

For information
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Legislative Council Panel on Education

Remuneration Systems in University Grants Committee-funded Institutions after Deregulation of Salary Scales

Purpose

At the request of the Panel, this paper informs Members of the latest position regarding review exercises undertaken by the institutions funded by the University Grants Committee (UGC) on their remuneration systems after deregulation of their salary scales with effect from 1 July 2003, and changes implemented as a result.

Background

2. The various salary scales in the UGC-funded institutions had been linked to the civil service pay system since the 1970s. This became an anachronism, undermining the institutions' ability to modernize their remuneration systems and to compete globally for talent, and thus in the context of the Higher Education Review 2002, the UGC recommended and the Administration accepted that institutions' salary scales should be deregulated.

3. The matter was discussed by the Legislative Council Panel on Education and subsequently by the Finance Committee (FC) last year. The FC approved the deregulation of salary scales in UGC-funded institutions with effect from 1 July 2003 according to the following two principles:-

- (a) Individual institutions are free to decide their own remuneration systems. The systems may be based on the existing salary scales linked to civil service pay or on totally new mechanisms; and
- (b) The deregulation exercise is cost neutral. Institutions will not be worse off as a result of the exercise in terms of the public funding they receive.

4. Through this deregulation, UGC-funded institutions were given the flexibility to determine the salaries and housing benefits for their staff, i.e.:-

- (a) The various approved salary scales have been removed;
- (b) The requirement for the institutions to offer Home Financing Scheme (HFS) as the only form of housing benefit available to staff appointed on or after 1 July 2003 has been removed. Institutions are now free to determine the housing benefits of staff from the provision in their block grant and using their existing stock of staff quarters; and
- (c) As a transitional arrangement, the eligibility to HFS for all serving staff appointed before 1 July 2003 has been maintained.

Latest Position as regards Review Exercises Undertaken by the UGC-funded Institutions on their Remuneration Systems and Changes Introduced

5. Subsequent to the deregulation of salary scales in July 2003, all UGC-funded institutions have embarked on their own reviews of the pay and remuneration packages of their staff, and are currently at different stages of taking matters forward. As of early June 2004, three institutions – Lingnan University (LU), the Chinese University of Hong Kong (CUHK) and the Hong Kong Polytechnic University (PolyU) – have completed their review exercises and started implementing new pay and remuneration systems. The other five UGC-funded institutions, i.e. the Hong Kong University of Science and Technology (HKUST), City University of Hong Kong (CityU), Hong Kong Baptist University (HKBU), the Hong Kong Institute of Education (HKIEd) and the University of Hong Kong (HKU), are still in the process of review, e.g. consulting staff, putting up recommendations for consideration and/or endorsement by the respective institutions' Councils, etc.

Lingnan University (LU)

6. In early 2003, LU completed a review of its rank structures and pay scales for both the academic and non-academic staff. In conducting the review, the University focused on the overall manpower needs of the University for meeting its academic mission with a reduced budget, and made reference to the development of rank and pay structures in the local and overseas tertiary education sectors.

7. Throughout the review process, the proposals were made available to all staff members for comments, and staff views were collected through discussion

meetings, retreats, staff fora and e-mails. With due consideration given to staff feedback, a consensus was reached on the final proposals and the implementation details.

8. Under the new pay and remuneration package, the University lowered the salary scales/ranges for both academic and non-academic staff such that the revised remuneration structures were set within sufficient ranges to enable the University to recruit and retain quality staff members as well as to reflect the market trends. Moreover, the rank structures for both groups of staff were rationalized and streamlined so that the revised structures could better serve the manpower needs of the University and at the same time afford staff members reasonable opportunities for career development.

9. The revised rank structures with new pay and remuneration packages were approved by the University Council on 8 October 2003 and were implemented with effect from that date.

The Chinese University of Hong Kong (CUHK)

10. From 2002 onwards, CUHK has initiated several revisions to its staff management and remuneration systems for both teaching and non-teaching grades to facilitate the assurance of quality performance and prudent use of resources. Since July 2003, a number of new mechanisms and arrangements have been implemented. For teaching grades, CUHK has:-

- (a) implemented a more flexible salary administration under which outstanding academics may be offered enhanced salaries to attract them to join and to remain in the University; and
- (b) adopted a performance-linked pay mechanism to replace the automatic annual salary increment practice. Under the system, entry salary is fixed and is subject to an in-service merit pay review, to be conducted at two-year intervals, for salary adjustment.

As for non-teaching grades, CUHK has:-

- (a) taken a more stringent position on candidates' relevant experience when determining the entry salary for new appointees and awarding incremental credits; and
- (b) revised the normal pace of salary progression along designated scales for individual grades to be at two-year intervals.

