

## Chapter 3

### University Grants Committee funded institutions - Staff remuneration packages and stipends

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Audit conducted a review to examine the basis of staff remuneration packages and stipends in the eight University Grants Committee (UGC) funded institutions.

2. At the beginning of the public hearing, **Prof Hon Arthur LI Kwok-cheung, Secretary for Education and Manpower**, declared that he was the Vice-Chancellor of The Chinese University of Hong Kong (CUHK) during 1 August 1996 and 31 July 2002. He was involved in the formulation of policies by the CUHK in the period covered by the Audit Report.

3. The **Secretary for Education and Manpower** then made an opening statement. He said that:

- the Education and Manpower Bureau (EMB) welcomed Audit's recommendations which were in line with the Government's policy on the future development of higher education in Hong Kong;
- the Administration agreed that it was no longer appropriate to link the salaries of the staff of UGC funded institutions to those of the civil service. Hence, in April 2003 the Administration proposed to the Finance Committee (FC) of the Legislative Council (LegCo) that university pay should be deregulated. The proposal was approved by the FC. Starting from 1 July 2003, the institutions were free to decide whether to retain their existing remuneration systems or devise new ones. Against this background, the Administration agreed with Audit's recommendation that the governing body of each institution should conduct reviews of its own remuneration packages, including contract gratuities and leave, and develop an effective mechanism for future annual pay adjustment;
- since the bulk of the salary payments to university staff came from public funds, there was a clear responsibility for disclosure to enhance transparency and accountability. The Administration agreed that information such as the institutions' salary structure and details of the fringe benefits and remuneration packages of senior teaching and administrative staff (whether paid for by public or private funds) should be disclosed;
- regarding the topping up of a Vice-Chancellor/President's salary, the EMB had no objection in principle to the institution's arrangement if only private funds were used and subject to the endorsement of the institution's own governing body. Approval from the Government and the FC was not necessary under a deregulated environment; but institutions should have an

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obligation of full disclosure to the donors/public and a sense of proportionality in determining the remuneration of their senior staff, taking into account the level of responsibility and comparable salaries in the market;

- as regards contract gratuity and administration of leave, the EMB generally agreed with Audit's recommendations. In addition, the EMB understood that the institutions had to honour their contractual obligations and comply with the provisions of the Employment Ordinance when amending the terms and conditions of service for their serving staff; and
- on the administration of stipends, the EMB agreed that the institutions should review and stipulate clear assessment criteria for the provision of stipends to research students. Their policy on setting stipend rates should also be clear.

4. **Prof Paul CHU Ching-wu, President of The Hong Kong University of Science and Technology (HKUST) and Convenor of the Heads of Universities Committee (HUCOM)**, also made an opening statement, the full text of which is in *Appendix 33*. In summary, he said that:

- the tertiary education sector of Hong Kong had made great strides in the past decade. Many more young people had had the opportunity to receive university education that previous generations could only dream of. A better-educated workforce had helped the economy to stay competitive. Institutions had developed remarkable strengths in different areas of research. In some areas, research capabilities and achievements had already reached international standards;
- tertiary institutions had created great value for the Hong Kong society in many different ways. Value was not just the money cost. A value-for-money audit could help review the cost-effectiveness of university operations. But the value of tertiary education could not be measured simply in dollars and cents. All along, institutions had taken great care in managing the public resources entrusted to them and managed these resources with due regard to the principles of transparency, accountability and productivity;
- tertiary institutions in Hong Kong operated in a very different environment from those in other countries. To stay competitive internationally, universities in Hong Kong could not rely only on local recruitment to satisfy their needs. But overseas academics had to overcome the difficulties in moving their families into a different environment. Therefore, institutions had to pay a premium to attract academics from overseas to accept positions

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in Hong Kong. This was particularly true in the building-up stage that some institutions were now in;

- simple comparisons between the average pay of Hong Kong academics and their United States (US) counterparts might not be very useful in understanding the real picture. In the US, aside from the different remuneration conditions, there were big differences in pay between universities, depending on an academic's responsibilities and performance. For example, the remuneration package for a university president varied from more than a million US dollars to only US\$100,000. There also existed a wide spread in faculty salaries, which depended on merit and could mean that some faculty were higher paid than the university president, the mayor, the governor, and until very recently the President of the US;
- care should also be exercised in comparing Hong Kong with the United Kingdom (UK). The UK had lost many of its talents in the past decade because of its uncompetitive pay. Just in the last ten years, the once almighty Oxford and Cambridge had tried to lure some of the most talented scholars from the US, especially their expatriates, back to the UK but failed; and
- money was necessary in the development of world-class status universities. One could easily find a simple yet rather reliable correlation between professors' pay and talent pool needed to develop a great society and economy, be it among countries, states or even within a university system. Universities were the great assets of Hong Kong. As with all other assets, their value might appreciate but it took a long time; however, it might depreciate overnight. It was hoped that this opportunity could be made to further enhance the value of these great assets, and make them a beacon of tertiary education in the region.

### **Pay structure**

5. According to paragraphs 2.53 to 2.57 of the Audit Report, the pay levels of the heads of institutions (HoIs) were set by the Government after systematic benchmarking against comparable civil service posts and counterparts in overseas universities. The pay levels were approved by the FC in June 1996. Audit's examination of the remuneration packages of the HoIs revealed that six universities topped up (by using non-UGC funds) the salaries of their Vice-Chancellors/Presidents, either in the form of higher pay or by way of cash allowance. The top-up amounts ranged from 3% to 98% of the salaries approved by the FC. In one case, the amount of cash allowance paid was about \$177,000 per month,

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which included about \$138,000 paid in lieu of housing benefits and leave passage. Only one university had sought and obtained agreement from the Administration regarding the top-up of the salary.

6. The Committee also noted the response of the Secretary-General of the UGC in paragraph 2.65(e) that the UGC considered that the governing bodies of the institutions should be given the flexibility in remunerating their HoIs but such should only be done by using non-public funds. In this regard, institutions were expected to observe the two general principles of “transparency” and “external participation”.

7. Against the above background, the Committee asked whether:

- the institutions were required to apply for the EMB’s approval for topping up the salaries of their Vice-Chancellors/Presidents by private funds; and
- the UGC had drawn up guidelines on the two principles of “transparency” and “external participation” and whether all institutions were aware of the principles.

