

SIXTH REPORT OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES & CONDITIONS OF SERVICE

Introduction

The terms of reference are:

- (a) The Committee will keep under review the structure (i.e. the number of levels, the pay rates appropriate to each level and the level appropriate to each post) of the Directorate, including the grouping of departments for salary purposes, together with the other conditions of service of Directorate officers, and will make recommendations to the Governor.
- (b) The Committee will also, when it so determines, conduct an overall review. In the course of this, the Committee should accept the existing internal structure of departments and not consider the creation of new Directorate posts. If, however, the Committee in an overall review discovers anomalies, it may comment upon and refer such matters to the Chief Secretary.

2 These revised terms of reference were approved in 1976 following the recommendation in our Fifth Report (1974) that 'Directorate' replace 'Super-scale' and also to make clearer the function of the Committee.

3 Since being established in 1963 the Committee has submitted five reports, in 1964, 1966, 1971, 1972, and 1974. Between these overall reviews we have recommended a number of minor changes and considered the grading of new posts, and certain urgent regradings, in order to meet changed circumstances and retain relativities with the rest of the Civil Service. (A list of Directorate and Judicial/Legal group posts created between 1 April 1974 and 31 March 1977 is at Appendix 1.) We considered that the three years since 1974 had seen many significant changes in the Civil Service and the private sector and that it was therefore timely to conduct another overall review.

4 As in previous reviews, we invited heads of departments to comment on grading principles generally, the grading of individual posts in their departments, and on conditions of service. All these submissions were carefully examined and were of great assistance in our deliberations.

Grading

- 5 Our consideration of gradings can be divided into five sections:
- (a) heads of departments;
 - (b) deputy directors;
 - (c) assistant directors;
 - (d) the Judicial/Legal Group; and
 - (e) other posts.

These are dealt with in the following paragraphs.

(a) Heads of departments

6 As in past reviews, the fundamental issue is the three-group system of grading heads of departments: does it remain appropriate? The great majority of heads of departments support the three-group system and after a re-examination of the advantages and disadvantages of a two-group or four-group system, which are detailed in our Fifth Report (1974), we recommend that the present three-group system continues.

7 Having determined this we next reconsidered the factors used to grade departments, and on these factors we recommend no change: the criteria detailed in our First Report (1964) still provide an effective means of grouping departments. See Appendix 2.

8 Many heads of departments submitted that their departments should be moved to another group, so we carefully re-examined the grouping of all departments. We also noted that the introduction of the rank of Secretary had altered the responsibility, certainly in policy terms, of some heads of departments. It became evident that the present Group I departments must retain that standing and that no Group II department warrants upgrading to Group I. We could not accept, after long deliberation, any of the requests for upgrading Group III departments to Group II, though it was again evident that within Group III the range of departments is wider than in the other groups. This led us to look closely at the possibility of creating a fourth group of departments by a sub-division of Group III, but we eventually decided against it. We recommend no changes in the grading of heads of departments.

(b) Deputy directors

9 It was suggested to us that the grading of deputy directors of Group III departments (D3) did not adequately reflect the responsibilities of such posts vis-a-vis the directors (D6) and assistant directors (D2). It was also suggested that in Group I departments there may be a case for realigning relativities where there is a need for a single deputy director. In order to consider these issues we examined the duties and responsibilities of deputy directors and analysed the organisational structures of all departments, a study which necessarily comprised levels other than just the deputies.

10 Differing organisational requirements dictate the way in which deputy directors function, but we identified two main types:

- (i) those who effectively run the department on a day-to-day basis, leaving the director to concentrate largely on external matters and relationships; and important policy or statutory matters;
- (ii) those who act as 'senior assistants', taking charge of a specific area of a department's work and coordinating the work of assistant directors.

From the study of departmental organisations we noted that departments have from one to six levels of Directorate staff.

