

CHAPTER III

THE GRADING OF DEPARTMENTS

19. The purpose of 'grading' departments is to determine appropriate salaries for each post. It would clearly be impractical to evaluate exactly in terms of money the duties and responsibilities of each individual job and assign a different salary to each of the 227 posts in the superscale/ upperscale. It has consequently been the practice to divide the departments and officers into groups according to the nature of their work and responsibility, and to assign a salary to each group.

'Grading' Factors

20. We have considered at some length what factors determine the value of a job and consequently its level of remuneration. There are a number of standard textbooks on this subject, which seek to compare and evaluate on a systematic basis the work of widely different administrative and professional jobs, by finding common ground between them, and then attempting to analyse, assess and measure the different qualities and characteristics of the job. The factors which are taken into account are called 'grading factors'.

21. The factors selected, and the weight given to each factor, determine the validity of each system. All important aspects of the work must be covered and there should, if possible, be no overlapping, although overlapping is particularly difficult to avoid. But one criterion we agreed upon was that we should not use as grading factors qualities or considerations which are required in equal, or approximately equal, measure in all directors. Thus qualities such as integrity, efficiency, accuracy are required in all directors, although their absence might well have more serious consequences in one department than another.

22. In 1960, after the Platt Salaries Commission, Government appointed a Colonial Secretariat Working Party to undertake a comprehensive review of the status of all departments and to consider representations from certain departments which disagreed with the recommendations of the Platt Commission.

23. The factors employed by this Working Party were:

- Numerical Size
- Financial Responsibilities
- Political Judgment required
- Guidance available
- Relations with the public
- Care and accuracy in official proceedings
- Need for imaginative and creative approach
- Professional or specialized knowledge
- Complexity and variety
- Special responsibilities
- Dealings with other Departments
- Necessity for speedy and decisive action

24. A different system is described in 'Managerial & Professional Staff Grading' by DOULTON & HAY (R.I.P.A. 1962). This system is designed to 'provide a method of analysing and assessing the mental qualities which an individual must bring to a job and the way in which they are used'. The qualities used as grading factors are:

- (1) Specialized Knowledge and Experience
 - (a) Knowledge
 - (b) Skill

- (2) Judgment
 - (a) Complexity
 - (b) Intangibility
- (3) Creative Thought
- (4) Man Management
- (5) Decisions
 - (a) Money
 - (b) Staff
 - (c) Public Relations
 - (d) Facilities

Each of these factors is of course defined in detail in the book.

25. Although the factors in the two systems appear at first sight very dissimilar, most of the 1960 Working Party's factors do in fact appear in different guise in the Doulton & Hay System. The 1960 Working Party's system is rather looser because it includes characteristics of the department (e.g. numerical size) as well as the qualities of the director; but such physical characteristics are of importance only insofar as they make more difficult the decisions which the director has to take.

26. We did not find either of the above systems entirely suitable to our needs and we devised our own factors, which are recorded below:

Main Factors

- A *The Importance of the Department* to the Colony, taking into account the economic or social effects on the Colony of good or bad decisions taken by the head of department, and of good or bad judgment exercised by him.
- B *The Financial Effects* or implications on Government funds, having regard not only to size of the funds controlled, but also to the difficulty of ensuring efficient control and the extent to which the head of department is in a position to vary revenue and expenditure by taking decisions and exercising judgment.
- C *The Difficulty of the Decisions* to be taken and the difficulty of the judgment to be exercised, having regard to the amount of planning and forecasting required, the amount of information and guidance available and the nature of the problems.
- D *The Time Available* in times of stress to take the decisions or assess the situation.
- E *The Difficulty of Administering the Department*, taking into account its size, complexity and geographical location, and the variety and nature of its duties.
- F *The Political/Social Abilities* required, taking into account the political, social and public relations duties of the head of department within the Colony or overseas.

27. We consider that these factors are present in every director's job in varying degree. But there are certain other factors which scarcely exist in some departments but are of the greatest importance in others. These factors are:

Additional Factors

- G *The Leadership Required* as regards staff, morale and man-management and the importance of these factors to the efficiency of the department.
- H *The Market Value* of the Director outside the Government Service, taking into account his qualifications and experience and the demand for his services.
- I *The Personal Responsibility* of the head of department in addition to his normal duties as the head of his department.
- J *The Inter-relationship* with other departments, taking into account the extent to which the department is called upon to advise other departments.

