

SEVENTH REPORT OF THE STANDING COMMITTEE ON
DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

INTRODUCTION

Our terms of reference, set out in full at Appendix 1 to this report, require us to conduct an overall review at such time as the Committee determines. A total of six reviews have been undertaken between 1964 and 1977, and our last recommendation on salary increases was implemented on 1st April 1977. In 1979 it was decided to mount a further review, and in August Heads of Department were invited to prepare submissions to the Committee. As on previous occasions a survey of rates of pay in the private sector was also arranged with the assistance of the Senior Partners of Messrs Price Waterhouse & Co and Peat, Marwick, Mitchell & Co. Our recommendations to the Governor were submitted in April 1980.

2 Our recommendations cover the following:

- The overall Directorate rank structure
- Salaries
- Grouping of departments
- The ranking of individual posts
- Conditions of service and miscellaneous matters

3 A summary of the recommended structure ranking and salary levels is set out in Appendices 2, 3 and 6 to the report.

THE OVERALL DIRECTORATE RANK STRUCTURE

Interchange between Directorate ranks

4 We noted in our 5th and 6th Reports the provision for recruitment and transfer to the Administrative Service at Senior Administrative Officer rank and that the rank of Secretary was open to recruitment from throughout the service. A limited number of examples of this sort of interchange has been seen. For example, the former Secretary for the Environment came from the Public Works Department and the former Chief Secretary from the Judicial and Legal Group. At lower levels administrative Directorate officers sometimes fill departmental posts, whilst less frequently departmental Directorate officers fill posts customarily occupied by Administrative Officers. Despite these welcome developments the Directorate nevertheless still largely remains a conglomeration of many quite separate career streams set within departmental boundaries with widely varying individual structures and career progression prospects.

5 In any rank structure it is necessary to strike a balance between the need for simplicity (broadbanding) and the need for pay to give adequate recognition to the differing levels of responsibility carried. Since this Committee was set up in 1964 the number of points in the Non-Judicial and Legal Directorate has in fact varied between 9 and 13, and today numbers 12. Not all of these points are contained in all career streams. For example, a Public Works Department officer's normal career progression does not include ranks at D2, D5, D7 or D8. An Administrative Officer's progression does not include D3, D4, D6 or D7.

6 Clearly in an organisation embracing such a wide field of activity as the Hong Kong public service the needs of professional specialisation act as a constraint upon lateral mobility. There is nevertheless an obligation to ensure the best possible use of scarce administrative and professional talent. We have concluded that a reduction in the number of points on the Directorate scale will, by reducing the number of different ranking progressions, eliminate one of the obstacles to the achievement of this objective. We therefore now recommend the combination of:-

- D2 and D3 - to provide one level for Assistant Directors, the "Government" rank in the Public Works Department and the Assistant Commissioner rank in the Royal Hong Kong Police Force.
- D4 and D5 - to provide a single rank mainly covering Deputies in Groups II and III departments, "Principal Government" rank in the Public Works Department and Senior Assistant Directors in Group I departments.
- D6 and D7 - to place on a single rank Heads of Group III departments and Deputies of Group I departments.
- D9 and D10 - to promote flexibility by establishing a single rank at this level.

7 The overall result is to reduce the scale to 8 points.

8 We further recommend the substantive appointment of Administrative Service officers to the combined D6/D7 rank. This would in effect be a return to the position as it was in 1974 when the former Administrative Officer Staff Grades 'B' 1 and 2 were combined. We recognise in saying this that the insertion of an extra step in the administrative ladder needs to be considered carefully to ensure that the resultant pyramid of posts makes sense in management terms. Otherwise it could inhibit rather than help the very flexibility which the overall restructuring is intended to achieve.

9 The combination of D6 and D7 also means that grading of deputies of Group I departments will no longer vary according to how many posts are provided. This recognises the trend for Group I departments to acquire multiple deputies as they expand.

10 In recommending these changes we have primarily in mind the need to move gradually towards a more 'open' Directorate in which inter-departmental movement becomes more common than at present. The scope for interchange between streams will, we recognise, remain limited on account of the specialist training and experience requirements of many posts. We believe, however, that it is important to provide a basic framework which will make practicable the filling of each post by the best man available irrespective of the career stream to which he belongs. Only in this way can promotional opportunities be evened out and best use made of the potential available throughout the public service.