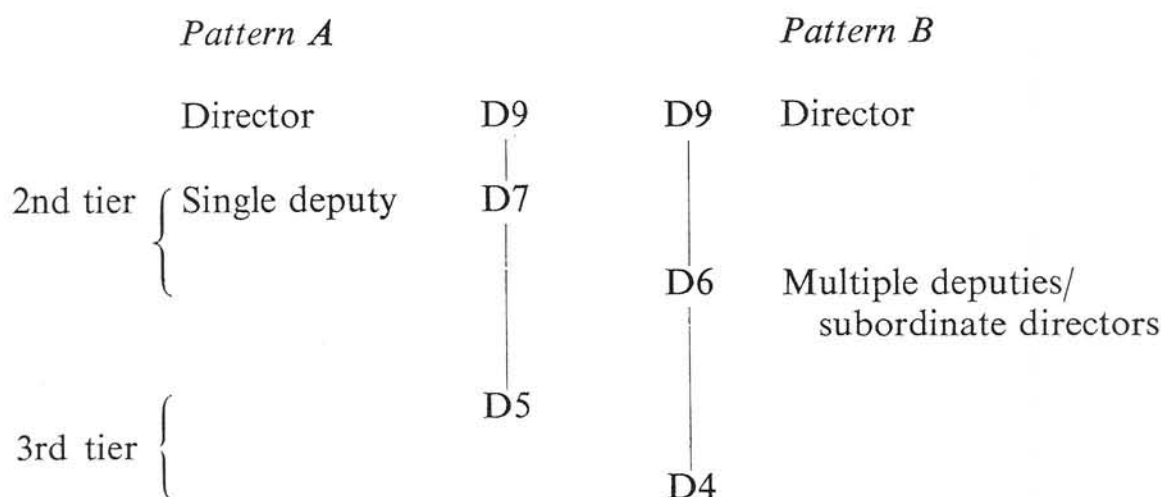
11 We next considered whether:

- (i) the present number of levels of Directorate staff in a department is really necessary;
- (ii) the relationships between the levels within a department (vertical relativities) are correct;
- (iii) the relationships between the levels across-the-board (horizontal relativities) are correct.

12 A consideration of *paragraph 11(i)* is strictly not within our terms of reference as the organisation of a department is a matter for departments, the Government Secretariat and the Finance Committee of the Legislative Council: our task is to advise on grading after the organisation is established. However, we are enjoined to comment on anomalies, and it was clear from the paper put in by the Director of Public Works that there is no organisational reason for the Deputy Director of Public Works to be on a separate salary point at (D7). We therefore recommend that this post be on the same level as the Directors of the Departments (D6) within the Public Works Department. We also noted that one Group II department had in mind proposing a senior assistant director level between the deputy (D5) and assistant directors (D2). We concluded that only Group I departments warranted such a level, and that in Group II and III departments it should be possible to organise work by using existing ranks.

13 On *paragraph 11(ii)* and *(iii)*, we are satisfied with the present grading arrangements, except as follows:

- (I) the differential between the Group III deputy director and the assistant directors is \$750 (6.9%), whereas the differential between the deputy and the director is \$2,850 (24.5%). In general these deputies combine the functions noted in paragraph 10(i) and (ii) above and are therefore, in salary terms, too close to the assistant directors. We therefore recommend that Group III deputy directors should be graded at the D4 level;
- (II) in Group I departments, the grading of the 'second tier' should relate to the grading of the Director (D9), and therefore be higher than the D5 level of the deputies in Group II departments; and the single deputies (see paragraph 10(i)) should be at a higher level than the multiple deputies (or subordinate directors). We therefore recommend that there should be two organisational/grading patterns for the top structure of Group I departments:



14 From paragraphs 12 and 13 we recommend the following regradings:

Paragraph 13(I)

