

14 November 1991

His Excellency Sir David Wilson, G.C.M.G.,
Governor of Hong Kong.

Your Excellency,

Review of Job-Related Allowances

During the 1989 Salary Structure Review, we received a number of staff representations on issues relating to job-related allowances and recommended that the subject should be examined further in a separate exercise (paragraph 4.76 of Report No. 23). We have recently completed a review of the subject and are honoured to submit our advice.

Scope of the Review

2. From February 1983 to February 1986, we conducted a comprehensive review of job-related allowances covering their role in the civil service, general principles and practices governing payment, rates and categories of allowances and administration of the system. Our recommendations were set out in Report No. 15 which was submitted in February 1986.

3. A large number of our recommendations in Report No. 15 amount to codifying or reaffirming many of the principles and practices already adopted by the Administration. As to the other recommendations, although the Administration agrees with the principles, some still have not been implemented. We have been given to understand that it is because their implementation would lead to withdrawal of some allowances which have existed for a long time and the Administration sees difficulty from the staff relations point of view.

4. We have therefore decided that the current review of job-related allowances should focus on issues which have remained outstanding from our last review and issues which have arisen subsequently, particularly those which have been identified for examination during the 1989 Salary Structure Review. On this basis, we have examined the following areas in the current review :-

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- (I) basis for determining rates of job-related allowances;
- (II) eligibility for job-related allowances; and
- (III) categories of job-related allowances.

Consultation with Staff

5. During our review, we sought the views of the Staff Sides of the Senior Civil Service Council and Model Scale 1 Staff Consultative Council on the three areas under review. In formulating our recommendations, we have taken into account the views expressed by the Staff Sides.

THE REVIEW

(I) Basis for Determining Rates of Job-Related Allowances

(A) Present Position

6. The present rates of job-related allowances were last rationalised in 1978 and classified into two broad categories, namely standard allowances and non-standard allowances. Standard allowances are set as fixed percentages of old MPS 1 and paid on a monthly basis. They are automatically revised following salary adjustments. The rates of non-standard allowances are determined on an individual basis to suit the particular circumstance of each case and can be paid on an hourly, daily or monthly basis or as additional increments. There is no automatic mechanism to revise the rates in line with salary adjustment.

7. In Report No. 15, we recommended, among other things, that as a basic principle, the same allowance should be paid for the same extra duties irrespective of the rank and basic salary of the officer concerned. We also recommended that the practice of broadbanding the rates of standard allowances and linking them to old MPS 1 should continue. As to the rates of non-standard allowances, they should, wherever practicable, have regard to old MPS 1. While there might be a need for certain non-standard rates to be expressed in the form of a fixed sum, the practice of expressing some non-standard allowances in other forms such as increments should cease and their rates should be converted into percentages of old MPS 1.

(B) Review of Problem Areas

- (i) Same allowance for same extra duties regardless of the rank and basic salary of the officer concerned

8. In making the recommendation that the same allowance should be paid for the same extra duties regardless of the rank and basic salary of the officer concerned in Report No. 15, we considered that it was only fair that two officers who were required to carry out the same extra duties should be paid the same allowance, as the difference in their level of responsibilities should have been reflected in their basic salaries.

9. Having re-examined the issue in the current review, we consider that the principle recommended in our Report No. 15 is still sound and valid. For work situations where the element of extraneousness, obnoxiousness, danger or inconvenience arising from the performance of the extra duties does not seem to differ for different grades or ranks, it is fair that the same allowance should be paid to all who are affected by the same job factor in performing the extra duties.

10. However, under circumstances where a job factor has a bearing on the level of responsibility of the different ranks undertaking extra duties, we consider that such extra duties should not be regarded as "same extra duties". It is therefore appropriate that the rate of allowances should be determined having regard to the officer's pay. The use of increments as one of the bases for paying allowances should be recognised and allowed to continue.

11. We hence suggest that the interpretation of "same extra duties" should be clarified to refer to extra duties which are literally the same or which would subject the staff concerned to the same element of obnoxiousness, danger, inconvenience or extraneousness. Where the extra duties would subject different ranks and grades to different elements, such as different levels of responsibility, or to different degrees of hardship, they should not be regarded as "same extra duties".

