

# FOURTH REPORT OF THE STANDING COMMITTEE ON SUPERSCALE SALARIES

HONG KONG

1972

## *Introduction*

THE 'Standing Committee on Superscale/Upperscale Salaries' was first appointed by His Excellency the Governor in 1963 to keep under constant review the grading of departments and the salaries of senior civil servants. During the 9 years since 1963, the Committee has had 106 meetings. We submitted our 1st, 2nd and 3rd reports in 1964, 1966 and 1971 respectively. This is our Fourth Report.

## *The Term 'Superscale'*

2. Since the publication of our 2nd Report in 1966, we have dropped the term 'upperscale' and confined ourselves to the use of the term 'Superscale', referring to a salary structure for very senior officers, consisting of 11 points, each carrying a fixed salary. This 11-point system has been in use since 1966.

3. More recently, it was suggested to us that the continued use of the term 'Superscale' needed reconsideration. We gave this matter some thought, but, in the absence of suggestions for a better alternative we have decided to continue the use of the term 'Superscale' in this Review.

## *Amended Terms of Reference*

4. In January 1972, our Terms of Reference were widened by the addition of 'conditions of service' to grading and salary matters. The amended Terms of Reference now read:

'The Standing Committee will keep constantly under review the grading of departments and superscale salaries together with the other conditions of service of superscale officers, and will make recommendations to the Governor from time to time.

The Committee should accept the existing structure of departments, but may propose minor structural adjustments or salary adjustments within the departmental structure.

The Committee will not consider the creation of new superscale posts outside of the present structure (e.g. the inclusion of a new post of Deputy), but may consider the regrading of posts within the superscale provided that the main structure is not distorted.

If recommendations are received from departments which fall outside these terms of reference, or if the Committee in the course of its investigations discovers anomalies in structure, the Committee will refer such matters to the Colonial Secretary, together with its comments if it so wishes.'

## *Frequency of Reviews*

5. Since the inception of the Committee 9 years ago, we have conducted 3 major salary reviews, i.e. in 1964, 1969 and the current one in 1972. Between these reviews, we have recommended minor salary adjustments in order to preserve a proper relationship between the superscale and the time-scale.

6. Major reviews are intended to take a completely new look at the scale and to re-assess values having regard to the market rate for comparable jobs in the private sector. Having made a fresh assessment, salaries remain fixed until the next major review, subject only to minor adjustments which should not affect the broad relationships between posts.

## *Salary Adjustments*

7. In February 1971, we recommended certain minor adjustments to the superscale to take account of the 4% award to the time-scale, but as we remarked in our third Report, we did not feel inclined to go further at that time pending the outcome of the Salaries Commission which had just been appointed to consider the general structure of salaries and levels of remuneration for the rest of the service. In the event, the Commission scarcely disturbed the relationship between the time-scale and the superscale, and it was only necessary for us to vary our scale to allow for an extra point in the senior segment of the master pay scale, and to take into account Government's decision to make a flat charge of 7½% of salary for rent of quarters.

8. The Salaries Commission regarded our Committee as 'an effective regulator at the top' (para. 29 of its Report), which confirmed our view that salaries at the lower end of the superscale were fair and adequate for 1971-72. This is not to say however that we were unmindful of the need to do a full-scale review of the superscale, and when we forwarded our recommendations to Government on the 6th January 1972 we gave notice of our intention to embark on a substantive salary review effective from the 1st April 1972.

### *The Review*

#### *(a) Commercial Salaries*

9. We first considered how best to determine the remuneration in the private sector and how to make a fair comparison with Government salaries. For this purpose we decided there were advantages in following past procedures, and we again enlisted the aid of Messrs. Lowe Bingham & Matthews and Messrs. Peat Marwick Mitchell & Co. in conducting a survey of current remuneration and conditions of service among commercial firms. We wrote to thirty prominent companies and asked them to complete a comprehensive questionnaire which included information on salaries, bonuses and other direct financial benefits, quarters, salaries tax and retirement schemes. We laid special emphasis on the subject of bonuses and asked those concerned to distinguish between average bonuses and exceptional bonuses.

10. As we have remarked before, the structure of companies varies so much that it is difficult to define precise posts, but as far as possible we preserved uniformity by asking for the information to be supplied in respect of the chief executive of each organization, his deputy, departmental managers, and senior executives such as accountants and secretaries, which were the job descriptions we had used for previous surveys.