Deputy Director of Accounting Services	: from D3 to D4
Deputy Director of Audit	: from D3 to D4
Deputy Director of Broadcasting	: from D3 to D4
Deputy Director of Fire Services	: from D3 to D4
Deputy Director of Government Supplies	: from D3 to D4
Deputy Director of Immigration	: from D3 to D4
Deputy Postmaster General	: from D3 to D4
Deputy Commissioner of Prisons	: from D3 to D4
Deputy Commissioner of Rating & Valuation	: from D3 to D4
Deputy Director of Royal Observatory	: from D3 to D4

Paragraphs 12 and 13(II)

Deputy Commissioner of Police	: from D6 to D7
Senior Assistant Commissioner of Police	: from D4 to D5
Deputy Director of Public Works	: from D7 to D6
Deputy Director of Medical & Health Services	: from D5 to D6;

and maintaining the important link between the top tier of the Consultant rank and the Deputy Directors of Medical & Health Services:

Consultant	: from D5/D4/D2 to D6/D4/D2.
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A list of recommended directorate gradings with effect from 1 April 1977 is at Appendix 3. A list of abbreviations used in this appendix is at Appendix 4.

15 It is appreciated that these recommendations move down the post of Deputy Director of Public Works by one salary point, but in such circumstances it is normal for the individual in post to retain a personal salary at the old level.

16 In the course of this review we were told of reorganisation proposals being prepared by the Education Department and the Commerce & Industry Department. Their new structures should be graded according to the above criteria.

(c) *Assistant directors*

17 Several departments represented that it was invidious to have two levels of assistant directors: D2 for the majority, but D3 for the Assistant Commissioner of Police and the 'Government' ranks in the Public Works Department. It was said that the existence of the two levels causes a certain envy and some working relationship difficulties, amongst the disciplined services in particular; and it is arguably not in keeping with the broadbanding that is a feature of grading in the Directorate. We therefore gave this point considerable attention, particularly in the organisational review referred to in paragraph 9. However, we concluded that the organisational requirements of the Police Force and Public Works Department continue to require the D3 level, and thus for the present, two levels of assistant director should remain.

(d) *Judicial/Legal Group*

18 One proposal from the Judiciary was that their salary scales should be quite separate from the other departments in the Judicial/Legal Group, as well as from the rest of the Directorate. Such a scale should be based, it was suggested, on a series of tiers established by set percentage relationships with the salary of the Chief Justice. After consideration we came to the view that there was still merit in our present system of fixing Judicial/Legal Group salaries as a whole with regard to judicial or legal experience, responsibility and status, and then relating them – not inflexibly – to the main Directorate structure. This would be very difficult to handle if we were to introduce a separate system for the Judiciary. We therefore recommend against a separate salary scale in the way suggested for the Judiciary.

19 We considered with particular care the grading of posts within the Judicial/Legal Group and have come to the following conclusions:

- (a) the salary differential between the ranks of District Judge and Justice of Appeal/Judge of the High Court is too wide;
- (b) there has been a significant increase in the responsibilities of the posts in the Principal Crown Counsel rank; and that
- (c) internal relativities and the facility to make sideways transfer at the DJL3 level are of importance.

20 We therefore recommend that all ranks (District Judge, President Lands Tribunal, Principal Crown Counsel, Assistant Registrar General) at the DJL 3 level be upgraded to the next point on the Directorate scale (i.e. they should equate with D5, instead of D4).

21 A list of recommended Judicial/Legal Group gradings with effect from 1 April 1977 is at Appendix 5.

(e) Other posts

22 In the course of our review we considered the relativities of all ranks in the Directorate but we looked with particular care at the posts of Chief Staff Officer Civil Aid Services, Secretary University & Polytechnic Grants Committee, Commissioner London Office, and Commissioner of Banking, as in each case it had been submitted to us that the grading should be altered. We recommend no change in the grading of these ranks.

23 We were also asked to grade the new post of Commissioner for Television & Entertainment Licensing. We recommend D4, mainly by comparison with the duties and responsibilities of a deputy director in a Group III department.

Salaries

24 Having reached a view on the number of levels required in the Directorate and on the grading of posts, we next considered salaries.