8. The **Secretary for Education and Manpower** and **Mr Peter CHEUNG Po-tak, Secretary-General of the UGC**, replied that:

- the institutions were not required to apply for the EMB’s approval as only private funds were involved; and
- after the last salary review, the UGC had written to the institutions informing them that the LegCo’s approval was necessary if there were changes to their salaries paid for by government funds. There was no such requirement if they made use of funds from private sources. In March 2003, an institution approached the UGC for guidelines in this regard. Hence, the UGC drew up guidelines which emphasised the principles of “transparency” and “external participation”. All institutions were fully aware of the principles.

9. The Committee noted that The Hong Kong Polytechnic University (PolyU) paid a monthly cash allowance of about \$177,000 to its head. The Committee enquired about the source of the funds and whether the PolyU Council had discussed and approved the payment of the cash allowance.

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10. **Dr Sir Gordon WU Ying-sheung, Council Chairman of the PolyU**, responded that:

- the cash allowance was not paid for by public funds or donations to the PolyU. The money was secured by the PolyU itself, such as by undertaking joint projects with commercial organisations;
- the cash allowance was made up of two components, namely, the difference between Directorate Pay Scale (DPS) point D8 and 98% of DPS point D10, and housing benefits, which amounted to about \$30,000 and about \$130,000 respectively. The reason for topping up the President's salary was to make it on a par with the salaries of the heads of The University of Hong Kong (HKU), the CUHK, the HKUST and the City University of Hong Kong (CityU);
- as for housing benefits, the President was provided with a residence by the PolyU under his conditions of employment. In the past, the PolyU had to pay for the rent, rate, management fee, utility charges and maintenance cost of the President's rented residence. The PolyU considered that the total cost to the University would be less by paying a cash allowance to the President in lieu of housing benefits and leave passage. Moreover, he himself also objected to spending money on refurbishing rented premises because the University would have to pay for the refurbishment costs again whenever there was a new President; and
- the decision relating to the cash allowance to the President was made by the President's Personal Affairs Committee (PPAC) which comprised of some external members of the PolyU Council. There was a high degree of transparency in the PPAC's decision. The PolyU Council had all along delegated to the PPAC the authority to handle such detailed matters as the passage entitlement of the President.

11. **Mr Alexander TZANG, Council Secretary of the PolyU**, supplemented that:

- as the PolyU was a large organisation with a wide range of businesses to handle, the PolyU Council established committees and standing committees to take care of different aspects of work, such as strategic planning and fund raising. Before Sir Gordon WU assumed the position of Council Chairman and he himself Council Secretary, the PPAC had already been set up by the Council to look after matters concerning the President's employment contract. It was a committee with proper delegation by the Council; and

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- the PPAC was responsible for monitoring the performance of the President and the renewal of the President's employment contract, including the detailed conditions of employment upon the renewal of contract. According to usual practice, the PPAC did not report to the Council the details of its decisions. Similarly, the PPAC's decision relating to the President's cash allowance had not been reported to the Council. However, if any Council members wished to know the details, it was the PolyU's policy to disclose all the information to them.

12. Noting the reply of the Council Chairman and the Council Secretary of the PolyU, the Committee pointed out that section 9(3)(c) of The Hong Kong Polytechnic University Ordinance provided that the PolyU Council should not delegate to any committee appointed by it the power to approve the terms and conditions of service of persons in the employment of the University, other than persons in part-time or temporary employment. The Committee questioned whether, in the circumstances, the PolyU considered that the provision of section 9(3)(c) of the Ordinance had been complied with. The Committee also asked for the records of discussions of the PPAC relevant to its decision relating to cash allowance for the President.

13. The **Council Chairman of the PolyU** said at the public hearing and in his letter of 24 May 2003, in *Appendix 34*, that:

- the PolyU was of the opinion that the PolyU Council had complied with the provision of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance as the Council did retain and exercise its authority and responsibility in **approving the standard terms and conditions of service**, i.e. salary scale or range, types of leave, types of housing benefits, medical and dental benefits and insurance, passage, and education allowances, etc. and their extent where applicable, **for all categories and grades of employees** of the University other than those in part-time or temporary employment;
- in the case of the President or previously the Director of the Hong Kong Polytechnic, their terms and conditions of service were approved by the Council. The standard terms and conditions of service for the present President were established by the Council when he first joined the institution in 1991;

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- the establishment and operation of the PPAC in fact followed a practice since the 1980's or perhaps earlier when the then Hong Kong Polytechnic established a Director's Personal Affairs Committee. The PPAC or its equivalent in the past, among other things, handled the detailed execution and implementation of the terms and conditions of service. It handled details of matters such as passage entitlement, class of air travel, rental limit for domestic accommodation, salary for domestic servant, limit of utility charges borne by the Institution as well as non-accountable entertainment allowance, within the framework of terms and conditions of service established by the Council;
- to ensure external participation, the PPAC was composed of a number of lay members of the Council. Currently it was composed of 7 lay members of the Council including the Council Chairman who served as Chairman of PPAC;
- the PolyU believed that the intent of the relevant stipulations in The Hong Kong Polytechnic University Ordinance was not to require the full Council to decide and approve individual package for each and every employee of the institution. That would be inappropriate and unrealistic as the Council was to attend to policy matters and could not attend to or handle details of personnel matters of an institution with around 3,000 employees; and
- to address the possibility of different interpretation of section 9(3)(c) of the Ordinance, the PolyU intended to seek further clarification from both the UGC and the Government and amendment or revision of The Hong Kong Polytechnic University Ordinance in the near future, so that the full Council would not degenerate into a human resource office.

14. On the records of discussions of the PPAC, the **Council Chairman of the PolyU** provided the relevant PPAC paper to the Committee in the same letter. He also advised that the decision on the matter of cash allowance for the President was made by circulation to members of the PPAC on 28 July 2001 following some informal discussions earlier. The PPAC was then composed of six lay members of the Council, including the Council Chairman who chaired the PPAC. The matter was approved unanimously.

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15. In response to the Committee's further enquiries, the **Council Chairman of the PolyU** replied, in his letter of 4 July 2003 in *Appendix 35*, that:

- following the approval of the PPAC, the President's letter of appointment and employment contract had been revised accordingly. In keeping with past practice, the revision had not been submitted to the PolyU Council for approval; and
- at its 34<sup>th</sup> meeting, the PolyU Council unanimously affirmed the PolyU's position and practice in this regard and that such practice did not breach the provision of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance. At the meeting, lay members of the Council were also informed of the details of the President's compensation package.

16. The Committee asked for the UGC's view on whether or not the PolyU had complied with the provision of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance.

