

For discussion  
on 28 June 1996

FCR(96-97)30

## ITEM FOR FINANCE COMMITTEE

### HEAD 190 - UNIVERSITY GRANTS COMMITTEE Subhead 492 Grants to UGC-funded institutions

Members are invited to approve -

- (a) the new salary scales, with effect from 1 July 1996, for the heads of the University of Hong Kong (HKU), the Chinese University of Hong Kong (CUHK), the Hong Kong University of Science and Technology (HKUST), the Hong Kong Polytechnic University (PolyU), City University of Hong Kong (CityU), Hong Kong Baptist University (HKBU) and Lingnan College (LC);
- (b) the transitional arrangement concerning the application of the new salary scales to the incumbent heads of HKU, CUHK and HKUST and the designated head of CUHK; and
- (c) the arrangement whereby the heads of PolyU, CityU, HKBU and LC should, like their counterparts in the other three University Grants Committee-funded universities, determine the salaries of their senior administrative staff in consultation with the governing bodies of the respective institutions.

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**PROBLEM**

We need to revise the salary scales of the heads of HKU, CUHK, HKUST, PolyU, CityU, HKBU and LC to take account of the change in the nature and scale of their responsibilities and those of senior positions in the Civil Service.

**PROPOSAL**

2. On the advice of the University Grants Committee (UGC), we propose -

- (a) the following salary scales<sup>1</sup> for the heads of HKU, CUHK, HKUST, PolyU, CityU, HKBU and LC -

<b>Head of Institution</b>	<b>Existing Scale</b>	<b>Proposed Scale</b>
Vice-Chancellor, HKU	98% of the Chief Secretary's salary	D8
Vice-Chancellor, CUHK	98% of the Chief Secretary's salary	D8
President, HKUST	98% of the Chief Secretary's salary	D8
President, PolyU	D7	D8
President, CityU	D7	D8
President and Vice-Chancellor, HKBU	D6	D7
President, LC	D5	D6

- (b) that the heads of institutions at PolyU, CityU, HKBU and LC should, in line with the current practice at HKU, CUHK and HKUST, determine in consultation with the governing body of respective institutions the salaries for the senior administrative staff (at the level of Pro-Vice-Chancellor / Vice-President / Associate Vice-President and above), provided that the average salaries of all professors and equivalent senior administrative staff do not exceed the professorial average, and that any resultant revisions must have regard to internal relativity and must be in line with the agreed policy of keeping the terms of service of the staff concerned broadly comparable to, but no better than, those of comparable grades in the Civil Service.

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<sup>1</sup> The salary points shown in the table are the respective points in the Civil Service Directorate Pay Scale.

- (c) the proposed arrangements in (a) and (b) above should take effect from 1 July 1996, i.e. the beginning of the 1996-97 academic year of the UGC-funded institutions, save for the downward revision of salary which would not be applied to the incumbent heads of HKU, CUHK and HKUST and the designated head of CUHK during the validity period of their respective contracts.

### **JUSTIFICATION**

3. At present, we link the salaries of the Heads of the UGC-funded Institutions (HoIs) to that of senior civil servants. We set the salaries of the heads of HKU, CUHK and HKUST at 98% of the Chief Secretary's salary, and those of PolyU and CityU at D7 and HKBU and LC at D6 and D5 respectively. At our request, the UGC commissioned a consultancy in September 1995 to review the salaries of the heads of the seven tertiary institutions subject to its funding purview. The review takes into account -

- (a) the change in the nature and scale of responsibilities of the HoIs and senior civil servants in recent years;
- (b) the subvention policy that the terms of service of staff in the subvented sector should be broadly comparable to, but no better than, those of comparable grades in the Civil Service; and
- (c) the remuneration packages of heads of leading overseas universities which use English as the medium of instruction in the Asia Pacific region, the UK and the USA.

### **Findings of the Consultancy**

4. Based on the job evaluation results, the Consultants concluded that -

- (a) the heads of HKU, CUHK, HKUST, PolyU and CityU are within the same job evaluation boundaries as policy secretaries in the Civil Service (D8 rank);
- (b) the President and Vice-Chancellor of HKBU is within the same job evaluation boundaries as Heads of Group I departments in the Civil Service (D7 rank); and

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- (c) the President of LC is within the same job evaluation boundaries as Heads of Group II departments in the Civil Service (D6 rank).

5. The Consultants also concluded that the remuneration levels received by HoIs in Hong Kong are somewhat lower than those of HoIs at private non-religious universities in USA; considerably lower than those of HoIs in Singapore in terms of total cash but broadly in line in terms of total remuneration; somewhat higher than those of HoIs in the UK and at public universities in USA; and considerably higher than those of HoIs in Australia.