11. We understand that twenty-three of the thirty firms replied, and as before all the information was summarized by the two firms of chartered accountants in such a way that it was not possible to identify a particular company; the returns were then destroyed. In their confidential letter to us the accountants mentioned that it was not possible for all the companies to report on a common basis, and meaningful comparisons were difficult to achieve. In these circumstances the information obtained can only be treated as a fair generalization and indicative of trends in the commercial sector.

12. We are indebted to Mr. K. A. MILLER of Messrs. Lowe Bingham & Matthews and Mr. G. M. MACWHINNIE of Messrs. Peat Marwick Mitchell & Co. for their assistance in this connection.

#### *(b) Other Sources of Information*

13. In addition to the above-mentioned survey, individual members of the Committee were able to contribute considerably from their own knowledge of the workings of various utilities and private enterprises. We obtained information on the remuneration of top civil servants in the United Kingdom, and we examined the going rates of pay required to attract top managerial staff in quasi-government organizations in the Colony, such as the Trade Development Council and the Productivity Centre. We also received a delegation of Heads of Departments and considered their views on the subject of current salaries and trends in the private sector.

#### *(c) Considerations*

14. We were aware of a growing feeling of dissatisfaction over the remuneration paid to senior civil servants in Hong Kong in relation to the apparent air of prosperity existing among their civilian counterparts. We were also aware of fierce competition in the commercial world for top managers, and the rapidly expanding opportunities for men of experience. We approached our task in the knowledge that a realistic view had to be taken if we were to retain expertise and experience in the top jobs in Government, and we were equally conscious of the effects our recommendations might have on future recruitment. The corner-stones laid in our first Report generally remain as valid today as they were then, and we make no apology for quoting from our 1964 Report (para. 84) as follows:

'While it can be said that senior officers cannot claim increases in pay on the basis of their needs, yet we are of the opinion that it is of the first importance to the public interest that remuneration of senior Government servants in the Colony should not be too much out of line with their commercial counterparts, and that it should be increased broadly in step with corresponding Government servants elsewhere. This is partly to preserve the morale of the Service (no man can for long put his whole heart into work for which he is obviously underpaid in relation to his commercial counterparts), but perhaps more important still for its effects on recruiting. One of the prime needs of the Civil Service in Hong Kong is to attract young men from the local community of the calibre to take them to the top of the Service. At the present time it is evident that too many young men of talent and education prefer a career in private practice or business to Government service, with the result that the Colony depends to

an unhealthy extent on expatriates for its higher Civil Servants. To improve the financial prospects at the top to something comparable with prospects outside Government service may not be the whole remedy, but at any rate is an essential prerequisite to recruiting more and better local staff.'

15. We examined the question of wastage over the past 4 years, arising mainly from premature retirement, and found that it was not as bad as we had originally supposed. It would appear that many of those who retire early do so to seek alternative employment because of a continuing responsibility for a family, and we feel that perhaps a later age of retirement might be appropriate. The present age of 55 was set many years ago to take account of living and other conditions which are no longer applicable, and we recommend that serious consideration be given to amending the age of retirement to 60.

16. Having said all this the problem arises of how to make meaningful comparisons between Government and the private sector, bearing in mind the relatively protected circumstances of civil servants. In terms of salary, they cannot expect to do as well as their commercial counterparts when times are good, nor do they suffer as much when times are bad. For the civil servant, therefore, we must be careful to fix a salary which can be sustained for a reasonable period by the public purse, even in the face of worsening economic conditions. It is equally difficult to make realistic comparisons with Government servants elsewhere. We can readily understand that if there is too great a differential between U.K. and Hong Kong rates of pay there will be insufficient inducement for expatriates to come to Hong Kong, but at the same time we cannot blindly follow the inflationary spiral of salaries so prevalent in other parts of the world. It is not so long ago that the boot was on the other foot and the Hong Kong Civil Service was leading the field against the United Kingdom. We feel that even today with the difference in taxation, housing, leave, and fringe benefits, the adoption of our recommendations will ensure that conditions in the Hong Kong Civil Service compare favourably with those offering elsewhere.