17. In his letter of 9 July 2003, in *Appendix 36*, the **Secretary-General of the UGC** stated that the interpretation of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance was a legal issue on which the UGC was not in a position to offer a definitive view. At a practical level, however, the UGC could see a need for the PolyU Council to exercise certain repetitive functions through sub-committees; but how this should be arranged or legislated for was outside the terms of reference of the UGC.

18. At the invitation of the Committee, the **Director of Audit** offered his comments on the matter. In his letter of 31 July 2003, in *Appendix 37*, he said that:

- the payment of some \$177,000 monthly cash allowance to the President in lieu of housing benefits and leave passage was a significant variation in the standard terms and conditions of service as approved by the PolyU Council. Even putting the legal considerations aside, it would have been prudent to seek the Council's approval. In this connection, he noted that the PolyU Council had subsequently affirmed at its 34<sup>th</sup> meeting on 24 June 2003 the University's position and practice regarding the matter. Lay members of the Council were also informed about the details of the President's remuneration package at that meeting. To enhance governance and accountability, in future, the prior approval of the Council should be sought before offering any remuneration packages involving significant variations in the standard terms and conditions of service; and



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- the PolyU intended to seek further clarification from the Government/UGC and amendment/revision of the Ordinance in the near future, in order to address the possibility of different interpretations of section 9(3)(c) of the Ordinance. For the avoidance of doubt and for better governance and public accountability, the need to seek the prior approval of the Council for significant variations in the terms and conditions of service should be clearly stated in the Ordinance.

19. The Committee referred to FC Paper FCR(96-97)30, in *Appendix 38*, which was considered by the FC on 28 June 1996. The Committee noted that, in proposing the salary scale at the level of D8 for some of the HoIs (including that at the PolyU), the Government had taken into account 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. Paragraph 5 of the paper also stated that “The Consultants also concluded that the remuneration levels received by HoIs in Hong Kong are ..... considerably lower than those of HoIs in Singapore in terms of total cash **but broadly in line in terms of total remuneration**”.

20. In the light of the FC paper, it appeared to the Committee that the total remuneration package (i.e. including the basic salary and cash allowance) of the HoIs should be subject to the “no better than” principle. The Committee queried whether the PolyU’s arrangement of paying its President a monthly cash allowance in lieu of housing benefits and leave passage, as a result of which his total salary was higher than that approved by the FC, was a breach of the “no better than” principle.

21. The Committee also understood that the President of the PolyU had received an allowance under the Home Purchase Scheme (HPS) for about six years when he was employed by another university. The Committee asked whether, in the circumstances, the PolyU’s arrangement of paying the President a monthly cash allowance in lieu of housing benefits and leave passage was a breach of the conditions of the HPS, such as the entitlement period.

22. In his letter of 4 July 2003, the **Council Chairman of the PolyU** responded that:

- in approving the proposal to pay the President a monthly cash allowance in lieu of housing benefits and leave passage, the PPAC did not consider that such an arrangement would be an act to pay the President a total “salary” that was higher than that approved by the FC or one that might constitute a breach of the “no better than” principle; and

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- the PPAC felt that it exercised flexibility in providing housing benefits and leave passage to the President at no extra cost to the PolyU and not at the expense of public funds. The cash allowance was to cover the said benefits which the President was entitled to, and was not a salary per se.

23. In his letter of 9 July 2003, the **Secretary-General of the UGC** said that:

- the UGC's understanding was that the "no better than" principle applied where public funds were involved. Since the monthly allowance for the President of the PolyU, provided in lieu of his housing benefits and leave passage, was borne by the University's non-public sources of funding, the UGC did not consider the arrangement a violation of the "no better than" principle; and
- since the monthly cash allowance payable to the President of the PolyU was not from public funds and was not under the Government-sponsored Home Financing Scheme, the UGC did not consider the 120-month entitlement period relevant.

24. The Committee understood from paragraph 2.57 of the Audit Report that quite a large number of senior staff quarters (SSQ) in the PolyU were vacant. Audit considered that there was a need for the PolyU to explore the possibility of using the vacant SSQ to provide housing to its key management staff, instead of resorting to the encashment of housing benefits. In this connection, the Committee enquired why the PolyU had not used its vacant SSQ to provide housing to its President so as to make full use of its existing resources.

25. The **Council Chairman of the PolyU** explained that:

- the idea had been considered before but was rejected because a residence converted from SSQ did not befit the status of a university President. The residence of a President should be of a reasonably substantial size and well-located. As the heads of the HKU, the CUHK, the HKUST, the CityU and the PolyU were of the same rank, they should be provided with residences of a similar standard. In this regard, the HKU and the HKUST were fortunate in having very grand residences for their heads; and

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- in the past the Government had given the PolyU a piece of land for constructing student hostels. At that time he had suggested that the PolyU should build a quality penthouse at the top of the student hostels. The proposal was not accepted for fear that putting the President's residence together with student hostels might infringe on the President's privacy.

26. The Committee asked for a comparison of the premises provided by the UGC funded institutions to their heads. It also enquired:

- whether there were any standards for the provision of accommodation to the HoIs; and
- about the alternative arrangements in respect of those institutions that did not provide accommodation to their heads.

27. The **Secretary-General of the UGC** provided information on the existing accommodation arrangements for the HoIs in his letter of 26 May 2003, in *Appendix 39*. He also informed the Committee that:

- there were no set standards for the provision of accommodation to HoIs, although by tradition, some HoIs were provided with accommodation on campus. However, where such facility was available, the accommodation was more in the nature of an "official residence", rather than staff quarters. The premises were very often used for official functions; and
- the President of The Hong Kong Institute of Education (HKIEd) and the Vice-Chancellor of the CUHK did not have accommodation provided. This was because they had joined the Home Financing Scheme before they were appointed as HoIs. The President of the PolyU was also not provided with accommodation as he was given a monthly cash allowance in lieu of housing benefits and leave passage.

28. Noting that a portion of the cash allowance payable to the President of the PolyU was to make up for the difference between the President's salary and the salaries of some other HoIs, the Committee asked whether, after the deregulation/delinking of the university pay structure, the institutions would be free to determine the salaries of their heads and whether the salaries could be paid for by public funds.