12. In the 1989 Salary Structure Review, we reaffirmed that where a job factor applied to over 75% of the staff in a rank, it might be taken into consideration in setting the pay scale by awarding increments. Where a job factor did not apply to over 75% of the staff in a rank, a job-related allowance might be granted. Since the rates of job-related allowances are calculated on the basis of fixed percentages of

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old MPS 1 or a fixed amount, it appears that the existing basis for calculating the rates of job-related allowances differs from the basis for recognising a job factor in the pay scale. In the latter case the award of extra pay points to recognise a job factor when it applies to over 75% of the staff in a rank is consistent with the salary system in use. The principle of awarding the same allowance for the same extra duties does not apply in these circumstances where the job factor in question is very often considered simultaneously with other elements, where the aggregate is broadbanded resulting in additional increments and where individual factors cannot be exactly quantified.

(ii) Point 1 of the Old Master Pay Scale (MPS) as the reference point for setting the rates of standard allowances

13. At present, old MPS 1 is used as the reference point for determining the rates of standard allowances and a number of non-standard allowances notwithstanding the introduction of the new Master Pay Scale following the 1989 Salary Structure Review. We recommended in Report No. 15 that the arrangement of setting rates of allowances by reference to old MPS 1 should be reviewed if the structure of the bottom end of the Master Pay Scale was substantially changed. As new MPS 1 was substantially higher than old MPS 1 by some 19%, we recommended in the 1989 Salary Structure Review that the cash value of old MPS 1 should remain to be the reference point for calculating job-related allowances pending a separate review.

14. In response to our current review, the Administration proposes to repeg all job-related allowances now expressed as percentages of old MPS 1 to new MPS 1 but the present dollar value of the allowances should generally be maintained by adjusting the percentages downwards.

15. Considering that pegging of job-related allowances as percentages of point 1 of the MPS has been used for many years and generally accepted and has the advantages of easy administration and automatic adjustment following salary adjustments, we support the Administration's proposal to repeg the rates to new MPS 1. We also support the proposal to revise the percentages downwards to give the same value in view of the fact that the degree of hardship or extraneousness of the extra duties has not changed.

(iii) Daily rates of allowances

16. Over 90% of allowances are paid as standard allowances on a monthly basis. To qualify for the payment of standard allowances, the extra duties should take up a substantial part of the officers' time frequently and

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continuously. However, no minimum period has been laid down and each case is determined by the Administration on the basis of merits.

17. On the other hand, in special circumstances when non-standard allowances are paid, they can be at an hourly, daily or monthly rate depending on the circumstance of each case.

18. At our last review leading to Report No. 15, we examined, among other subjects, the frequency of performance of extra or unusual duties and recommended that allowances should not be paid to officers unless extra or unusual duties took up a "substantial part of their time". We noted that there was a need to prescribe a specific number of hours as the definition of "a substantial part of their time" but concluded that it would be difficult to lay down an appropriate minimum period for all cases and that it would be advisable to leave it to the Administration to adopt appropriate measures to ensure there was uniformity of practice in the administration of the allowances.

19. In the 1989 Salary Structure Review, some staff associations submitted suggestions for relaxing the requirement of involving "a substantial part of their time". We also noted that the requirement of staff to perform extra or unusual duties could last for a few days rather than a whole month. We considered that the whole basis of paying monthly allowances should be reviewed and the possibility of revising it to a daily rate should be examined.

20. In the current review, having regard to the principle that as far as possible, the pay scales in the civil service are designed to cover the main duties generally performed by a particular rank or grade and to take account of minor variations of duties performed by individual officers, we reaffirm the views of our last review, i.e. the occasional performance of extra or unusual duties should not merit extra remuneration under normal circumstances and that only when such duties take up a significant proportion of the officer's time, might the payment of an allowance be appropriate. In other words job related allowances should not be paid to officers unless extra or unusual duties take up "a substantial part of their time".

21. As to what constitutes "a substantial part of their time", we still consider that it should be left to the Administration to decide taking into account the circumstances of individual cases. There is no stipulation to disallow the payment of allowances on hourly, daily or other basis. As non-monthly rates could be more appropriate and economical in special circumstances, this practice should continue to be

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allowed when the Administration finds them justified.

22. Considering that some monthly allowances have been paid for many years, we suggest that the Administration should conduct a review of individual cases to see if the justifications for the allowances still stand and whether payment should continue on a monthly basis or be revised to a non-monthly basis to take account of changed circumstances.