28. When one has determined grading factors one is still faced with the problem of how to use them. One can allocate a certain number of marks to each director in respect of each factor and then total the marks; or one can weight certain factors to accentuate their importance; or (as in the Doulton & Hay system) one can grade jobs on the highest marks awarded in any factor, provided that this factor represents 'a necessary and continuing part of the post duties and represents a reasonable proportion of the total job'; or one can approach the problem more subjectively and use the factors as a mental aid in grouping the posts.

29. Any arithmetical system tends to give a somewhat spurious air of scientific accuracy to the whole proceedings—spurious because of the large measure of personal opinion and judgment required in selecting and weighting factors, and in awarding points or marks. Indeed, Lord Franks advised our Chairman not to place too much reliance on any arithmetical system. We accordingly decided to undertake initially an arithmetical exercise on a weighted system so as to apply our minds closely to each factor, and in order to arrange the directors in rough order. We must emphasize that at this stage we were assessing the responsibilities of the directors and not the duties of the department. The two terms are not always synonymous.

30. Tables containing these results have been transmitted to the Colonial Secretary, but as they do not represent our final conclusions we recommend that they should not be generally released.

31. We found that in practice neither the weighting of certain factors nor the addition of the additional factors altered materially the order of most directors. The tables appeared to us to give generally reasonable and satisfactory results, with the exception of a limited number of directors whose importance and responsibilities cannot easily be measured by an exercise of this sort, and we made appropriate adjustments.

The Number of Groups

32. The next problem was to determine how many groups of directors there should be.

33. The number of groups is a difficult and important matter. In a structure where there are very few groups (as in the present structure) there must inevitably be a considerable difference in the difficulty and responsibility of jobs at the top and jobs at the bottom of each; and the more important and responsible jobs at the top of one group may well be closer to the jobs at the bottom of the higher group than to the jobs at the bottom of their own group. There is evidence that this causes dissatisfaction with the present structure. A number of grade II departments have requested that they be upgraded to grade I. On being questioned, most of these departments state that they are not claiming equality with the more important grade I departments, but consider themselves at least the equal of the less important grade I departments, and considerably more important than the lesser departments in their own group. Some directors have told us that, while they appreciate that some heads of department should receive higher salaries than others, they dislike the system of calling departments 'Grade I', 'Grade II', etc. We agree with this view and return to the subject later in our report.

34. Too many grades, on the other hand, bring their own problems. The distinctions become very fine and difficult to apply and to justify.

The United Kingdom System

35. In the United Kingdom there are three main groups. The biggest group consists of all the large well-known departments, the heads of which, usually called the Permanent Secretary, all receive the same salary: £8,200. They have one, two or more Deputies, according to size, and a number of Under Secretaries and Assistant Secretaries. They may also have technical or professional staff at various salaries.

36. There is also a smaller group, the heads of which are paid the salary of a Deputy Secretary (£5,800). Their Under Secretaries and Assistant Secretaries receive the same salaries as their colleagues in the larger group.

37. Finally, there is a small group, whose heads receive the salary of an Under Secretary (£4,700).

38. It will be seen that the general pattern in the United Kingdom is a large group at the top with smaller groups below.

Grouping in Hong Kong

39. We considered carefully what the pattern should be in Hong Kong. The Platt Commission emphasized, and we agree, that the responsibility of a head of department should be recognized in his salary, and we have recommended that all heads of department should receive higher salaries than all deputies and assistants. It is neither practical nor desirable that every degree of difference between the duties and responsibilities of directors should be reflected in their salaries; at the same time there is no doubt that some of these differences are so large as to warrant a differential in salary.