25 It was suggested that merit or long service increments might be introduced for heads of departments. The advantages of such an arrangement are that officers who become heads of departments at a relatively early age would have some incentive, and it would be a way of recognising exceptional performance. But against this we weighed that merit increment schemes are notoriously difficult to administer in large career-type organisations and particularly so at head of department level. Either a head of department gets the merit increments automatically or he should not be retained in post. It was also a consideration that we should aim to pay the 'rate for the job' as soon as possible and that to 'delay' payment of the full rate by introducing a merit or long service element could be argued to be unfair.

26 It is also an important factor that the rank of Secretary is open to officers from all streams and we are assured that in making appointments at this level, all suitable staff are considered. This somewhat weakens the lack of incentive argument. We therefore recommend no change in the present system of single point salary rates for the Directorate.

27 In reviewing salaries, we again had the benefit of a survey conducted for us by the Senior Partners of Messrs. Lowe, Bingham & Matthews and Peat, Marwick, Mitchell & Co. This survey provides data on the salaries and fringe benefits of the top employees in a cross-section of the leading companies and is summarised so that we can fairly compare the total remuneration of Directorate civil servants with their counterparts in the private sector. In particular the procedure we have developed allows the quantification of such items as bonuses, retirement benefits, quarters, the provision of servants, cars and the payment of utility bills. In accordance with our undertaking to the companies concerned, after the accountants have summarised the information so as to ensure complete confidentiality, the individual returns are destroyed. This survey also

reported specifically on the private sector practice in regard to providing cars, 1st class air passages and annual leave, on which we comment later in the report.

28 As in our last overall review (1974), in analysing the results we had regard for both the general trend in salaries (plus the quantified fringe benefits) and also for absolute pay levels. In considering the general trend of salaries we not only took into account the movement since 1974, but we also considered the longer term situation and compared the latest survey results with those for 1972. We think this consideration of the longer period is important because of the nature of Civil Service employment, which provides a more stable career and, particularly now that extensions beyond age 55 are common, the opportunity for longer service than in the private sector.

29 We also thought it relevant to consider the need to provide salaries that will prove attractive to potential candidates and provide reasonable incentive to junior officers, so we considered the overall recruitment and retention situation. It was apparent that the quality of local recruits is very good, and that in general the Civil Service is able to attract and retain a sufficient proportion of the available talent. We therefore concluded that there was no need to make any special provisions on this count.

30 In the final analysis we also took into account internal relativities: that is, with the rest of the Civil Service as well as within the Directorate itself. In particular we were concerned that differentials should fairly reflect differing levels of responsibility.

31 Taking all factors into account we came to the conclusion that an increase, over the 1 April 1976 rates, of the order of 7% would be appropriate, and we so recommend. The full list of recommended salaries with effect from 1 April 1977 is at Appendix 6.

Conditions of Service

32 As a result of representations from heads of departments and the Government Secretariat and of the findings of the private sector survey, we have commented on the following conditions of service:

- (a) the use of official cars;
- (b) eligibility for 1st class air passages;
- (c) leave;
- (d) pensions;
- (e) payment of utility bills.

(a) The use of official cars

33 It was clear from the private sector survey that only the most senior are provided with a car for unrestricted official and private use, and we consider that this should continue to be the case in the Civil Service. We therefore recommend that the existing arrangement whereby only *ex-officio* members of

Executive Council and the Chief Justice are provided with official cars for personal use should continue. We also consider it correct that officers at the level of point D9 should have the use of an official car for personal use provided a car is available; and that officers at the level of points D6 to D8, who are in the Heads of Departments and Posts of Equivalent Status category of the Civil & Miscellaneous Lists, or at the second tier in a Group I department (see paragraph 13 above), should have free use of an official car to attend any function in or outside office hours when the invitation arises from their official position, and for home to office journeys, again provided a car is available.