(iv) One-off bonus

23. At present, one-off bonuses are given to staff on life-guard duties on qualifying for operating motorised rescue boats or on acquiring approved life-saving awards. They are the only two remaining bonuses in the civil service.

24. In Report No. 15, we considered that the payment of job-related allowances to staff on acquisition of extra skills regardless of whether they actually use them in the course of their work was unsatisfactory. While some incentive to staff to obtain extra qualifications or skills might be appropriate, this must be distinguished from job-related allowances intended to compensate for the actual performance of extra duties. We recommended that job-related allowances should not be paid simply for acquiring a skill or qualification, and where an officer was called upon to make use of such an extra skill or qualification in the course of his job, consideration should be given to the payment of allowances only if he did so reasonably often. Also, allowances should not be paid for changes in duties resulting from improvements in operational methods or from new technology.

25. Having examined the issue in the current review we consider that, although our previous recommendation in Report No. 15 on the appropriate recognition of acquisition of extra skills or qualifications relevant to the job is still valid, we note that there is a need for special arrangements in special circumstances. Considering the need to encourage staff to maintain their physique and proficiency in life-saving, the need for some incentive for staff to undergo the difficult training for operating motorised rescue boats, as well as the demands of operating such boats off crowded beaches and in rough waters, we support the retention of these two bonuses. However, they should no longer be classified as job-related allowances.

(C) The Commission's Recommendations

26. In summary, having reviewed the problem of determining rates of job-related allowances, we recommend that :-

- (a) the principle of paying the same allowance for the same extra duties regardless of the rank and basic salary of the officer concerned be reaffirmed and fixed rate allowances paid to all eligible staff for the same extra duties involving the same element of hardship;
- (b) variable rate allowances be paid to staff where the extra duties would subject the staff to different elements or degrees of hardship or levels of responsibility;
- (c) such allowances could be linked to the recipient's salary, as for example in the form of increment;
- (d) new MPS 1 be the reference point for quantifying standard allowances, and the existing percentages pegged to old MPS 1 adjusted to maintain the current dollar value;
- (e) the principle that job-related allowances should not be paid to officers unless extra or unusual duties take up a substantial part of their time be reaffirmed;
- (f) provision for payment of job-related allowances on hourly, daily or other basis in special circumstances continue to be allowed subject to satisfying the Administration of the merits of the case;
- (g) the Administration conduct a review of individual cases to see if the justifications for allowances still stand and whether payment should continue on a monthly basis or be revised to a non-monthly basis to take account of changed circumstances; and
- (h) the bonuses granted to staff on lifeguard duties for acquiring approved life-saving awards and for acquisition of qualification to operate motorised rescue boats continue but should cease to be classified as job-related allowances.

(II) Eligibility for Job-Related Allowances

(A) Present Position

27. Following our last review between 1983 and 1986, we recommended in Report No. 15 that eligibility for job-related allowances should be determined by reference to a cut-off point at MPS 33 (old MPS 37), and that members of the administrative and professional grades should not be eligible for job-related allowances regardless of their salary level.

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28. The Administration has accepted these recommendations and has generally adhered to them in dealing with applications for new approvals or extensions of existing eligibility for allowances. However, in a small number of cases, exceptions have been made to allow some staff of the professional grades or staff above old MPS 37 to be eligible for job-related allowances. These cases have mostly been approved a long time ago and the Administration is understandably reluctant to enforce the rules having regard to possible staff reactions to withdrawal of allowances and to the small number of officers involved.

29. Furthermore, a number of developments arising from the 1989 Salary Structure Review do not appear to be entirely consistent with our recommendations in Report No. 15. They involve recognising hardship related factors, such as shift work, obnoxious or dangerous duties, in the pay scales of a number of professional grades or ranks above new MPS 33 (old MPS 37).

(B) Review of Problem Areas

30. Having regard to the nature of duties, the level of responsibility and the broadbanding of pay scales above old MPS 37 (MPS 33), our earlier recommendation in Report No. 15 that eligibility for job-related allowances should be determined by reference to a cut-off point at old MPS 37 (new MPS 33) and that members of the administrative and professional grades should not be eligible for job-related allowances is basically sound and still valid.