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29. The **Secretary for Education and Manpower** and the **Secretary-General of the UGC** explained that:

- the revised salary scales of the HoIs approved by the FC in 1996 had resulted in a downward adjustment of the salary level of the heads of the HKU, the CUHK and the HKUST. When considering the salary scales, the FC did not agree to the UGC's recommendation that the governing bodies of the three universities be given the flexibility to offer their respective incumbent heads, on expiry of their current contracts, the same salaries in dollar terms when entering into further contracts provided that the amount of salary would be frozen until the D8 salary level overtook it. After discussing with the institutions, the Administration and the UGC agreed that the institutions would be allowed to use non-government funds to pay their heads a salary higher than the D8 salary level. However, the FC's approval would be required if they were to pay a higher salary with government funds;
- in a delinked environment, the governing bodies of the institutions were free to determine the salary levels of their heads and staff. In doing so, the institutions should set up remuneration systems that were transparent and with sufficient external participation. The UGC would issue guidelines to the institutions to ensure that they observed the principles of transparency and external participation; and
- the deregulation of university pay was a cost neutral exercise. The Government would continue to allocate funds to the institutions on the basis of the existing salary scales of the HoIs. It would be up to the institutions to deploy the funds allocated to them.

30. On the disclosure of the remuneration package of university senior staff, the Committee noted Audit's comment in paragraph 2.51 of the Audit Report that there was a need for the institutions to enhance their transparency and public accountability by making public disclosure of the remuneration package of senior teaching and administrative staff. The Committee asked about the HoIs's view on the suggestion.

31. The **President of the HKUST and Convenor of the HUCOM** said that he welcomed the suggestion because transparency and accountability were important principles. All the institutions would be moving in this direction. However, as there were a lot of impending changes in the tertiary education sector, he hoped that the institutions would be given flexibility as regards the implementation timetable.

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32. **Prof TSUI Lap-chee, Vice-Chancellor of the HKU**, also said that he agreed to the suggestion. In fact, he was required to disclose his salary to the public when he was working in Canada.

33. **Prof Ambrose KING Yeo-chi, Vice-Chancellor of the CUHK**, stated that:

- in the CUHK, quite a number of the “executive” appointments, such as Pro-Vice-Chancellors and College Heads, were held by professors who received salaries for their substantive academic appointments. They were only paid a nominal responsibility allowance for taking up the additional executive roles. As such, disclosing the salaries of Pro-Vice-Chancellors and College Heads would in effect mean the disclosure of salaries of individual professors; and
- while he agreed that the range of salaries of professors should be disclosed, he was opposed to disclosing the salaries of individual professors. As regards the remuneration package of HoIs, he agreed that this could be disclosed.

34. **Prof Edward CHEN Kwan-yiu, President of the Lingnan University (LU)**, added that:

- he had no objection to the disclosure of the pay levels of professors by way of salary bands; and
- as the salaries of university staff were linked to the civil service pay scales which were approved by the FC every year, there was already transparency in the salary levels of different grades of staff at the universities. Moreover, the salaries of teaching staff in the professor grade could not exceed the professorial average salary limit.

35. **Prof K P SHUM, Chairman of the Federation of Hong Kong Higher Education Staff Associations (FHKHESA) and Council Member of the Chinese University Teachers’ Association**, said that:

- the FHKHESA supported openness and transparency in the salaries of different grades of staff in the universities. However, openness and transparency were not enough. In a delinked environment, there would be a lack of supervision on the universities as it would be up to the universities to decide how to spend the funds allocated to them by the Government. The FHKHESA was worried that if the governing bodies of the universities

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decided to substantially increase the salaries of the HoIs while reducing those of the teaching staff, there was no appeal channel in place for the staff to lodge complaints against their decision; and

- the deregulation of the university pay scales as well as the Audit Report had an adverse impact on the morale of the teaching staff. He hoped that the HoIs would communicate with the FHKHESA and front-line teaching staff.

36. In response to the Committee's enquiry, the **Secretary-General of the UGC** advised, in his letter of 26 May 2003, that the UGC would very soon start discussion with the institutions and the Administration on the disclosure guidelines based on the principles of "transparency" and "external participation". Depending on the progress, the UGC expected that the guidelines would be available within six months (i.e. by the end of November 2003).

37. The Committee noted from paragraphs 2.58 to 2.60 of the Audit Report that in seven of the eight UGC funded institutions, the Heads of Finance were the highest-paid non-academic staff (excluding Vice-Chancellors/Presidents and Pro-Vice-Chancellors/Vice-Presidents). Audit considered that the pay levels of some of these Heads of Finance appeared to be higher than those of their comparable civil service counterparts. There was a need for the institutions to take this into account in determining the appropriate pay levels in the future recruitment of Heads of Finance. The Committee asked for the HoIs' views on Audit's observations.

38. The **Vice-Chancellor of the HKU** responded that:

- the question basically concerned a judgement of the worthiness of the Heads of Finance. He had no knowledge about the work of the head of the finance division of a government department and hence could not tell how it should compare to that of the HKU's Director of Finance;
- as he pointed out in paragraph 2.67 of the Audit Report, in addition to the normal finance functions, the HKU's Director of Finance was also the Facilitator of its Estates Office, the Company Secretary of the HKU Foundation for Education Development and Research, and responsible for overseeing its efficiency unit and liaising and coordinating the operations of the HKU's subsidiary companies. The HKU considered that its Director of Finance was worthy of his salary; and

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- actually, the HKU's Director of Finance had been invited by other organisations to join them. The HKU was glad that he finally accepted its offer and agreed to stay with the University.

39. The **Vice-Chancellor of the CUHK** shared the view of the Vice-Chancellor of the HKU. He further said that in view of the complexity in the scope of work for the Heads of Finance in the institutions, a comparison with the pay level of the financial personnel in the private sector rather than that of the Government was more appropriate.

40. **Mr Dominic CHAN Yin-tat, Director of Audit**, said that, in determining the appropriate pay levels, a systematic benchmarking of university salaries should be conducted. As the university pay scales were linked with those of the civil service, Audit considered it proper to benchmark the salaries of the Heads of Finance against those of their comparable civil service counterparts, i.e. the relevant Treasury Grade staff.

41. To ascertain the appropriateness of the remuneration of the Heads of Finance of institutions, the Committee asked whether:

- the Administration was involved in determining the ranking and level of remuneration for the Head of Finance posts of the institutions; and
- in the UGC's view, the level of responsibility and the level of pay for the institutions' Heads of Finance should be compared to those of the head of the finance division of a large government department or those of a large private-sector company like the MTR Corporation.