The Judicial and Legal Directorate scale

11 We have always distinguished the Directorate structure for Judicial and Legal posts from that of the rest of the Directorate. This is to prevent comparisons where none are intended for we look upon the nature of responsibility of senior Judicial and Legal posts as different from those of most other areas of Directorate work.

12 We are satisfied that this remains a necessary and useful distinction, not diminished by our recommendations for a restructuring of Directorate posts. The scale will continue to contain 8 points.

The D1 and DJL1 rank level

13 When this Committee was originally set up, the present D1 rank was known as the "Upperscale" to distinguish it from the "Superscale". It was later decided to combine these but it can still be argued that the Government Directorate really starts with the Assistant Director rank. The growth in the Civil Service has meant a steady expansion in the number of posts for which this Committee is responsible and the setting up of the Standing Commission on Civil Service Salaries and Conditions of Service has led us to consider whether there should now be any re-allocation of responsibilities.

14 The Committee operates by closely monitoring the grading of individual posts on an ad hoc basis in between overall reviews. When the Committee first began work in 1964 there were 237 Directorate posts in total. This figure has now risen to almost 800. We have therefore considered whether it is still practicable to apply this procedure to the largest ranks such as D1 and DJL1 which comprise about one-third of the total.

15 A possible alternative would be for these ranks to be reviewed by the Standing Commission. This would mean that changes to their pay would follow more directly than at present changes to the top of the Master Pay Scale. We invite Government to consider this possibility, and perhaps an appropriate time for any change would be when the Standing Commission next reviews staff on the Master Pay Scale. If this change is made we think it appropriate to provide this rank with an incremental progression. Meanwhile we have recommended a revised salary for the rank in the usual way.

SALARIES

16 Since we last conducted an overall review in 1977 there have been significant increases in remuneration at senior levels in the private sector, which were reflected very strongly in our survey. This situation was referred to in comments made to us, including a composite paper from 36 Heads of Departments which we found most useful. At the same time we recognise, as we did in our First Report in 1964, that whilst private sector practice must always remain of importance in determining rates of pay in the Civil Service other factors must also be taken into account.

17 Our remarks in 1964 bear repetition:-

"There are many other factors and conditions of service to be considered, and we have fully in mind the differences of security of employment and other considerations of service. Moreover, commercial systems of promotion and payment in the higher ranks are much more flexible than those of the public service. In the Government service, promotion is based on qualifications, experience and merit. Although it is not unusual for an officer to be promoted out of turn, officers of normal ability can reasonably expect to rise steadily in the Service, although naturally not all can reach the top ranks. The salary of posts is fixed; Government pays the same salary to the holder of a post whether or not he makes a conspicuous success of it. The rewards in commerce are more unevenly distributed. The exceptionally able may rise rapidly to senior posts, while the person of average ability may remain at a relatively low level. There is no 'pay for the job' for these senior posts, and salaries may vary greatly according to the merits of the occupant. But despite these differences of method, any reasonable assessment of fair remuneration for Government servants must take into account the range of corresponding commercial salaries."

18 In addition to this we would stress the long term need to provide a Civil Service pay and career structure sufficiently attractive to ensure the recruitment, retention and general satisfaction of officers of high calibre. The requirements of the expanding public service in this respect are no less now than in the past, and the burdens of high office are greater today than ever before. It should be borne in mind that at lower levels in the Civil Service it is always possible to multiply the number of posts or upgrade posts as the workload and responsibility increases. This is rarely possible at upper levels, and there can be no doubt that the "pinnacle" posts have nearly all attracted greater responsibilities in the past few years.

19 Some submissions suggested that over the years there has been little or no rise in the real value of Directorate salaries, and there was a reference to the increase in per capita gross domestic product as a truer measure of increasing wealth. This is an area where there are many different views, and we come back to the well tried approach of having regard to what is happening in the private sector. This has, on the occasion of our overall reviews, achieved a broad restoration of relativities with the private sector. We do of course accept that recent increases in rates of pay in the private sector have been conspicuous.