#### *Review of Principles*

17. We again reviewed the principles enunciated in our previous reports, and while we continue to feel that the responsibility of a Head of Department should be recognized by a salary substantially higher than that of his deputy, we cannot continue to uphold the principle that all heads of departments should receive higher salaries than all deputies. We have accordingly recommended that the deputies of Home Affairs, Commerce & Industry, Education, Medical & Health, and the Police, should be graded on the same level as the Heads of the Main Departments. (See Appendix IV).

#### *Assistant Directors*

18. In reviewing the structure of the superscale we considered elongating the present 11-point scale to a 13-point scale to suit various needs. In particular we devoted considerable time and attention to the Assistant Director level, and recognized the key position which this post occupied in the administrative structure of a department. Owing to differing ages of Assistant Directors and the differing staffing structures in departments, we recognized that while for some the Assistant Director post was only the beginning of an administrative career, it was the peak for many others. As an incentive, and in order to enhance the prospects of officers at this level, we considered the desirability of expanding the present Point 10 into several points, but it became evident that the task of regrading Assistant Directors was far too invidious, and the principles to be applied for differentiating much too complicated to operate satisfactorily. In the end, we concluded that 'broadbanding' at Point 10 remained the best solution. We decided to recognise the importance of the Assistant Director post by widening the differential still further between Points 10 and 11.

#### *Recommendations*

19. We have weighed all the factors at our disposal most carefully, and we have concluded once more that there is not very much wrong with the level of superscale salaries at the bottom of the scale. It is at the top that adjustments are most urgently required and this is reflected in the salaries recommended at Appendix III. It will be noted that differentials are substantially wider than before, and we hope that this will provide an incentive to promising officers.

20. We have also considered the appropriate salary levels for the Judicial/Legal posts, and our recommendations are at Appendix V.

21. For reasons explained below, we have created a new Point 5 between the existing points 4 and 5. We have also combined points 7 and 8 of the existing scale into a new Point 8, which will have the effect of raising the salaries of officers currently remunerated on Point 8 (i.e. Principal Government Engineers and some Medical Specialists) by a substantial amount.

*Miscellaneous grading matters*

*Public Works Department*

22. We were asked to advise on the grading of a new supernumerary post of Deputy Director of Public Works, with responsibility to co-ordinate and oversee the work of the 4 departments within the Public Works Department. We recognized the need to place this Deputy Director above the 4 P.W.D. Heads whom he would be expected to supervise and direct. We have therefore created the new Point 5 mentioned above, between the existing Points 4 and 5, to accommodate the Deputy Director of Public Works, subject to the approval of this post by Finance Committee.

23. We have placed Principal Government Engineers on the new Point 8 as mentioned above.

*Medical & Health Department*

24. Specialists on Points 6 and 8 have been upgraded to new Points 6 and 8.

*Civil Aviation Department*

25. We noted the increasing complexity of the work and the increasing workload undertaken by the Civil Aviation Department as a result of advances in modern aviation. We therefore recommend the upgrading of the post of Director of Civil Aviation from the existing Point 5 to the new Point 4 to take cognizance of his increased responsibility.

*Royal Hong Kong Police Force*

26. There are at present 3 Senior Assistant Commissioners of Police for whom the following duty posts are designated:

- (a) Director of Special Branch
- (b) Director of Criminal Investigation
- (c) Senior Assistant Commissioner of Police, Kowloon.

In addition, there are 7 duty posts filled by Assistant Commissioners of Police. We were given to understand that the lack of interchangeability between these 10 posts has caused some posting difficulties, and we recommend that the Commissioner of Police should be given the discretion to post his SACP's/ACP's to any of the 10 posts as he sees fit.

*Fringe Benefits*

27. We studied at some length the various fringe benefits enjoyed by superscale officers compared with those of their commercial counterparts, and we have the following comments and recommendations.

*Pensions*

28. It was represented to us that the Government pension scheme was not as attractive as some commercial schemes, and compared unfavourably with a scheme which has recently been suggested for the U.K. Civil Service. We are in no position to comment on the latter, but we are firmly of the view that Government pensions in Hong Kong compare very favourably with retirement benefits in the private sector. The notional capital sum required to purchase an annuity comparable with a Government pension is certainly far in excess of the amount that a person of equivalent status in commerce could reasonably expect to receive from a provident fund. Furthermore the commercial employee has himself to contribute to the fund and it is a once-and-for-all payment without any prospect of review when the value of money falls. At the same time we have some sympathy with the retiring civil servant, who often has to re-establish himself in completely new surroundings, and we think there may be a good case for increasing the permitted percentage which may be commuted from 25% to possibly 50%. We commend this matter to Government for consideration.

