

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

INTRODUCTION

Our terms of reference, set out in full in Appendix I to this report, require us to conduct an overall review at such time as the Committee determines. In late 1984 we decided to conduct a further review, principally to consider the structure of the directorate, the grouping of departments, directorate salaries and conditions of service. As on previous occasions, Heads of Departments were asked to make submissions which we considered in their entirety. This review, the ninth in the series, was conducted in May and June 1985, and our recommendations were submitted to the Governor in July 1985.

2. Our recommendations cover the following areas -

The Overall Directorate Structure
(paragraphs 3 to 4);

The Grouping of Departments
(paragraphs 5 to 12);

The Judicial/Legal Group
(paragraphs 13 to 14);

Agencies (paragraph 15);

Personal Ranking (paragraphs 16 to 18);

Incremental Scale (paragraph 19);

Ranking of Directorate Posts
(paragraphs 20 to 21);

Directorate Salaries
(paragraphs 22 to 29);

Conditions of Service and
Miscellaneous Matters
(paragraphs 30 to 38).

If our recommendations on the grouping of departments and the ranking of individual posts are accepted, the overall directorate structure and ranks would be as set out in Appendices VI and VII.

THE OVERALL DIRECTORATE STRUCTURE

3. In the Seventh Overall Review we recommended a reduction in the number of points on the directorate pay scales in order to achieve a greater degree of broadbanding and to facilitate movement across different career streams. We have reviewed the new structure and are satisfied that it is working well. We do not propose any change except for the one mentioned in paragraph 14 below.

4. In our Eighth Overall Review we recommended that the open directorate concept should be developed further. We have been informed that in August 1983 the Secretary for the Civil Service invited the views of all Heads of Departments and Agencies on the best way of moving towards a more open directorate. The replies, which we have

studied, reflected a wide divergence of opinion. While most subscribed to the concept of a more open directorate, a majority highlighted difficulties which they thought would limit the extent of its application in practice. Many Heads took the view that it would be necessary for most of their posts to be excluded. Others were concerned that the movements of officers between different career streams would be unequal, so giving rise to management problems. Given the lack of support for any move towards a formal and fully open directorate, and the very real difficulties in the way of achieving this, we conclude that it will be best to continue with the present informal arrangements for cross-postings between different career streams. These arrangements are working satisfactorily and we note that since 1982 a total of 30 officers have transferred to a new departmental stream or into the Administrative Service at the directorate level. We see these cross-postings as an important means of making the best use of the talent available in the service. They can also help to prepare officers for future senior appointments, either back in their own stream or elsewhere in the service.

THE GROUPING OF DEPARTMENTS

General

5. Since our First Overall Review in 1964 departments have been classified into three groups by reference to a number of grading factors (see Appendix III). The three groups have been defined in the following terms -

- (a) Group I accommodating a few major departments;

- (b) a basic Group III to which all other departments belong, except for
- (c) those departments which lie somewhere between (a) and (b). These form an intermediate Group II.

6. At the time of this review there are 3 departments in Group I, 15 in Group II and 18 in Group III (see Appendix IV). The directorate structure of the departments in each group is normally as follows -

Group I : Director - D6
Deputy Director - D4
Senior Assistant Director - D3
Assistant Director - D2

Group II : Director - D5
Deputy Director - D3
Assistant Director - D2

Group III : Director - D4
#Deputy Director - D3
Assistant Director - D2

Only one post of Deputy Director is permitted in a Group III department.

7. As in previous reviews, we have considered the need to change the grading factor system and to increase or decrease the number of groups. We feel that reducing the number of groups would result in too great a range of responsibility amongst departments within each group, while increasing the number of groups would require

distinctions between departments which are too fine to be drawn. On balance, we have concluded that the present three-group structure is generally satisfactory and should be maintained.

8. We have examined carefully the classification of departments in the three groups against the grading factors. While the responsibilities and levels of activity of most departments have increased in absolute terms since our last review, we conclude that all departments except five are still correctly grouped. The five departments for which there have been significant changes in the grading factors are referred to below.