20 We again had the benefit of a survey by the Senior Partners of Messrs Price Waterhouse & Co and Peat, Marwick, Mitchell & Co and are satisfied that the information on private sector pay and fringe benefits provided to us in confidence is a fair and accurate reflection of overall current practice in the private sector at senior levels. In addition to this the Committee has taken note of current rates now provided for certain quasi-government posts and of recruitment and retention problems being encountered in Hong Kong. Whilst in overall statistical terms losses from the Directorate are not very significant, there are certain areas in the professional fields where wastage is a serious problem because of greater attractions in the private sector.

21 We have taken four main factors into account in arriving at appropriate levels of remuneration for the Directorate at the present time:-

- (a) trends in private sector Directorate pay since 1st April 1977, which was the base date of our last review;
- (b) the levels of private sector Directorate pay;
- (c) the need for the Government to be able to attract and retain men and women of high calibre;
- (d) the significant increase in responsibility of most Directorate posts;

22 We have also taken into account that since 1st April 1977 the Directorate has received, on the average, salary increases of less than 13%. These were interim increases, pending our present overall review and were considerably less than those awarded to staff paid from the Master Pay Scale and Model Scale 1.

23 There is one further matter to which we have given careful thought, namely whether to recommend now an award to the Directorate which would bring their salaries fully up to the levels we consider appropriate, or whether to recommend an initial award which would place them on a similar footing to the rest of the Civil Service. The point is that the existing salaries of the rest of the Civil Service are due for review shortly in the light of the current Pay Trend Survey.

24 We have decided to adopt the second of the above courses of action. This has two advantages. First, it enables the Standing Commission on Civil Service Salaries and Conditions of Service to reconsider the upper points on the Master Pay Scale in the light of our recommendations, as intimated in paragraph 7.5 of the Commission's First Report on Civil Service Pay. Second, we shall be able to delay a final view on the size of the balance of the award for the Directorate until we know the extent of any likely service-wide pay adjustment for 1980-81.

25 We have concluded that Civil Service Directorate salaries now need to be raised substantially and accordingly recommend introduction of the following simplified Directorate structure and revised salary levels:-

<u>Old Point</u>	<u>Directorate</u>		<u>New Point</u>	<u>New Pay</u>
	<u>Existing Pay</u>			
	\$			\$
D12	26,190		D8	33,000
D11	24,560		D7	31,000
D10	22,930	}	D6	27,000
D 9	21,300		D5	24,000
D 8	19,670		D4	22,500
D 7	18,050	}		
D 6	17,500		D3	19,500
D 5	16,200	}		
D 4	15,140		D2	17,000
D 3	14,090	}		
D 2	13,240		D1	14,500
D 1	11,810			

<u>Point</u>	<u>Judicial/Legal</u>	
	<u>Existing Pay</u>	<u>New Pay</u>
	\$	\$
DJL8	26,190	33,000
DJL7	22,930	29,000
DJL6	21,300	27,000
DJL5	19,670	24,000
DJL4	17,500	22,500
DJL3	16,200	19,500
DJL2	14,090	17,000
DJL1	11,810	14,500

GROUPING OF DEPARTMENTS

General

26 As we have noted before, the grouping of departments must reconcile the need to avoid within a group too great a range of responsibility with reducing the number of fine distinctions required in placing departments in groups. It might be argued that the present situation, where there is a grey area between Groups II and III, should be resolved by a re-arrangement with a new main Group II comprising the majority of all departments, a few at a higher level in Group I (as at present) and a few at a lower level in Group III. However, having considered this at some length we decided, against the background of the revised structure and substantial salary increases recommended, that the grouping of departments should remain unchanged.

New Territories Administration

27 We should however like to record a comment regarding the New Territories Administration. In view of the size and complexity of this Group II department, there does appear to be a case for upgrading. We have decided against so recommending however until we know more about its future, particularly in relation to the new towns and the administration of land.

Small semi-autonomous organisations

28 There remains the question of the grading of small semi-autonomous organisations such as the Government Laboratory and the Government Land Transport Agency. We do not recommend their inclusion in the grouping arrangement, even as part of a new group. We feel that there is no need to devise a set formula for ranking such organisations, particularly since the options for the head post are now limited to three, under the simplified rank structure. We envisage no set ranking, the choice depending upon an assessment of the weight of the job in question which can obviously vary widely. In other words it could be any of the first three points of the new scale.