*Contract Gratuities*

29. We consider that the gratuities payable to contract officers are already more favourable than those payable in the private sector, and would recommend no change in this respect.

*Use of official cars*

30. We gave careful consideration to the question of the use of official cars and recommend the following arrangements for the future:

- (a) *Officers on Points 1, 2 and 3 of the Superscale*  
Free use of official car for any purpose at any time, provided a car is available.

(b) *Heads of Departments on new Points 4 and 6*

- (i) free use on duty or to attend any function when the invitation arises from their official position, plus
- (ii) home-to-office journeys, free of charge, if car is available.
- (iii) For the purpose of this sub-section, the Deputy Director of Public Works and the 4 P.W.D. Heads are regarded as Heads of Departments.

(c) *District Commissioner, New Territories*

Free use of official car for any purpose at any time (i.e. same treatment as officers on Points 1, 2 and 3), provided a car is available and he is resident in the New Territories.

(d) *Other officers on the Superscale*

Free use, if car is available, on duty or to attend official functions during office hours only.

*Air-Conditioning of Quarters*

31. In examining fringe benefits it was apparent that many commercial establishments now provide air-conditioners to their senior staff. We recommend that Government should similarly supply up to two air-conditioners to each of their superscale officers, with due regard to marital status and number of children in each case.

*Leave Passages*

32. Since 1964, first-class air passages have been reserved for Heads of Departments and officers of similar status. We find that conditions have changed considerably in the interim period, and only the most senior executives in business now travel this way. Accordingly we recommend that Government should restrict first-class leave air passages to officers on points 1, 2 and 3 of the superscale only. These remarks do not affect first-class sea passage entitlement, on which we recommend no change.

*Passages for Local Officers*

33. We also studied the question of passages for superscale local officers which was the subject of a petition to the Governor in 1970. While we accept that local and expatriate officers do not have the same need for overseas leave, we believe that it is very much in the public interest to send senior local officers abroad to attend conferences and training courses at regular intervals. We understood that this was an accepted policy, but we were most disappointed to find that in practice it was not being widely implemented. We therefore recommend most strongly that positive steps be taken to correct the situation, and we further recommend that the position of each officer be examined from time to time, to see whether or not he has been given an opportunity to travel in recent years and what he has done.

*Other Fringe Benefits*

34. It was represented to us by certain quarters that the provision of entertainment allowances, the supply of servants, payment of utility bills and payment of salary tax by the employer in the private sector put the government servant at a great disadvantage. Our study on these aspects showed that these benefits, where available, were the exception rather than the rule, and we must therefore reject them as not being significant factors in our deliberations. Entertainment allowances, while more prevalent in the private sector than in Government, are normally given only for certain special requirements which go with the job, and should not be regarded as a 'fringe benefit.'

*Date of Implementation*

35. We recommend that the date of implementation of our recommendations on salary adjustments and gradings, if approved, should be retrospective to 1st April 1972.

36. As to the dates for implementing our other recommendations on 'fringe benefits', we realize that the position is somewhat more complicated and we would leave it to the Government to decide on the appropriate dates for implementing these other proposals, if approved.

*Costings*

37. If our recommendations on salary and grading adjustments are accepted, the additional annual cost in salaries is likely to be in the region of five and a quarter million dollars.

*Change in Membership*

38. In April 1971, Mr. H. G. RICHARDS, O.B.E., resigned from the Committee after a year's valuable service, and the Hon. Sir Sidney GORDON, C.B.E., J.P., was appointed in his place.

*Secretary and Adviser*

39. Our Secretary and Adviser is normally the Establishment Secretary, and we are grateful for the advice and assistance given to us in this capacity by Mr. J. N. HENDERSON, throughout the course of our deliberations. We are also grateful to Mr. A. N. SAVAGE and Mr. Albert C. C. LAM of the Colonial Secretariat, for providing secretarial assistance and support to the Committee in the preparation of this Report.

G. R. ROSS  
(Chairman)

J. S. LEE

WILFRED S. B. WONG

P. E. HUTSON

S. S. GORDON

J. N. HENDERSON  
(Secretary/Adviser)

*Hong Kong, 31st July 1972.*