6. On comparison between the salary levels of HoIs and those of the Chief Executive Officers (CEOs) in the private sector, the Consultancy Report shows that the salaries of HoIs in all countries or territories under study are lower than those for CEOs in the private sector and that the difference between the salaries of HoIs and CEOs in Hong Kong appears greater than that in the UK and USA. Finally, the salary levels of HoIs in Singapore, Australia and USA are generally lower than those of the Prime Minister/President and in line with the Cabinet Minister/Secretary whereas for the UK, the salaries of HoIs are higher than those of the Prime Minister but lower than those of the Permanent Secretary of the Cabinet.

Encl. 7. A summary of the findings of the consultancy is in the Enclosure.

#### **UGC's Recommendations and Administration's Assessment**

8. Based on the above findings, the Consultants and the UGC have recommended that the heads of the UGC-funded institutions should be remunerated at the levels described in paragraph 2(a) above.

9. Currently all academic staff in the Professor grade at the seven UGC-funded institutions and all senior administrative staff at HKU, CUHK and HKUST, who are normally designated as Deputy Vice-Chancellor, Pro-Vice-Chancellor or Vice-President, are remunerated on the basis of individual merits. Their salaries are determined by the Vice-Chancellor/President in consultation with the governing bodies of the respective institutions. This arrangement gives the HoIs flexibility in attracting suitably qualified staff to take up the posts concerned. In line with the spirit of the common salary scales for all UGC-funded institutions approved by Members in July 1992, the UGC recommends that the

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above practice be extended to the senior administrative staff at CityU, HKBU, LC and PolyU. In practical terms, the institutions would be allowed to offer appropriate salaries and allowances on an individual basis, provided that the average salaries of all professors and equivalent senior administrative staff do not exceed the professorial average<sup>2</sup>, and that any resultant revisions must have regard to internal relativity and be in line with the agreed policy of keeping the terms of service of the staff concerned broadly comparable to, but no better than, comparable grades in the Civil Service.

10. The UGC has suggested that the proposals should take effect from November 1994 when the former City Polytechnic of Hong Kong (CPHK), Hong Kong Polytechnic (HKP) and Hong Kong Baptist College (HKBC) legally acquired university status and title. The LC has yet to receive self-accrediting and university status but the UGC recommends that in order to maintain relativity with academic staff on university salary scales at other institutions, the remuneration of the head should also be backdated to November 1994. We have difficulties in accepting this recommendation because it is Government's established practice not to backdate the implementation of salary reviews in the Civil Service, and this should apply equally to subvented organisations. We therefore recommends that the proposals should take effect from a current date, i.e. 1 July 1996.

11. As regards the salaries of the heads of HKU, CUHK and HKUST, we accept the UGC's view that we should honour existing contractual obligations and hence its recommendation that the proposed salary scale (which would result in a downward adjustment of the present salary level) should not apply to the incumbents in HKU, CUHK and HKUST and the designated head of CUHK during the validity period of their respective contracts. However, all new appointees will be remunerated at D8.

12. The UGC has further recommended that the governing bodies of HKU, CUHK and HKUST may offer the incumbent, on expiry of his current contract, the same salary in dollar terms when entering into a further contract on condition that the amount of salary would be frozen until the D8 salary level overtakes it. In principle, we accept the UGC's recommendation for staff

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<sup>2</sup> Professorial average applies to the salaries for professors in all seven UGC-funded institutions. On the basis of a minimum salary level, currently at \$83,935 (broadly equivalent to D1 in the Civil Service Directorate Pay Scale), the salary level may vary from individual to individual but the average salary of all professors should not exceed the "professorial average", currently at \$103,815 (broadly equivalent to D2 in the Civil Service). The minimum and "professorial average" salaries are revised annually in accordance with the civil service pay rise. At present, the salaries of the equivalent senior administrative staff at HKU, CUHK and HKUST are set in line with the above arrangement.

management and continuity reasons. However, we consider it premature to seek Members' approval of this recommendation at this stage in the absence of an actual case. We propose to examine the cases as they arise in future and, where justified, seek Members' approval in the normal way then.

### **FINANCIAL IMPLICATIONS**

13. The upward salary adjustments for the heads of CityU, HKBU, LC and PolyU would cost about \$340,000 annually, while the savings from the downward salary adjustments for the heads of HKU, CUHK and HKUST would amount to about \$980,000. However, since the downward salary adjustments will not affect the incumbents, the savings would not be realised until the contracts of the incumbents expire or the incumbents leave the service before the end of their contracts.

14. The proposed new arrangement for determining the salary of senior administrative staff of CityU, HKBU, LC and PolyU may result in an upward salary adjustment requiring additional funds of about \$870,000 annually. We estimate this by applying the same percentage increase on salary of the heads to that of the senior administrative staff. The actual requirements, however, would depend on the precise salaries as determined by the HoIs in consultation with the respective governing body. The institutions will meet from their triennial grants any additional funding requirements arising from the implementation of the proposed new salary arrangements for both their heads and the senior administrative staff.

### **BACKGROUND INFORMATION**

15. The UGC is currently funding seven institutions of higher education, namely HKU, CUHK, HKUST, PolyU, CityU, HKBU and LC. The salaries for the heads and senior administrative staff of these institutions are not uniform.