THE RANKING OF INDIVIDUAL POSTS

29 Amongst submissions received by the Committee were many proposals for individual upgradings of posts. In a number of cases organisational or complementing matters not of our concern were also involved. We comment below only where we recommend changes or where we wish to record observations for future reference. The new Directorate points are used throughout.

Secretary for Home Affairs

30 Bearing in mind our aim to achieve broadbanding of ranks where practicable we now consider there is no need to retain the separate ranking of this post. We therefore recommend regrading to the D6 rank.

Attorney General's Chambers

31 The Committee felt generally sympathetic towards the problems of retention described in a submission from the Attorney General. The extensive structural and complementing proposals covered in the submission must first be examined by the Administration, and we ask that the Committee be addressed on those aspects of its concern outside the context of this overall review. We would, however, support the re-creation of the rank of Deputy Principal Crown Counsel. We believe that the salary recommendations now made will help to resolve the problems to which reference is made. There may be a need for additional senior staff, but we believe that these requirements can be met within the existing rank structure.

The Judiciary

32 The Committee considered various regrading proposals but decided to recommend no changes. In a number of cases more detailed investigation is involved which will need to be undertaken outside the context of this overall review.

Commissioner, London Office

33 We think it now appropriate to upgrade from D5 to D6. This is in fact the level of recent occupants of the post. We do not regard the London Office as a department, and therefore the current ranking of the deputy post is unaffected.

Chief Staff Officer, Civil Aid Services

34 This post has been reviewed regularly over the years. We now consider that the changed responsibilities are sufficient to warrant upgrading from D1 to D2, and so recommend.

Deputy Secretary posts, Government Secretariat

35 We considered the difficulties that arise as a result of the Deputies (D3) to Secretaries, Government Secretariat (D6) being ranked differently from the Deputies (D4) to Heads of Group I departments (D6). This not only places obstacles in the way of transfers between these Deputy posts, but results in a salary differential much larger than between any other two Directorate levels having a superior/subordinate relationship. The problem would disappear if they were ranked the same, and so far as level of responsibility is concerned there is a case for this. In view of the number of posts potentially involved we should like to see an assessment of the effects that any regrading might have on overall Directorate career progression. This issue is of course also tied in with our separate recommendation on the provision of an additional rank in the Administrative Service.

The ranking of departmental secretaries

36 It was put to us that in the context of present day departmental complexities and the importance of effective man management a number of departmental secretary posts should be upgraded to D2. We were advised that an examination of further needs in the staff management field is now in hand, and prefer to await the outcome of this before making recommendations.

Controller, Government Land Transport

37 The responsibilities of this D1 post are being extended and there may be a case for consequential regrading. We think that this should not however be considered until the new organisation has been fully operational for at least nine months by which time it will be possible to see how the new responsibilities work out on the ground.

Medical and Health Department

38 We are advised that proposals for the re-organisation of senior management of this department are being considered following recommendations in a review undertaken by the Management Services Division of the Government Secretariat. A number of ranking issues are likely to be involved but since the staffing implications are still under consideration we are unable to advise on ranking of posts as part of this review.

Data Processing Manager

39 We understand that the permanent ranking of this post has been under consideration within the Secretariat. In view of the commitment of Government to investment in computer applications and the high rewards available in the private sector in this field we believe that the post warrants ranking at the D3 level.

Government Laboratory

40 We have reviewed the present grading of the two Chief Chemist posts at D1 and have concluded that there should be no change. Our salary recommendations should however improve the present differential between this rank and that of Senior Chemist.

CONDITIONS OF SERVICE AND MISCELLANEOUS MATTERS

41 We have given careful consideration to the many submissions received on various aspects of conditions of service. Except where stated in succeeding paragraphs we recommend no changes for the time being.

Motor cars

42 In reviewing our recommendation on this issue in the 6th Report we have taken note of recent criticisms relating to the use of motor cars. The present policy on provision of cars is not out of line with practice in the private sector, and no alterations to existing entitlements are therefore proposed. The requirements of the Judiciary should, however, be re-examined in the light of the increase in the number of Judges.

43 On the question of usage we have two specific points to make, both linked to the fact that cars are provided to maintain the efficiency of the service. At present officers on D4 and D5 cannot use cars for visits to the doctor or dentist, which may result in the officer being absent from his post for a considerably longer period than if this were permitted. It is recommended that provided a car is available all Directorate officers should be able to use one for such visits. A car is not however provided for the convenience of the individual, and it has been drawn to our attention that some officers entitled to home to office travel have been using cars for travelling home at lunch to the detriment of other departmental services which involve usage of the car for a period spanning morning and afternoon. In our view home to office travel should be defined as normally covering one return journey per day.