40. The first thing that struck us, both as a general impression from our interviews with the heads of department, together with their descriptions of their duties and responsibilities, and from the results of the grouping exercise, was that there were three departments whose directors stood out: The Commissioner of Police, with his large organization and widespread responsibilities for law and order; the Director of Commerce and Industry with his rapidly growing staff and responsibility for the internal regulation and the external relations of the Colony's trade, which today are vital to our economy and on which depend our ability to meet the cost of social services and other necessary Government expenditure; and the Director of Public Works whose three sub-departments each performs a vital role in the Colony, and whose activities between them permeate throughout nearly all the other departments of Government. We decided therefore that the heads of these departments should receive remuneration higher than that of the directors of other departments. (At this stage we ignored the Judiciary, the Colonial Secretariat, the Secretary for Chinese Affairs and the Legal Department, which were examined separately.)

41. For the rest, after much debate and careful consideration of the characteristics of each department and of the results of our grouping exercise, we came to the conclusion that there should be a large basic group whose heads should all receive the same salary, although it is inevitable that such a basic group should include some whose duties may appear lighter and some heavier than the rest.

42. Without departing from the principle of a basic group described in the foregoing paragraph, we came to the further conclusion that there are certain departments whose functions, while not warranting the same remuneration for their heads as those named in paragraph 40, are still sufficiently outstanding to merit recognition and a higher remuneration than the heads of the basic group. We therefore recommend an intermediate group consisting of the following:

- Commissioner of Labour
- Director of Marine
- Director of Medical and Health Services
- Director of Education
- Director of Urban Services
- District Commissioner, New Territories.

43. Basically, it seemed to us that these six departments have more independent responsibilities than the generality, but it is impossible in such matters to set down specific reasons for the conclusion which can only be arrived at by individual judgement after absorbing all the information available. It is sufficient to say that our recommendation represents the consensus of opinion of the Committee and is broadly supported by our grouping exercise. There were naturally some borderline cases which the Committee debated at length, but eventually had to make their decision one way or the other.

44. Accordingly, for the basic group we recommend the following 19 heads of department:

- { Director of Agriculture/Forestry
- { Commissioner for Co-operative Development and Fisheries
- Director of Audit
- Director of Broadcasting
- Director of Civil Aviation
- Director of Fire Services
- Commissioner for Housing
- Director of Immigration
- Director of Information Services
- Commissioner of Inland Revenue
- Director of Royal Observatory
- Postmaster General
- Government Printer
- Commissioner of Prisons
- Manager and Chief Engineer, Kowloon-Canton Railway
- Commissioner for Rating and Valuation
- Commissioner for Resettlement
- Director of Social Welfare
- Controller of Stores
- Accountant General

45. We have not found it easy to separate the heads of department into these three groups. In placing individual directors, we have considered their duties and responsibilities in relation to the general level of those of other directors in the three groups. We assigned a higher salary to a director only if we were fully satisfied that his duties are distinctly more important and difficult than those of the generality of directors in the main group and equate more closely with the generality of posts in the higher group.

46. We emphasize that all these directors are heads of department. We have not 'graded' them, because we find this term distasteful when applied to senior officers; but we consider that we have discharged our terms of reference by dividing them into groups for the purpose of salary. We recommend accordingly that the terms 'Grade I', 'Grade II', etc. should no longer be used. We consider that their status as heads of department should be fully recognized and that they should all be eligible for whatever privileges are appropriate for officers of this senior rank.

47. We received from certain heads of department a request that their department be 'upgraded'. Some argued in justification that their work or the size of their department had increased greatly in recent years. If our recommendations are accepted there will no longer be any 'grades' of department, but we took full account of these representations when considering appropriate salaries. We did not, however, consider increase in work or size to justify a relatively higher position, since such expansion has been experienced by all departments in large measure.

48. Our grouping exercise and the normal criteria for assessing responsibility and importance cannot readily be applied to the Judiciary or to the Legal Department. We have accordingly dealt with these two departments, and also with the Registrar General's Department, as a separate exercise. We have also dealt separately with the Secretariat for Chinese Affairs and the Colonial Secretariat.

Deputies and Assistants

49. Having dealt with the heads of department we considered the vertical and horizontal relationship of directors, deputies and assistants. The present relationship is shown in paragraph 14. The main factors are these:

- (a) The deputies of grade I departments receive the same salary as directors of grade II departments.