11. In addition to the above, in mid 2003, the University commissioned a

pay level comparison of its non-teaching grades with comparable job grades in the local manpower market. The comparison study, which was completed in late 2003, found that prevailing pay levels of a selection of benchmark non-teaching grades in CUHK were generally higher than those of comparative posts in the local market. As a result, the University Council decided to implement downward adjustments to the pay levels of non-teaching grades with effect from 1 March 2004. The pay level adjustment for non-teaching grades is applied to new recruits appointed on or after 1 March 2004 and serving staff when they come to have appointment movements (e.g. contract renewal, re-appointment to a different post/department, conversion to regular terms, promotion, etc.) on or after 1 March 2004.

12. Before implementing the above new arrangements for both teaching and non-teaching grades, CUHK consulted its staff extensively through various channels, such as direct dialogue between the University management and staff associations, open fora, periodical meetings of the University's Joint Consultative Committee, as well as through faculties and departments.

The Hong Kong Polytechnic University (PolyU)

13. A study undertaken by PolyU to review comprehensively its staff's pay structure and compensation package was completed in early 2004. The review mainly covered: the structure of salary and benefits of academic and non-academic staff; categorization of employees; current local and (where appropriate) international market practice on salary and benefits for various jobs; and appointment and promotion mechanisms.

14. In March 2004, the University Council approved a new pay and compensation package which is applicable to new employees appointed from 1 April 2004 onwards. The features of the new pay and compensation package are as below:-

- (a) The salary and benefit package of newly-appointed staff are de-linked from that of the civil service;
- (b) Employees are remunerated on their respective salary ranges according to their job bands under a broad-banding system. Salary ranges are derived with reference to salaries in the relevant market segments and the salary range for each job band is defined by a range with no discrete incremental points. The minimum and maximum salary and level of benefits for various bands of employees provided under the new package are below those that pertained when there was the link to the civil service; and

- (c) There is no granting of “automatic” annual salary increment. Salary adjustment, if any, will be determined after an across-the-board salary review for all staff and will be based on considerations that include but are not limited to the outcome of the periodical performance review of individual staff, their respective salary levels within the salary range, funding from the Government, prevailing pay trends in the relevant market segment, etc.

15. Although the above new pay and remuneration structure does not apply to serving staff, for the purpose of transparency and constructive exchange of views, serving staff were extensively consulted and their views were taken into account before the proposal was finalized and implemented.

The Hong Kong University of Science and Technology (HKUST)

16. HKUST is still in the process of conducting a review of the salary structure of its non-academic staff. Nonetheless, it has implemented some new measures and arrangements as regards its remuneration packages since 2003. For academic staff, a new faculty rank and salary system was introduced in July 2003. The new arrangement involves using the same steps on the existing scales to form a new single salary scale, with the various academic ranks of Assistant Professor, Associate Professor and Professor remunerated on the new scale. Automatic award of salary increment(s) has also been replaced by a system of review for merit salary increase which will be conducted at two-yearly intervals.

17. Before implementing the above new rank and salary system, an open forum was held with all faculty members to brief them about the proposals and to invite their comments and feedback. The proposals were then presented to and endorsed by the Senate, before being submitted to the University Council for approval.

18. As for non-academic staff, the respective minimum salary points for new recruits appointed after November 2003 have been lowered as an interim measure. The proposed scales were made known to the HKUST Staff Association before implementation. HKUST also set up a working group in early 2004 for the review of the salary structure of non-academic staff.

City University of Hong Kong (CityU)

19. CityU has recently completed the review of its existing salary scales, housing benefit provisions, and pay adjustment mechanism of both academic

and non-academic staff. The review was conducted by a group comprising academic and non-academic staff. As a result of the review, the management of the University is proposing a new set of salary scales with reduced starting and maximum salaries for both academic and non-academic staff who are offered appointment on or after 1 July 2004. The proposed new salary scale for each grade is a specified range of fixed incremental steps. It is proposed that, for both serving and new staff:-

- (a) The award of salary increment will no longer be automatic. Instead, annual exercises will be conducted and a pay rise, if so decided, will be in the form of increment along the salary scale, subject to staff performance and the overall budgetary situation of the University; and
- (b) With the ending of the HFS, in order to make the best use of vacant quarters, new staff eligible for housing benefits will be provided with a staff quarter, and the staff will have to contribute 7.5% of the salary as rental contribution. If no vacant staff quarter is available, a non-accountable cash allowance ranging from \$8,000 to \$15,000 per month depending on the staff grade will be given.