16. In July 1982, Members approved the formula for setting the salaries of the Vice-Chancellors of HKU and CUHK at 98% of the Chief Secretary's salary (FC Item No. B61 dated 28 July 1982). The same formula was applied to the President of HKUST when Members approved the general principle for setting the salary scales and conditions of service for staff of HKUST in June 1988 (FCR(88-89)28).

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17. In approving the new salary scales for staff engaged primarily in degree level work at the then CPHK, HKP, HKBC and LC in July 1992 (FCR(92-93)54), Members noted that, pending a further review, we would retain the salary scales for the Heads and senior administrative staff of these four institutions. The four institutions subsequently submitted proposals to the Administration to seek revisions in these salary scales. We decided that the UGC should conduct a comprehensive review of the salaries of the heads of all seven UGC-funded institutions, having regard to the change in nature and scale of the responsibilities of senior civil servants in recent years and the subvention policy that the terms of service of staff in the subvented organisations should be broadly comparable to, and no better than, those of comparable grades in the Civil Service.

18. The review took place during the period September 1995 to March 1996. The UGC submitted its recommendations to the Administration in May 1996.

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Education and Manpower Branch  
June 1996

# REVIEW OF THE SALARY SCALES OF THE HEADS OF UGC-FUNDED INSTITUTIONS

## SUMMARY OF FINDINGS AND RECOMMENDATIONS

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### 1 SUMMARY OF FINDINGS

#### 1.1 RESULTS OF POSITION ASSESSMENT BETWEEN CIVIL SERVICE AND UGC HEADS OF INSTITUTION

- A. The job evaluation results for the Hols for CityU, CUHK, HKU, HKUST and PolyU are within the same job evaluation boundaries as Policy Secretaries.
- B. The job evaluation results for the Hol for HKBU is within the same job evaluation boundaries as Heads of Group 1 Departments.
- C. The job evaluation results for the Hol for LC is within the same job evaluation boundaries as Heads of Group 2 Departments.

#### 1.2 RESULTS OF MARKET COMPARISON

- A. Salary levels of Hols in Hong Kong vs those in Singapore, Australia, the US, and the UK.

Salary levels of Hols in Hong Kong vs Hols in:	
Singapore	<ul style="list-style-type: none"> <li>• Considerably lower in terms of total cash</li> <li>• In line in terms of total remuneration</li> </ul>
Private non-religious universities in the US	Somewhat lower
UK and public universities in the US	Somewhat higher
Australia	Considerably higher



RECOMMENDATIONS

Review of Salary Scales  
Heads UGC-funded Institutions

1.2 RESULTS OF MARKET COMPARISON (CONT'D)

- B. Salary levels of Hols vs those of CEOs within the same geographical circumscription
  - In all geographical circumscriptions the salaries of the Hols are lower than those for CEOs in the private sector.
  - The difference between the salaries of Hols and CEOs in Hong Kong appears greater than that in the UK and the US.
- C. Salary levels of Hols vs those of senior government officials the same geographical circumscription

Singapore	Salaries of Hols are much lower
Australia	Salaries are lower than those of the Prime Minister, and basically in line with those of the Deputy Prime Minister and the Cabinet Minister
United States	Lower than those of the President. For comprehensive universities basically in line with those of a Cabinet Secretary. For Research and Doctoral Granting Universities salaries higher than those of a Cabinet Secretary
United Kingdom	Salaries of Hols are higher than those of the Prime Minister and the Cabinet Minister, but lower than those of the Permanent Secretary of the Cabinet.



**2 RECOMMENDATION**

To the extent that the salary scales for the heads of UGC-funded institutions are to be set against a reference to the pay of the Chief Secretary and policy secretaries of the civil service, we would make the following recommendation. Our suggested approach takes into account the following requirements:

- the need to maintain broad comparability with directorate level positions in the Civil Service by linking the salaries of all the Hols to a reference with the Chief Secretary/Policy Secretary
- the need to remain competitive both locally and globally with all organisations in the knowledge industry
- the need to reward the performance of individual heads who manage to establish internationally recognised centres of academic excellence

Given the above, the following actions are warranted:

- Set UGC-funded salaries for Heads of Institutions at:
  - > D6 for the President of Lingnan College
  - > D7 for the President of HKBU
  - > D8 for the Presidents of PolyU and of HKUST, and the Vice-Chancellors of CityU, HKU, and of CUHK



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26 May 2003

Ms Miranda Hon  
Clerk  
Public Accounts Committee  
Legislative Council Building  
8 Jackson Road  
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Hong Kong

Dear Ms Hon,

**The Director of Audit's Report on the  
Results of value for money audits (Report No. 40)**

I refer to your letters of 16 and 19 May 2003. Consolidated replies in English are enclosed at Annexes A and B respectively. Chinese version will follow as soon as possible.

Yours sincerely,



( P T Cheung )  
Secretary-General  
University Grants Committee

Encl.  
cc SEM  
HoIs