31. However, this should not preclude the exercise of flexibility to allow for exceptions to cater for very special circumstances where hardship factors feature overwhelmingly in the duties of a particular rank and are exceptionally onerous when compared to other ranks at the same level. Our recommendation in Report No. 23 that while the level of responsibility exercised is the major criterion in setting the pay scales of senior rank, where a considerable part of the duties of such ranks involve elements of hardship, recognition should be given in the pay scale follows this line. So do the exceptions made to some professional grades or ranks above new MPS 33 mentioned in paragraph 30 above.

32. The existing eligibility rules should be reaffirmed and flexibility should be allowed to cater for very special circumstances where justified. To discourage a proliferation of exceptions, further exceptions should be carefully examined by the Administration and should be subject to our advice and recommendation.

(C) The Commission's Recommendations

33. To summarize, in respect of eligibility for job-related allowances, we recommend that :-

- (a) the existing eligibility rules cutting off eligibility for job-related allowances at old MPS 37 (new MPS 33) and excluding members of the administrative and professional grades should be reaffirmed;
- (b) exceptions should be allowed to cater for very special circumstances; and
- (c) future exceptions should be subject to the advice and recommendation of the Commission.

(III) Categories of Job-Related Allowances

(A) Present Position

34. Job-related allowances are now classified into four broad categories : Extraneous Duties Allowance, Hardship Allowance, Shift Duty Allowance and Special Allowance to cater for the performance of different extra duties for which the allowances are intended to compensate. Each category is further divided into various types or levels with different rates.

35. In our last review between 1983 and 1986, we examined in detail the overall categorisation of allowances and recommended a number of measures to streamline the allowance system. Three of the recommendations in Report No. 15 have not been implemented, including :-

- (a) abolition of Level 1 of Extraneous Duties Allowance (Supplementary Duties);
- (b) consideration by the Administration of splitting Level 2 of Extraneous Duties Allowance (Supplementary Duties) into two; and
- (c) incorporation of all non-standard allowances into a single new category called "Non-standard Allowances".

(B) Review of Problem Areas

36. The Administration has recently reverted to us on the three outstanding issues. Level 1 of Extraneous Duties Allowance (Supplementary Duties) will be formally abolished with no staff being affected as the allowance has already been withdrawn in 1989.

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37. Having reviewed splitting Level 2 of Extraneous Duties Allowance (Supplementary Duties) into two, the Administration has concluded that it is neither necessary nor possible to differentiate clearly the various types of skill associated with individual allowances in this group. They propose that the status quo be maintained and that, following abolition of existing Level 1, current Levels 2 and 3 should respectively be retitled as Levels 1 and 2. We note the Administration's conclusion and proposed retitling.

38. As to the introduction of a new category of "Non-standard Allowance", the Administration considers that the various allowances at non-standard rates are used to cover unique work situations where the standard rate is inadequate or inappropriate. They do not necessarily share common features and the introduction of a new category would not serve to simplify the allowance system. We accept that a new category should not be introduced as it will not serve any useful purpose.

39. As regards the overall categorisation of job-related allowances, we note that they are classified in accordance with the nature of the duties. This system has been adopted since 1978 and is well understood by both management and staff. We see no good reason for revising it.

40. Furthermore, in line with our recommendation in paragraph 33 above, we suggest that, in future, all new allowances involving deviation from the established principles governing payment of job-related allowances should be referred to the Commission for advice. This will serve to discourage the proliferation of exceptions to the basic principles and the introduction of Special Allowances but at the same time allow flexibility to be exercised in very special circumstances.

(C) The Commission's Recommendations

41. In respect of categories of job-related allowances, we recommend that :-

- (a) job-related allowances continue to be classified in accordance with the nature of extra duties into four broad categories of Extraneous Duties Allowance, Hardship Allowance, Shift Duty Allowance and Special Allowance;
- (b) after the abolition of Level 1 of Extraneous Duties Allowance (Supplementary Duties), existing Levels 2 and 3 be retitled as new Levels 1 and 2 respectively;

- (c) the splitting of current Level 2 of Extraneous Duties Allowance (Supplementary Duties) not be pursued;
- (d) a new category of "Non-standard Allowance" not be introduced; and
- (e) the introduction of new Special Allowances and new cases involving deviations from the established principles governing payment of job-related allowances be referred to the Commission for advice.

42. If our recommendations are accepted, we propose that they be implemented from a current date.

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

(Sidney Gordon)
Chairman
For and on behalf of
Members of the Standing Commission