34 We appreciate that this recommendation does not meet the wishes of some officers, but we think it fundamental that cars be provided in the Civil Service only where there is a proven departmental need and not, except for the *ex-officio* members of Executive Council, on personal grounds. In particular we have considered the position of officers at the D9 level and their official requirements for personal transport; and we consider that the present arrangements are proper, although there seems to be a case for the provision of a pool of three cars for the Judiciary, to provide ready transport for Judges travelling from their Courts in matters connected with court cases.

(b) Eligibility for 1st class air passages

35 Many heads of departments made representations on the subject of air travel, mainly to the effect that Government should make greater use of 1st class facilities. The evidence from the private sector is that relatively few employees have this privilege. We therefore recommend that only officers at or above the level of point D9 should travel 1st class *on leave*, but that officers at or above the level of point D6 who are in the Heads of Departments & Posts of Equivalent Status category of the Civil & Miscellaneous Lists should travel 1st class *on duty* journeys outside the region.

36 We also recommend that all children should travel economy class. However, children under the age of 12 travelling with their parents (or parent) may travel by the same class as the parents (or parent).

(c) Leave

37 It is our experience, which was confirmed by the private sector survey, that overseas staff in posts comparable to those at all Directorate levels take annual leave of not more than six weeks. It is our view, therefore, that it should become the normal practice for Directorate officers to take leave annually, and we so recommend.

(d) Pensions

38 In the past we have recommended that officers should be allowed to commute up to 50% of pension into a gratuity, and we note that this has not found favour. We recommend that this be re-examined.

(e) Payment of utility bills

39 The Chief Secretary and the Chief Justice are required to live in tied houses which, for representational reasons, are larger than they might otherwise choose. Our survey showed that in the private sector some of the most senior employees have their utility bills (electricity, gas and water) met by their employers. We recommend that this should be followed for the Chief Secretary and the Chief Justice.

Other Considerations

Titles

40 We were asked to consider the titles of the Director of Public Works and Director of Commerce & Industry. It was suggested that as both have subordinate officers also with the title Director, it might be appropriate to use the title of 'Director-General'. We appreciate the possible difficulty but, all things considered, we think that the present title of Director should continue in both cases.

41 It was put to us that the titles of the 'Principal Government' and 'Government' ranks in the Public Works Department should be changed, as the use of the word 'Government' in a title implies an overall function that is not necessarily the case, and it seems odd to use 'Principal' in conjunction with 'Government'. We recommend that these ranks be retitled Deputy Director and Assistant Director, which is broadly their function in relation to the Directors of the constituent departments of the Public Works Department.

Date of implementation

42 We recommend that the date of implementation of our recommendations for revised gradings and salaries, if approved, be 1 April 1977.

Costs

43 If our recommendations on gradings and salaries are accepted, the additional annual cost is likely to be of the order of \$6.6 million.

Changes in Membership

44 In August 1974 Mr Wilfred WONG Sien-bing, CBE, JP resigned from the Committee after 8 years service and the Hon. LI Fook-wo, OBE, JP was appointed in his place. In February 1976 Mr P. E. HUTSON, JP resigned on leaving Hong Kong and was replaced by the Hon. J. H. BREMRIDGE, OBE, JP.

Acknowledgments

45 We are much indebted to Mr L. W. GORDON, JP of Messrs. Lowe, Bingham & Matthews and Mr G. M. McWHINNIE, OBE, JP of Peat, Marwick, Mitchell & Co. for their assistance with the private sector survey.

46 We are grateful also to the Hon. A. J. SCOTT, the Secretary for the Civil Service, who served *ex-officio* from 1973 to 1977 as our Adviser, and to the Hon. R. G. B. BRIDGE who succeeded him in 1977; also to Mr K. BROADBRIDGE, our Secretary since 1974.

G. R. ROSS
(Chairman)

J. S. LEE

S. S. GORDON

LI Fook-wo

J. H. BREMRIDGE

R. G. B. BRIDGE

1 November 1977