Correctional Services Department

9. The Correctional Services Department has an important role to play in the maintenance of law and order, and bears demanding responsibilities for refugees from Vietnam. We have concluded that the department has reached a stage in its development where it would no longer be appropriate to retain it in Group III. We recommend that this department be placed in Group II.

Immigration Department

10. The Immigration Department has developed over the years into a large disciplined service and its responsibilities have both grown and become more diverse. The Director is frequently called upon to make sensitive decisions, often at short notice, which affect the rights and freedom of the individual. We recommend that this department be placed in Group II.

Trade, Industry, and Customs and Excise Departments

11. These three departments were formed in August 1982 consequent upon the defederalisation of the former Trade, Industry and Customs Department. They were all, provisionally, placed in Group III to allow time for a clearer view to be taken of their ranking in relation to the grading factors. We now recommend that all three departments should be placed in Group II, having regard to the vital roles they play in the development of Hong Kong's external trade, internal industrial development, and the protection of Hong Kong's revenue and integrity in customs and trade control matters.

12. If our recommendations on the upgrading of these five departments are accepted, the revised grouping of departments would be as set out in Appendix V.

THE JUDICIAL/LEGAL GROUP

13. We have considered the ranking of directorate posts in the Judicial/Legal group independently from the rest of the directorate, although their salary levels are with one exception identical. We remain of the view that the ranking of these posts should be assessed in terms of status, responsibility and the level of judicial/legal experience required. Having examined carefully the submissions received from the Judiciary, the Attorney General, the Registrar General and the Director of Legal Aid, we do not recommend any change apart from one which is set out below.

Judiciary

14. We note that Justices of Appeal are appointed on the basis of merit from among the High Court Judges and we consider that this should be reflected in the salary for the post. We recommend that Justices of Appeal be placed on a new pay point which is \$1,500 above DJL6 and that this pay point be referred to as DJL6A.

AGENCIES

15. In our last review we concluded that the ranking of the Head of Agency posts should be determined by an assessment of the weight of the job in question, and that they should be ranked on any of the first three points on the directorate pay scale. We remain of this view. We have examined the directorate posts in the Agencies, together with the submissions made in support of upgrading, and have concluded that their present rankings are appropriate.

PERSONAL RANKING

16. In our last review we recommended the introduction of a personal ranking scheme whereby a long serving and meritorious departmental officer at Head of Department or Agency level might be considered, exceptionally, for substantive appointment to a higher rank on a personal basis. We also recommended that the scheme be used sparingly. Our recommendations were accepted by the Administration. Since then three officers have been accorded personal rankings.

17. We have taken the opportunity of this review to examine the claims of all Heads of Departments or Agencies eligible for personal ranking. We have only one recommendation which we have forwarded to the Administration separately for consideration.

18. We have considered a proposal to extend the personal ranking scheme to directorate officers below the Head of Department or Agency level. We note that virtually all directorate officers below this level have an opportunity to rise to Head of Department or Agency level in competition with other officers in the department or agency or they may, where appropriate, transfer to another career stream which may provide advancement prospects. Moreover, if Deputy Heads and Assistant Heads were given personal rankings, it is likely that in a majority of cases they would be receiving the same salary as their supervising officers for carrying lower responsibilities, and this would create an inequitable situation. For these reasons we have concluded that the personal ranking scheme should not be extended beyond its present scope.

INCREMENTAL SCALE

19. We have also considered, not for the first time, the case for converting the present fixed points on the directorate pay scales for each rank into incremental scales so that, for example, a directorate officer remaining in the same rank could be granted a small increment upon completion of a few years of efficient service. After careful thought we do not favour such an approach. We consider the present fixed pay point system to be the best provided the pay level of each point is pegged at a realistic level.