- (b) The assistants of grade I departments, the deputy directors of grade II departments and the directors of grade III departments receive the same salary.
- (c) Deputies and assistants take their rank from their department (i.e. all deputies of grade I departments receive the same; all deputies of grade II departments receive the same, slightly lower, salary, etc.).

50. This system has the advantage of simplicity and the disadvantage of rigidity.

51. The system in the United Kingdom is similar in some respects in that (as shown in paragraph 36) the head of a smaller department receives the salary of a deputy of a larger department. But there is an important difference in that in the United Kingdom a deputy or assistant receives the salary of his *rank* irrespective of the department in which he is serving. (The same system applies to the Administrative Service in Hong Kong.)

52. Before the Platt Salaries Commission 1959 a director grade II received a slightly higher salary than a deputy grade I. The Commission recommended that this pattern be continued, and said:

'We have restricted the differentials between Directors of the two grades of departments to \$500. This puts the salary of the Director of a Grade II department above that of a Deputy Director of a Grade I department. We have done this because we feel that the responsibilities of command must be properly recognized. It is the Director of the department who must see that the policy of Government is carried out. He must set the standard of organization and work of his department. He is responsible for discipline and morale and for getting the best out of his staff. The first call comes on him to sacrifice his personal interests for those of the Service and of his staff. His task is to see that the work is done, not to try to do it himself. The good Director will know that his personal potential is small in comparison with the combined output of his department, and will concentrate his attention on policy matters, organization, methods of work and the selection and encouragement of his staff.'

53. At that time it seemed doubtful to the Government whether under the new system, with its broad categories of departments, this differential was warranted, since there were among the directors of grade II departments some whose responsibilities could not be said to be visibly greater than those of deputies of grade I departments. It was consequently decided that both should receive the same.

54. We do not agree with this decision and we find ourselves in agreement with the Salaries Commission. Notwithstanding the few possible anomalies we recommend that all heads of department should receive higher salaries than all deputies with the exception of the three P.W.D. deputies who are in effect the heads of large subsidiary departments.

55. We have considered whether to recommend continuation of the present system or whether we should advocate the United Kingdom system whereby deputies and assistants are paid by their own rank irrespective of the department in which they serve. The United Kingdom system would have its attractions if one could start from the beginning, but we are faced by the fact that in practice the responsibilities and duties of deputies (and of assistants) in different departments do vary considerably, and we could justify paying the same salary to all deputies (and assistants) only by downgrading the title of those who did not match whatever general specifications were laid down; and this we think would be unacceptable.

56. At the same time we consider the present Hong Kong system too inflexible. An assistant in a major department does not necessarily have a more onerous job than an assistant in a minor department. Not all assistants in major departments have jobs of equal responsibility; and there seems no very sound reason why, if the salary of a head of department is increased, all his superscale officers should be similarly elevated. We have therefore allocated salaries to deputies and assistants in accordance with their duties, with the result that there are several cases where heads of department may receive the same salary while their deputies and assistants

are remunerated at different levels. We appreciate that this flexibility may give opportunity for debate, but it has the advantage that the salary of individual posts may be raised or lowered in isolation without affecting all other superscale posts in the department. It also enables us to take account of the fact that some directors must attend to the business of the Executive Council, the Legislative Council, the Urban Council or various other important Boards and Committees, or attend conferences or meetings overseas, or have other personal responsibilities not shared by their juniors. In certain of such departments the deputies are responsible in large measure for the day to day running of the department, reserving for the director only those important or statutory matters which must receive his personal attention. Others appear in effect to be a senior aide to directors who have few duties outside the normal running of their departments, while others deputize only over a part of the department's work and are not true deputies in the full sense. In such cases the term 'deputy' is misleading, and we have not been influenced by the title in assigning salaries to the posts.

57. In brief, just as we have not 'graded' heads of department, we do not 'grade' deputies and assistants; we assign salaries to them in accordance with their duties and responsibilities. Accordingly, we recommend that the phrase 'the grading of departments and' be removed from our terms of reference. We do not see any particular point in the phrase 'upperscale' and recommend that this expression be dropped and be omitted from our terms of reference.