42. In his letter of 26 May 2003, the **Secretary-General of the UGC** replied that:

- the eight UGC funded institutions were governed by their Councils set up under their respective ordinances. Prior to deregulation on 1 July 2003, the institutions were required to adopt various salary scales approved by the FC, including a common university salary scale for academic and equivalent administrative staff applicable to senior administrative staff such as the Heads of Finance. Nevertheless, under a block grant system and in the spirit of institutional autonomy, neither the Administration nor the UGC was involved in the ranking of specific posts;

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- the UGC did not see a compelling case for benchmarking the pay package of the Heads of Finance of universities against the Heads of Finance in government departments or against staff of any particular organisation, the operation of which did not bear sufficient resemblance to a university; and
- comparison of posts in different organisations for assessment of pay was inherently difficult. Posts with the same title might vary in terms of job content, require different skills and expertise and carry different responsibilities. However, as a general point of reference, the Director of Finance, or the Bursar as it was called in some other places, in a university was generally the Chief Finance Officer and was normally within the top three layers of a university's management structure.

43. According to paragraph 2.28 of the Audit Report, the existing linkage between the university salary scales and those of the civil service in Hong Kong, which had been in place since the 1970s, modelling on the practice in the UK at that time, had not been reviewed or revised for over 30 years, despite the significant changes in the tertiary education sector in Hong Kong and worldwide.

44. Paragraphs 2.37 to 2.39 of the Audit Report further revealed that in general, the average salaries of the academic staff of universities in Hong Kong appeared to be on the high side, compared to those in other English-speaking countries. Audit considered that there was a need to have due regard to the international pay levels for academic staff in advanced countries (e.g. the US, the UK, Australia and Canada) when the university pay structure was reviewed in future.

45. The Committee asked about the views of the Administration and HoIs on Audit's observations and suggestion. The **Secretary for Education and Manpower** responded that:

- it was true that despite the delinking of the salaries of the UK university teaching staff in 1991, the linkage between the university salary scales and those of the civil service in Hong Kong had not been reviewed correspondingly; and
- it was difficult to judge whether the salaries of the university teaching staff in Hong Kong were high or low and different persons would have different views on the question. Moreover, the circumstances of the universities in other countries were different from those in Hong Kong. For example, the



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cost of living in the UK was lower than that in Hong Kong. Academic staff in the US received salaries for only nine months in a year. The Administration therefore supported the deregulation of the university pay structure so that the institutions would be free to adopt remuneration systems that suited their own circumstances and were competitive globally.

46. The **Vice-Chancellor of the HKU** said that the HKU was conducting a comprehensive review of its governance and management structures. The review also covered the HKU's entire human resource (HR) policy to cater for changes inside and outside the university, including the deregulation of university salaries. As part of the review, a new remuneration system in the light of salary deregulation would be formulated.

47. The **Vice-Chancellor of the CUHK** said that:

- as pointed out in the Audit Report, the average salaries of the university academic staff in Hong Kong were lower than those of the public doctoral universities in the US. Over the past 20 years, the universities in Hong Kong were indeed competing with the upper segment of the market salaries of public doctoral universities, instead of the average salaries. In this regard, Hong Kong had been able to attract quality staff from the international academic community. In the case of the CUHK, 58% of the new appointees recruited from overseas in the past five years were from the leading universities in the US; and
- the university teaching staff in Hong Kong were well-paid. But their salaries were not disproportionately high, particularly when compared to the pay levels for the comparable professional positions, such as lawyers and accountants, in the private and public sectors.

48. The **President of the HKUST and Convenor of the HUCOM** supplemented that:

- he entirely agreed that it was difficult to compare the university salaries in Hong Kong with those of other jurisdictions. It was also inappropriate to simply compare the average pay of the Hong Kong academics and their US counterparts. Although the US academic staff received salaries for only nine months in a year, they could earn extra income from research work;

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- universities in Hong Kong had to pay a premium in order to attract overseas academics to accept positions in a different environment. This was also because of the less favourable research environment for the academics in Hong Kong; and
- the institutions accepted that they had to pay attention to accountability and transparency and make their remuneration systems as fair as possible because they were spending public money. The Audit Report provided a good reference point for them. At the same time, the institutions should also be given the flexibility to formulate salary scales that would fit their purpose.

49. The **Council Chairman of the PolyU** said that:

- the most important mission of the universities was to educate the next generation by making the best use of the funds from the Government and private donations. The universities in Hong Kong had made significant contributions to the community. For instance, the contributions of doctors and medical and healthcare personnel in the recent battle against the Severe Acute Respiratory Syndrome were beyond doubt and many of these personnel were graduates of the HKU and the CUHK;
- the universities should certainly take great care in spending the taxpayers' money. At the same time, in planning the future direction, the value and contributions of the universities should not be debased and the quality of university education must not be compromised; and
- the starting salary of professors in Hong Kong was in fact not high. The professors had spent considerable time and made great efforts before they obtained their doctorates. The universities would not be able to employ high-quality professors if the pay was not attractive enough.

50. The Committee referred to the submission of the FHKHESA of 12 May 2003 in *Appendix 40*, and Audit's response of 13 May 2003 in *Appendix 41*. In response to the Committee's enquiries, **Dr CHAN Chi-wei, Vice-chairman of the FHKHESA and Chairman of the Hong Kong University Academic Staff Association**, said that:

- the university academic staff in Hong Kong had to teach part-time courses at night and during Saturdays and Sundays, but they did not receive additional income for such duties. Moreover, they had to work five and a half days in a week whereas academic staff in the UK and the US only worked five days in a week. Hence, their workload was heavier; and

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- it was inappropriate for Audit to simply compare the university salaries between Hong Kong and other countries without taking into account the different circumstances of different places.

51. The **Director of Audit** responded that Audit had consulted some professors of the institutions and understood that some of the teaching staff who taught part-time courses did receive additional income. Although Audit would like to consult more staff, even students, in the course of the Audit review, it was unable to do so due to time and resource constraints, given the large number of students and teaching staff in the eight institutions.

52. Referring to the opening statement of the President of the HKUST and Convenor of the HUCOM that “the UK has lost many of its talents in the past decade because of its uncompetitive pay”, the Committee asked for information which would bear out this statement. It also asked why the institutions had concentrated on hiring academic staff from the US, but not other English-speaking countries such as India and Pakistan.

53. The **President of the HKUST and Convenor of the HUCOM** said that in the globalised environment nowadays, the best talents, be they in India, Pakistan or other places, were attracted to the US. Thus, the institutions had to look to the US for world-class academics. In his letter of 4 August 2003 in *Appendix 42*, he provided information to support the claim made in his opening statement about the situation in the UK.

54. As requested by the Committee, the **Acting President of the HKUST** provided information on the quality academics whom the universities were able to attract from the international community, in his letter of 26 May 2003 in *Appendix 43*. This letter, and the letter of the **Acting President of the HKUST** of 11 July 2003 (in *Appendix 44*), also contained the institutions’ elaboration on the recruitment and retention difficulties faced by them.

