

**Extract from the minutes of special meeting of the
Panel on Education held on 2 December 2002**

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I. Briefing on the Higher Education Review

[Legislative Council (LegCo) Brief issued by the Education and Manpower Bureau File Ref : EMB CR 3/21/2041/89]

Deregulation of university remuneration

26. Mr SZETO Wah noted that according to paragraph 18 of the LegCo Brief, to address the concern of staff and management, UGC-funded institutions would be given the option to decide whether and when to introduce their own remuneration systems, i.e., whether to delink their staff salaries from the civil service pay system. Referring to paragraph 27 of the Administration's paper, Mr SZETO pointed out that the Chinese University of Hong Kong and Hong Kong University of Science and Technology had set up internal task forces to explore the possibility of their merger in consultation with their staff and students. He asked whether other institutions would follow the good practice to consult staff and students before deciding whether to delink staff salaries from the civil service pay system.

27. SEM responded that the salary scales of universities had been linked to the civil service since the 1970s, imposing unnecessary rigidity and undermining institutions' competitiveness in global recruitment. He stressed that university councils, many of which had staff and student representatives, had the discretion to decide whether and when to delink from the civil service pay system. PSEM supplemented that UGC had not made any specific recommendation on merger of universities, although the report was strongly in favour of role differentiation, mission focus, collaboration and strategic alliances. The Administration would support proposals from institutions with complementary strengths to merge, but would not interfere with the autonomy of the institutions.

28. Mr SZETO Wah pointed out that staff and student representatives were the minority in the composition of university councils and could hardly influence the decisions of university councils. He was concerned that the voice of staff and students would not be heard when an institution decided whether to delink or not.

29. SEM responded that universities would consult their staff and students and make their decisions in a rational manner. It would not be appropriate to presume that university councils would not consider the views of staff and students.

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30. The Chairman pointed out that the decisions of university councils were normally made by voting and the views of the majority would always prevail. He asked whether deregulation of university remuneration would result in a decrease in budget allocation. SEM assured members that deregulation of university remuneration would be a cost neutral exercise. The Administration would ensure that overall, institutions adopting new pay packages would not be worse off than if they continued to maintain the link in terms of the public funding they received.

31. Mr CHEUNG Man-kwong said that SEM had recently indicated during a radio interview that UGC-funded institutions should be prepared for another budget cuts in the face of current economic circumstances. He considered that a further cut in resource allocation would force institutions to reduce staff salaries by way of delinking their salary scales from civil service system. He therefore asked whether the Administration could guarantee that there would not be any change in resources allocation for UGC-funded institutions in the years to come.

32. SEM responded that the Administration could only guarantee that institutions delinking their staff salaries from the civil service system would not be worse off than if they continued to maintain the link in terms of the public funding they received. Not arising from the higher education review but as a response to the latest efficiency drive across Government, the Administration would have to discuss with the UGC sector to achieve efficiency savings in line with other government departments in 2004-05 and in the 2005-06 to 2007-08 triennium.

33. Ms Audrey EU said that she had the impression that while staff was generally not in favour of deregulation of university remuneration, heads of UGC-funded institutions in general had positive comments on the proposal. She asked whether the Administration had taken a position on the matter and duly considered its implications.

34. SEM responded that the Administration had not taken a position as to whether institutions should delink their staff salaries from the civil service system. The Administration saw the merits in deregulating university pay and agreed to remove the mandatory requirement to link with the civil service salary scale. SEM stressed that deregulation would give flexibility to institutions in devising their own remuneration packages on the basis of merit and performance, as well as adapting to changing needs and circumstances in the future. He added that institutions were free to use any savings arising from delinking for other developments.

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