20. In drafting the proposal, the University has given due consideration to input from staff associations, the staff consultative committees and individuals received through meetings, open fora and direct to the management. The finalized proposal will be considered by the University Council later this month.

Hong Kong Baptist University (HKBU)

21. In June 2003, HKBU set up a Steering Committee, assisted by two Working Groups, to undertake a review of the University's pay and reward structure for staff. The review is close to completion. The review covers and/or explores the following major areas:-

- (a) The strengths and weaknesses of the current structure;
- (b) Alternative pay and reward structures;
- (c) The competitiveness of the University's remuneration package with those of comparable jobs in the local and international markets;
- (d) Possible models for a new pay and reward structure;
- (e) Implications of a possible new structure on serving staff;
- (f) Consultation with staff on the preliminary proposals; and

(g) Presentation of final recommendation to the University Council.

22. From April to June 2004, the University conducted staff consultation through open staff fora, staff group sessions, staff focus group meetings, consultation visits to each faculty and school as well as individual sessions upon request. Staff have been updated frequently on the progress of the review and on commonly asked questions and answers.

23. Following the staff consultation and observations made by the Working Groups, the Steering Committee has formulated a set of recommendations in the review report. Staff were briefed on these recommendations through two open staff fora in early June and through the Steering Committee's Newsletter. It is expected that the review report will be submitted to the University Council for consideration later this month.

The Hong Kong Institute of Education (HKIED)

24. HKIED started a remuneration review earlier this year with a view to making recommendations on a possible new remuneration structure to prepare for delinking from the civil service pay scales. The review is now in progress and will involve a thorough job evaluation and market benchmarking which draws reference from both the local and international pay level, where appropriate. The major areas under the remuneration review include salary, title, grade and benefits.

25. A staff forum was held in March 2004 during which the objectives and timeline of the remuneration review project were presented. There will be continued communication and consultation with the HKIED staff over the next few months. The remuneration review is scheduled for completion within 2004 and the results will be presented to the Institute's Council at the end of the year.

The University of Hong Kong (HKU)

26. Following deregulation of university pay in July 2003, HKU took the opportunity to review all aspects of its strategy and policy of human resource management through eight working groups set up by the University. The review covers various aspects, including titles of academic staff, patterns of employment of academic staff, promotion prospects of academic staff, salary structures and terms of employment, outside practice, performance review and development, strategic management of academic leadership, and retirement age and employment on tenure.

27. The review consists of two phases, Phase I for academic staff and Phase

II for non-academic staff. For the Phase I review, it is the plan of HKU to have its proposals put to the University Council by end of September 2004, with a target implementation date of 1 January 2005, if approved. The new structure for academic staff is being designed on the basis of the following principles:-

- (a) The pay structure will be performance-based, competitive and market-related. The salary scales will be overlapping so as to facilitate promotions without substantial financial costs;
- (b) The salary increment system will be entirely merit-based as opposed to the present system of automatic annual increments. Increments, if any, will be awarded biennially based on work performance, which will be assessed under a formal performance review system. To reward excellence, a one-off allowance may be considered for outstanding achievements;
- (c) The new employment pattern will embody the University's commitment to establish both clearly defined academic career pathways and a performance-based strategy for employment; and
- (d) The conditions of employment will be rationalized to facilitate attraction and retention of the best staff on the one hand, and constraint of costs on the other.

28. In February 2004, a consultation document on the reform proposals for academic staff was promulgated on the University's Intranet and through e-mails. Open fora were also held to explain the new policy and strategy, and to exchange views with academic staff. After extensive consultation, comments were transmitted back to the different working groups for further deliberation. Another round of consultation was conducted in early June following refinement of the proposals by the working groups.

29. For the Phase II review, because of the number of staff grades involved and the degree of complexity, HKU envisages that the review will be completed and submitted to the Council during the 2004/05 academic year. Similar to Phase I, there will also be staff consultation.

The Way Forward

30. It can be seen from the above that all institutions have taken the opportunity of deregulation to initiate reviews of the pay and remuneration systems of their staff. The alternatives explored are wide ranging and the institutions have taken account of the local and international situation.

31. The UGC Secretariat welcomes the initiative of the institutions, as it is part and parcel of their consideration of a fit for purpose structure and in line with good human resources management practice as well as effective and efficient use of public resources. The Administration respects the institutions' decisions to introduce, if necessary, changes to their remuneration systems at their own pace. It will ensure that in terms of the public funding they receive, the institutions will not be worse off as a result of the deregulation of salary scales.

**Education and Manpower Bureau
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