55. The Committee noted from paragraph 2.73(a) of the Audit Report that despite offering mainly degree and postgraduate courses, the HKIEd’s salary scales for its academic staff were significantly lower than those in the other seven UGC funded institutions. The Committee asked how this had affected the HKIEd’s ability to attract quality staff.

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56. **Prof Paul Morris, President of the HKIEd**, responded that the HKIEd had had difficulties in attracting staff with local experience because its salaries were about 20% lower than those of the other seven UGC funded institutions. The lack of university title had also significantly affected the institute's capacity to attract students.

57. The **Secretary for Education and Manpower** responded at the hearing and in his letter of 10 July 2003, in *Appendix 45*, that

- owing to historical developments, the common university salary scale applicable to staff engaged in degree-level work of the other UGC funded institutions had not been extended to the HKIEd, due mainly to the fact that initially the bulk of the HKIEd's programmes were at sub-degree level. With the deregulation of the salary scales of all UGC funded institutions from 1 July 2003, the HKIEd would have the flexibility to design its own remuneration packages for staff engaged in programmes at different levels of study, similar to other UGC funded institutions; and
- as for the status of the institute, the Government had upgraded the HKIEd to a degree-awarding institution. From the 2004-05 academic year onwards, all graduates of its pre-service training programmes for primary and secondary school teachers would be degree holders.

58. The Committee enquired about the progress made by the institutions in establishing a new remuneration system in the light of the impending deregulation of their salary scales. The **Secretary-General of the UGC** advised, in his letter of 26 May 2003, that under the delinking proposal, institutions were given the freedom to decide whether or not to adopt their own remuneration systems. Where there was a decision to delink, the timing was also left to their discretion. In the same letter, he provided information on the progress made by the institutions in this regard.

59. As regards the Administration's involvement, the **Secretary for Education and Manpower** stated, in his letter of 27 May 2003 in *Appendix 46*, that the EMB had been working with the UGC and the Financial Services and the Treasury Bureau on the detailed funding arrangements for the UGC sector under a deregulated environment, with a view to facilitating implementation of new remuneration systems by the institutions.

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### Contract gratuity

60. The Committee was concerned that, as revealed in paragraphs 3.6 to 3.10 of the Audit Report, during the period May 1999 to October 2002, some of the institutions did not follow the government guidelines on the provision of contract gratuity for non-professional and supporting staff. Many of those newly recruited staff were awarded a contract gratuity of 15%, instead of 10% as stipulated in the guidelines.

61. The Committee also noted from paragraph 3.16(a) of the Audit Report that in 1999, the CUHK did not implement the revised contract gratuity rate immediately because it wanted to wait for the Government's decision on changes in the civil service terms and benefits, in order to implement all changes in one go. In response to members' request, the **University Bursar of the CUHK** provided, in his letter of 16 May 2003 in *Appendix 47*, documents recording the CUHK's considerations at that time.

62. In reply to the Committee's enquiry, **Mr Norman NGAI, Vice President (Resources & Administrative Services) of the HKIEd**, said that as the salary scales of the HKIEd were less favourable than those of the other institutions, the HKIEd Council had wanted to wait for the decisions of the other institutions before implementing the revised contract gratuity rate. At the end of 2002, the HKIEd Council had approved changing the rate with effect from 1 April 2003.

63. The Committee asked about the PolyU's decision in this regard. In response, **Prof POON Chung-kwong, President of the PolyU** said that the PolyU would critically review the level of contract gratuity in conjunction with the impending review of the remuneration package. The rate of 10% of the basic salary was one of the indicators for the review.

64. The **President of the LU** said that:

- the LU had not ignored the government guidelines on contract gratuity. After receiving the guidelines, the LU had discussed the gratuity arrangements several times. But the revised rate was not implemented at that time because the LU had wanted to follow the arrangements of the other institutions. Moreover, the LU in principle doubted the rationale for setting the gratuity rate at 10% for staff with pay points below Master Pay Scale (MPS) point 34 and at 15% for staff with higher pay points; and

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- the LU had now approved changing the contract gratuity rate for staff with pay points below MPS point 34 to 10%.

### **Administration of leave**

65. The Committee referred to Audit's observation in paragraph 4.9 of the Audit Report that as far as the leave benefits of the institutions were concerned, the previous guiding principle that the terms and conditions of staff in the subvented sector should be broadly comparable to, and no better than, the civil service terms was not strictly complied with in the past. As a result, some staff of the institutions were currently still entitled to leave benefits which were better than those of the comparable staff in the civil service.

66. Table 6 in paragraph 4.7 revealed that for those non-clinical academic and equivalent senior administrative staff who were entitled to the old terms of leave benefits, the leave entitlements of the HKU staff were the most favourable among the institutions. According to paragraph 4.28, the HKU noted that more than half of the staff eligible for such favourable leave entitlements would continue to remain in service for over ten years. The Committee asked whether the HKU had any effective measures to address the problems associated with the excessive leave entitlements of its staff.

67. **The Vice-Chancellor of the HKU and Mr Philip LAM, Director of Finance of the HKU**, replied that:

- in addressing the problems, the HKU was bound by the need to honour its contractual obligations and the provisions of the Employment Ordinance whereby any unilateral alteration to an employee's terms and conditions of service without consent was liable to litigation;
- the HKU was conducting a review of its entire HR policy and hoped to devise, in a year's time, more effective measures to address the problems of excessive leave entitlements of its staff;
- out of the 5,000 staff of the HKU, only about 388 staff were entitled to long leave. They were permitted to accrue leave up to a maximum of 365 days beyond which leave days were forfeited automatically. Actually, it was rather common for the accumulated leave of these staff being in excess of the allowed limits to be forfeited. Moreover, some staff were still engaged in research or other academic pursuits while on leave; and

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- there would be financial burden on the HKU when these staff left the University as they might encash their accumulated untaken leave. The cost of paying for the untaken leave upon the departure of these staff would be met by freezing other posts.

68. In her letter of 22 May 2003, in *Appendix 48*, the **Senor Assistant Registrar (Vice-Chancellor's Office) of the HKU** provided a summary of the leave forfeited by the HKU staff who were entitled to long leave.

### **Stipends for research postgraduate students**

69. The Committee understood from Table 10 in paragraph 5.6 of the Audit Report that, based on the records of the institutions or information provided by the institutions upon Audit's enquiries, all institutions offered stipends wholly or partly for the purpose of providing financial assistance to research postgraduate students. Audit pointed out in paragraph 5.7 that as a form of financial assistance, stipends should only be provided to those students with genuine financial needs. However, the institutions granted stipends to almost all research students, without assessing their actual financial needs.