RANKING OF DIRECTORATE POSTS

General

20. Among the submissions we received were a number of proposals for the upgrading of individual directorate posts. In a majority of cases we were not persuaded by the arguments advanced and we were unable to agree to their upgrading. In other cases the proposals required further study, often because they carried other implications, and could not be dealt with in the context of this review. We have therefore referred these latter submissions to the Administration for examination separately. We comment below on the one case where we now recommend a change.

Medical Superintendents of Regional Hospitals

21. The four posts in question are currently ranked at the Principal Medical and Health Officer (D1) level. In view of the considerable responsibility attaching to these posts we recommend their upgrading to the level of Assistant Director of Medical and Health Services (D2).

DIRECTORATE SALARIES

22. We last conducted a survey of remuneration of senior management in the private sector during the Seventh Overall Review in early 1980. We saw no need to conduct a similar survey in 1982 as we considered then that civil service directorate salaries were not far out of line with equivalent salary levels in the private sector. From our own knowledge of private sector salaries as employers, we can say that this is no longer the case in 1985. Despite the interim adjustments made in the past three years,

civil service directorate salaries have not kept pace with the increase in salaries at senior management levels in the private sector.

23. We considered a proposal that an independent consultant be employed to evaluate a selection of directorate posts in the civil service using pay levels in the private sector as a guide. We concluded that a consultant would be unable to take account of the important differences in the career structure and conditions of service of those in the civil service as compared with those in the private sector.

24. As in the past we commissioned the Senior Partners of Peat, Marwick, Mitchell and Co. and Price Waterhouse and Co. to conduct on our behalf a confidential survey of salaries and fringe benefits at senior management levels in the private sector. Thirty-four companies making up a representative cross-section of Hong Kong's economic life provided detailed information to the accountants. The results confirm our original impression that the salaries of senior management in the private sector have increased at a rate significantly higher than civil service directorate salaries. We are satisfied that the report which the accountants submitted to us gives an accurate reflection of current practice in the private sector at senior management levels.

25. While 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. Our remarks in 1964 (First Report) 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."

We accept that in many cases there are no obvious private sector analogues for jobs in the civil service directorate, and that salaries for the latter cannot match those of some top executives in the private sector. We are firmly of the view, however, that civil service directorate salaries should not lag too far behind in view of the need to provide a civil service salary and career structure at the senior level sufficiently attractive to ensure the recruitment and retention of men and women of high calibre.

26. Accordingly we recommend the introduction of the following revised salary levels with effect from 1 August 1985 -

<u>Directorate</u> <u>Pay Point</u>	<u>Existing Pay</u> \$	<u>New Pay</u> \$
D8/DJL8	56,400	64,000
D7	53,600	60,500
DJL7	50,350	57,000
DJL6A	-	55,000
D6/DJL6	47,200	53,500
D5/DJL5	42,650	48,000
D4/DJL4	40,500	45,500
D3/DJL3	35,600	40,000
D2/DJL2	31,600	34,500
D1/DJL1	27,250	29,000

27. In arriving at the above general levels of pay, we have specifically not taken into consideration the level of remuneration of top executives in the highest paying companies in the private sector. We have adopted as a general guide the level of remuneration for senior management in the middle range of companies in the private sector.

28. As regards individual pay points, we have concluded that the present differentials in dollar terms between the various pay points should be increased in order to reflect generally the current position in the private sector.

29. We would like to comment in particular on the first pay point, i.e. D1/DJL1. It is our belief that the present pay level of \$27,250 is insufficient to recognise the increased management role of officers at this level and does not provide adequate reward for promotion to this first rank in the directorate. For these reasons and having regard to private sector pay at the chief professional executive level, we have recommended a new salary level of \$29,000 for the D1/DJL1 pay point.

CONDITIONS OF SERVICE AND MISCELLANEOUS MATTERS

General

30. We remain of the view that in general the conditions of service for directorate officers compare favourably with those in the private sector. We do, however, have the following comments to make.

