at a flat rate or at different rates linked to the recipient's salary. It has been suggested that linking the allowance to the recipient's salary might provide more incentive to staff, particularly the more highly paid, to take on extra duties but we do not favour this approach because of both administrative and practical difficulties. Furthermore, it seems to be only fair that two officers who are required to carry out the same extra duties or are subjected to the same element of hardship should be paid the same allowance, since the difference in their level of responsibilities should have been reflected in their basic salaries.

4.4 We therefore recommend that the same allowance should be paid for the same extra duties regardless of the rank and basic salary of the officer concerned.

4.5 On the assumption that allowances will continue to be paid at a flat rate for the same extra duty, we considered whether they should be expressed in the form of fixed amounts subject to periodic review or as percentages of a point on a pay scale. We noted that linking allowances to a point on a pay scale has the merit of simplicity since rates are automatically adjusted whenever the pay scale is revised. This system has been in use for some time and has proved to be a convenient and practicable arrangement. Its main drawback is that it removes the incentive to conduct reviews of individual rates of allowances and such reviews might provide a useful opportunity to examine the need for allowances to be paid at all. We considered this question separately in the case of standard and non-standard allowances, in view of the differences in the form they take and the circumstances under which they are paid.

4.6 We also considered other ways of setting the rates for allowances but concluded that none of these approaches would be appropriate because of the difficulty of devising a simple formula for expressing the rates for allowances which would be acceptable to both management and staff.

Rates for Standard Allowances

4.7 We feel that, in order to keep the allowance system simple and easy to administer, it would be best to continue to broadband the rates for standard allowances and to relate them to a certain point on a pay scale. Since the use of the Master Pay Scale has been generally accepted in the past, we recommend that the rates for standard allowances should continue to be broadbanded and have regard to Point 1 of the Master Pay Scale. However, this arrangement should be reviewed if, for any reason, the structure of the bottom end of the Master Pay Scale is substantially changed in future.

Rates for Non-standard Allowances

4.8 As regards the rates for non-standard allowances, the Administration suggested that they should be expressed in fixed amounts to ensure that there are periodic reviews both of the justification for paying them and of the rates themselves. We examined the current distribution of the various categories of non-standard allowances in detail and found that the rates for some of them have not been revised for a long time. We consider that all such cases should be regularly reviewed.

4.9 Having regard to the need for a consistent allowance system which will be simple and easy to administer, we recommend that the rates for non-standard allowances should, wherever practicable, have regard to Point 1 of the Master Pay Scale. Whilst we accept that there may be a need for the rates for particular non-standard allowances to be expressed in the form of a fixed sum, we consider that the current practice of expressing some non-standard allowances in other forms such as

increments should cease and that their rates should be converted into percentages of Point 1 of the Master Pay Scale.

Relative and Absolute Values of Rates for Allowances

4.10. As regards both the absolute and the relative value of the rates for allowances, we consider that the subject requires detailed examination by the Administration after it has critically reviewed all the existing payments of allowances in accordance with the recommendations in this Report. The findings of the Administration should then be referred to us for further consideration.