70. On the other hand, in paragraph 5.30(e), the HoIs had commented that research postgraduate studentships were scholarships and were not a purely financial assistance scheme to meet the individual financial needs of students. The Committee asked:

- why there was a discrepancy between the information provided by the institutions in response to Audit's enquiries and their later response; and
- whether the HoIs agreed that the institutions' present policies and regulations on the provision of stipends were not entirely clear, in particular as regards whether stipends were really intended to be financial assistance.

71. The **Vice-Chancellor of the HKU** said that the purpose of awarding stipends to research students was to provide some form of financial incentive to attract talented students to undertake research work.

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72. The **President of the LU** explained that:

- the discrepancy was due to the difficulty in defining stipends. In fact, stipends awarded to research students were something between scholarships which were awarded based on merit, and loans and grants given to undergraduates with financial difficulties. There was not an equivalent term for stipend in Chinese; and
- the LU had not specified the minimum academic attainments required for the award of stipend because it had already put in place stringent criteria for admitting research postgraduate students.

73. **Prof NG Ching-fai, President and Vice-Chancellor of the Hong Kong Baptist University (HKBU)**, added that:

- as research funds were limited, the universities would only admit research students with good academic attainments and high potential. There were always more applicants than the research postgraduate places available. Even if the minimum academic attainments for the award of students had been laid down, the institutions should still assess applicants by other parameters in addition to academic achievements, such as relevant experience; and
- postgraduate studentships were not a financial assistance scheme. A research student would not be deprived of studentship because he was rich. This was in line with the international practice.

74. The **President of the PolyU** said that:

- he entirely agreed that no university would waste funds on unsuitable research students as the universities had to spend a lot of teachers' time and research funds on each research student;
- each university had its own research policy. In the case of the PolyU, it emphasised application and professional training. Many of its research students had had working experience and wanted to obtain a higher degree for career development. Although some students' academic attainments were less satisfactory, their experience enabled them to perform well in research pursuits. For example, the PolyU offered design courses. A person with good academic achievements was not necessarily a good designer. Hence, a student's quality, experience and other achievements should all be taken into account in determining who should be awarded the studentship; and



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- many research students were expected to be financially independent and were not drawing support from their families. Stipends provided them with a means to support their living while engaging in full-time research pursuits. In the US, all research students were given stipends, which were neither scholarships nor financial assistance. Stipends were similar to some kind of remuneration which students received for undertaking research duties for the universities.

75. The Committee was concerned that in the absence of a formal UGC coordinating mechanism for the setting and reviewing of stipend rates, there was a risk that the institutions would compete with each other for the intake of research students by setting their stipend rates at levels higher than what were necessary to meet the actual needs of the students.

76. **Prof CHANG Hsin-kang, President of the CityU**, responded that:

- in the CityU, stipends were some form of scholarships mainly based on academic merit. The purpose of providing stipends was to nurture talents. It was not necessary or appropriate to focus all the attention on the definition of stipends or the small difference in the stipend rates among universities; and
- the suggestion that the institutions should standardise their stipend rates was in conflict with the Government's move to deregulate the common universities salary scale to foster competition among the eight institutions.

77. The Committee enquired about the views of the Administration and the UGC on Audit's observations.

78. The **Secretary for Education and Manpower** replied that the EMB agreed that the institutions should review and stipulate clear assessment criteria in the provision of stipends to research students. The EMB would discuss with the UGC in this regard.

79. The **Secretary-General of the UGC** said that in the tertiary education sector, it was clear that stipends were not entirely equivalent to financial assistance or scholarships. In principle, the institutions awarded stipends mainly based on merit. The UGC would discuss with the institutions the establishment of a formal coordinating mechanism for the setting and reviewing of stipend rates.

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80. According to paragraph 5.20(c) of the Audit Report, the CUHK and the HKUST had increased their stipend rates since 1997-98, despite the downward trend of the Composite Consumer Price Index (CPI) during the period. The Committee questioned why the CUHK had not followed its own policy to make the necessary downward adjustments to the stipend rate to reflect the changes in the cost of living.

81. **Mr Terence CHAN, University Bursar of the CUHK**, explained that compared to the stipend rates of the other seven institutions, the CUHK's current rate of \$13,615 was only in the middle of the scale. While it was the CUHK's policy to periodically review its stipend rate in the light of the cost of living, it also had to maintain its competitiveness in attracting prospective research students. In view of the present economic environment, the CUHK had reduced its stipend rate by \$1,000 in 2003-04.

82. The **President of the HKUST and Convenor of the HUCOM** said that the HKUST, in reviewing its stipend rate, had to consider its ability to compete with overseas universities for quality research students. He agreed that the cost of living should also be taken into account in determining the rate. The HKUST was working on the matter.

83. The **President of the PolyU** said that the PolyU had reduced its stipend rate by \$2,000 to \$13,500 in 2003-04, in the light of the drop in the cost of living. The PolyU's rates were high in the past because it had taken into account the fact that the PolyU had no student hostels for research students and they had to hire their own accommodation. As there were hostels for them now, the rate was reduced.

84. The **President of the LU** said that the LU's stipend rates had been reduced by more than the drop in the CPI due to the lack of funds.

85. **Conclusions and recommendations** The Committee:

### **Pay structure**

- expresses concern that:

- (a) the existing linkage between the university salary scales and those of the civil service in Hong Kong, which has been in place since the 1970s, modelling on the practice in the United Kingdom at that time, has not

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been reviewed or revised for over 30 years, despite the significant changes in the tertiary education sector in Hong Kong and worldwide;

- (b) in general, the average salaries of the academic staff of universities in Hong Kong appear to be on the high side, compared with those in other English-speaking countries;
  - (c) the pay levels of some of the key management staff of the University Grants Committee (UGC) funded institutions appear to be on the high side, compared with those of their comparable civil service counterparts; and
  - (d) although the UGC funded institutions are entrusted with huge sums of public money, there are currently no guidelines on the public disclosure of the remuneration of their senior staff;
- expresses serious concern that:
- (a) The Hong Kong Polytechnic University (PolyU) pays from its non-government fund its President a monthly cash allowance of about \$177,000, which includes about \$138,000 provided in lieu of housing benefits and leave passage. As a result, his total monthly cash remuneration (i.e. basic salary plus cash allowance) is not only higher than that approved by the Finance Committee, but is also the highest among the heads of all the institutions; and
  - (b) the President's Personal Affairs Committee (PPAC) of the PolyU had not sought the PolyU Council's prior approval to pay the President a monthly cash allowance in lieu of housing benefits and leave passage, which appears to be in breach of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance as it specifies that the PolyU Council shall not delegate to any committee the power to approve the terms and conditions of service of persons in the employment of the University, other than persons in part time or temporary employment;
- considers that even putting the legal considerations aside, it would have been prudent for the PPAC to seek the PolyU Council's prior approval;