Leave and Passage Arrangements

31. In our last review we recommended that consideration should be given to a reduction in leave-earning rates, coupled with a more flexible passage arrangement which would allow an officer to pay for any number of passages a year within a cash limit. We were informed that discussions had been taking place between the Civil Service Branch of the Government Secretariat and the Staff Sides of the consultative councils on the broad question of leave and passages, and that the matter would shortly be referred to the Standing Commission on Civil Service Salaries and Conditions of Service for advice in respect of non-directorate staff. In these circumstances we would make no recommendation for the time being on the subject of leave-earning rates for directorate officers in isolation.

32. We consider, nevertheless, that it should be possible to introduce a greater degree of flexibility into current leave and passage arrangements for directorate officers without incurring additional cost. We recommend that those officers who are entitled to annual leave with passages be permitted to split their entitlements so that, if they wish, they may take two holidays with passages within a twelve-month period provided the total passage cost charged to public funds does not exceed the individual officer's entitlement for one set of return passages to his country of origin. We also recommend that local directorate officers who are entitled to a passage allowance once every two years be permitted to use the allowance for separate journeys within the two-year period. We consider that such changes would be broadly in line with private sector practice.

33. Some Heads of Departments have represented to us that the eligibility for First Class air travel when on leave should be extended below D6/DJL6. We consider that the present arrangements for air travel for this group of officers are generally adequate. We have also examined the case for giving all directorate officers below D6/DJL6 an entitlement to travel Business Class when on leave. We conclude that the time is not yet ripe for such a change and we intend to keep this under review.

Pensions

34. We have received several representations arguing for an increase in the 25% maximum commutation level for the commuted pension gratuity. We were informed that the question is being considered by the Administration in the context of a review of the present pensions arrangements. We have in the past proposed that the commutation level be increased, and our view remains unchanged.

35. In our last review we recommended that the case for increasing the multiplying factor of 12.5 used in calculating the commuted pension gratuity be pursued. We note that the multiplying factor has since been increased to 14, and we do not recommend any further change.

Overseas Education Allowance

36. As this allowance is currently under review by the Administration, we make no recommendation and look forward to being invited to comment in due course.

Motor Cars

37. We have received submissions suggesting that the present rules governing the provision and use of official cars be relaxed. We consider that the existing arrangements for the use of cars by directorate officers are broadly in line with private sector practice and we recommend no change.

38. We wish to restate our earlier view that saloon cars should be air-conditioned, and to record disappointment that our recommendation in this regard made in the Eighth Overall Review and accepted by the Government has not yet been implemented. The fact that a number of cars used by directorate officers still lack air-conditioning is inexplicable.

IMPLEMENTATION DATE

39. We propose that the recommendations in this report in respect of directorate salaries, the grouping of departments and the ranking of the Medical Superintendent posts should be implemented with effect from 1 August 1985.

CHANGES IN MEMBERSHIP

40. The Honourable CHEN Shou-lum, CBE, JP, was appointed a Member in April 1985.

41. Mr. J.S. Lee intends to step down from this Committee on completion of the present review. He joined the Committee when it was established in 1963. He has been a most valued colleague and we are grateful to him for the help and sound advice which he has given over the past twenty-two years.

ACKNOWLEDGEMENTS

42. We would like to record our appreciation to Mr. D.E. Connolly of Peat, Marwick, Mitchell and Co. and Mr. T. Clydesdale of Price Waterhouse and Co. for their assistance in conducting the survey of salaries and fringe benefits at senior management levels in the private sector. We would also like to record our thanks to Mr. Martin Rowlands, Secretary for the Civil Service, who has served as our Adviser ex-officio for the last seven years; to Mr. Dominic S.W. Wong, Deputy Secretary for the Civil Service, for his assistance; and to Mr. Christopher I.C. Jackson, our Secretary.

G.R. Ross (Chairman)
J.S. LEE
S.S. Gordon
LI Fook-wo
J.J. Swaine
CHEN Shou-lum

July 1985