Pensions

44 We have again examined this subject and made comparisons with the private sector. Our conclusion is that there is not a great deal of difference in overall benefits between Government and the better private sector schemes. There is, however, greater flexibility in the private sector in choosing between investment of benefits to produce regular income like a Civil Service pension and taking a lump sum to meet the needs of (say) house purchase.

45 We have in previous reports recommended an increase in the 25% commutation to lump sum option for the Civil Service pensioner, but we are advised that no such change will be possible. On the other hand we consider there may be a case for reviewing the multiplying factor of 12.5 used in the calculation and recommend that this be pursued. The benefits of any change would not of course be restricted to the Directorate.

First-class duty travel

46 As part of the 6th Review we recommended that Heads of Department should travel first-class on duty. The reference used in our report to "officers in the category of Heads of Department or Posts of Equivalent Status in the Civil and Miscellaneous Lists" has apparently caused problems of interpretation and to date this recommendation has not been implemented. In view of these difficulties we now recommend that the provision of first-class travel should extend to all officers on the new rank of D4 whether or not they occupy posts as Head of Department.

47 We have considered the question of first-class air travel for officers going on leave but in view of recent developments in the classification of seating arrangements (the introduction of three classes rather than two) we recommend no change until the situation clarifies.

Education allowances

48 We recommend that the minimum age for entitlement to overseas education allowance be reduced from age 11 to age 9 to cover those cases where a child commences boarding school early.

Passages for local Directorate officers

49 We recommend that consideration be given to granting, once every two years, some form of overseas travel entitlement for local Directorate officers. We recognise that the details of any such scheme will need to be considered very carefully. We have in mind providing for expenditure set within the limit of the cost of a return air fare to the United Kingdom.

Married women's conditions of service

50 We received a submission suggesting that housing and other benefits should apply equally to married women officers as to other officers. Present practice is based on the assumption that the husband is responsible for his family requirements. This is of course generally the position although there are exceptions. This is part of a service-wide issue which we understand has been referred to the Standing Commission on Civil Service Salaries and Conditions of Service. We therefore refrain from making comments.

Entertainment allowances

51 The subject of entertainment allowances arose indirectly in the course of the Committee's deliberations, although as it is not strictly a fringe benefit it does not fall within our terms of reference. We feel, however, that an observation arising from our discussion would not be inappropriate. Such allowances do contribute to better understanding and communications both within the Civil Service and between it and the community at large. While we were pleased to note that the departmental allowances had recently been increased, our overall assessment was that many of them remained unrealistic. Some specific examples are Home Affairs Department, Education Department and London Office. It was also felt that with the expanding size of the Civil Service and the greater stress on staff relations, a more flexible approach should be adopted to the question of expenditure by an officer in entertaining his own subordinate staff.

Directorate rank titles

52 There is a growing tendency for departments to give titles, other than the formal rank titles, to their senior Directorate posts. This is often justified for public presentational reasons, but there is danger of confusion if titles are used implying an authority not intended for the post. Proper control is required, and should, we think, be exercised by the Secretary for the Civil Service. We do not favour the general use of the title "Director" below Head of Department level, but it would be premature to make a definitive ruling. Where it is so used there should be a prefix (e.g. Operations Director) to avoid confusion with the true Head of Department.

Implementation date

53 We recommend that changes to salary levels and revised rankings be implemented with effect from 1st January 1980.

Costs

54 If our recommendations on structure, salaries, and gradings are accepted, the additional annual cost is likely to be of the order of \$30 million.

Acknowledgements

55 We are much indebted to Mr L.W. Gordon of Price Waterhouse & Co and Mr D.E. Connolly of Peat, Marwick, Mitchell & Co for their assistance with the private sector survey. We should also like to record our thanks to the Honourable Martin Rowlands, Secretary for the Civil Service, who has served as our Adviser ex-officio, and to Mr D.H. Mace, our Secretary.

G.R. ROSS
(Chairman)

J.S. LEE

S.S. GORDON

LI Fook-wo

J.H. BREMRIDGE

April 1980