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- acknowledges that:
  - (a) some of the institutions are formulating, while others will conduct a comprehensive review to consider formulating, a new pay structure for remunerating their staff, in the light of the Government's decision to deregulate/delink the university pay structure; and
  - (b) the UGC will, in consultation with the institutions and the Administration, develop guidelines on public disclosure of remuneration of the institutions' senior staff, and expects that the guidelines will be available by the end of November 2003;
  
- recommends that:
  - (a) the institutions should:
    - (i) in the comprehensive review of their pay structure, pay due regard to the international pay levels for university academic staff and the changes in local pay trend;
    - (ii) as part of the above comprehensive review and in consultation with the Universities Joint Salaries Committee (UJSC), develop an effective mechanism for future annual pay adjustment exercises;
    - (iii) critically review the current remuneration packages of all their key management staff and, in this regard, explore the possibility of using their vacant senior staff quarters to provide housing to their key management staff, instead of resorting to the encashment of housing benefits;
    - (iv) conduct a review to enhance, as far as possible, the transparency and accountability in the application of funds obtained from non-public sources; and
    - (v) in consultation with the Administration, review the future role and functions of the UJSC, including its role in the benchmarking and sharing of university staff remuneration information, both locally and internationally;
  - (b) the PolyU should further review the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application; and

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- (c) the Secretary for Education and Manpower should, having regard to the recent upgrade of The Hong Kong Institute of Education (HKIEd) to a degree-awarding institution, make sure that it is provided with adequate resources on a par with the other seven UGC funded institutions;

### **Contract gratuity**

- expresses concern that some of the institutions did not follow the government guidelines on the provision of contract gratuity for non-professional and supporting staff during the period May 1999 to October 2002;
- acknowledges that:
  - (a) some of the institutions have already reduced, while others (except the PolyU) will reduce, the contract gratuity rate for their non-professional and supporting staff; and
  - (b) the PolyU will critically review the level of contract gratuity for its non-professional and supporting staff, with the rate of 10% of the basic salary being one of the indicators for the review;

### **Administration of leave**

- expresses concern that:
  - (a) as far as the leave benefits were concerned, the previous subvention guiding principle that the terms and conditions of staff in the subvented sector should be no better than the civil service terms was not strictly complied with in the past;
  - (b) as a result, some staff of the institutions are currently entitled to leave benefits which are better than those of the comparable civil service staff; and
  - (c) the recurrent and/or one-off leave encashment schemes, which were implemented by some institutions to address the problems associated with the excessive leave entitlements of their staff, imposed a heavy financial burden on the institutions concerned, especially in times of financial stringency;
- acknowledges that some academic staff of the institutions are still engaged in research and other academic pursuits while on leave, and considers that this should be encouraged and commended;

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- notes that:
  - (a) the institutions will be free to devise their remuneration packages, including leave entitlements, under a deregulated/delinked environment; and
  - (b) The University of Hong Kong (HKU) is conducting a review of its entire human resources policy and hopes to devise, in a year's time, more effective measures to address the problems of excessive leave entitlements of its staff;
- recommends that the institutions should:
  - (a) critically assess the impact of the excessive leave entitlements of some of their academic and equivalent senior administrative staff on their overall staffing needs;
  - (b) take more effective measures to address the problems associated with such excessive leave entitlements;
  - (c) seek the UGC's advice before implementing any recurrent or one-off leave encashment schemes;
  - (d) explore the possibility of implementing a set of revised regulations on the accumulation of annual leave, in order to reduce the amount of untaken leave that may be accumulated in the future; and
  - (e) explore other ways and means of reducing the untaken long leave, such as by better management of staff vacation leave plans;

### **Stipends for research postgraduate students**

- expresses concern that:
  - (a) the present policies and regulations of the institutions on the provision of stipends are not entirely clear, in particular regarding whether stipends are intended to be financial assistance;
  - (b) apart from the HKU, none of the institutions has established clear requirements for the minimum academic attainments of students who are eligible for the award of stipends in the form of scholarships;

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- (c) in the absence of a clearly stated policy on the provision of stipends, including the basis and mechanism for the setting and reviewing of the stipend rates, there is a risk that the stipend rates may be set at an arbitrary level; and
  - (d) there is no formal coordinating mechanism among the institutions for the setting and reviewing of stipend rates;
- notes that the UGC has undertaken to discuss with the institutions the establishment of a formal coordinating mechanism for the setting and reviewing of stipend rates;
  - recommends that the institutions should:
    - (a) review the existing criteria for the award of stipends with reference to the institutions' policy on the provision of stipends; and
    - (b) for the award of stipends as scholarship, consider establishing clear requirements for the minimum academic attainments, including relevant experience, of students to ensure that such scholarships would only be awarded to those students who meet the requirements; and

### **Follow-up actions**

- wishes to be kept informed of:
  - (a) the progress of the institutions' reviews of their pay structure and the formulation of their own remuneration packages, in the context of the implementation of the Government's decision to deregulate/delink the university pay structure;
  - (b) the progress of the development of disclosure guidelines on the remuneration of senior staff of the institutions, in order to enhance the institutions' transparency and public accountability;
  - (c) the progress of any review undertaken by the institutions to enhance the transparency and accountability in the application of funds obtained from non-public sources;
  - (d) the results of the review of the future role and functions of the UJSC;

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- (e) the result of any further review by the PolyU of the effect of section 9(3)(c) of The Hong Kong Polytechnic University Ordinance and its proper application;
- (f) the measures taken by the Secretary for Education and Manpower to make sure that the HKIED is provided with adequate resources on a par with the other seven UGC funded institutions;
- (g) the result of the PolyU's review of the level of contract gratuity for its non-professional and supporting staff;
- (h) the measures devised by the HKU to address the problems of excessive leave entitlement of its staff;
- (i) the progress of the implementation of measures taken by the institutions to address the problems associated with the excessive leave entitlements and the encashment of leave; and
- (j) the progress of the implementation of measures taken by the institutions to improve the administration of stipends, including the establishment of a formal coordinating mechanism for setting and reviewing stipend rates.