

**CHAPTER 10**

**THE GOVERNMENT OF THE  
HONG KONG SPECIAL ADMINISTRATIVE REGION**

**GENERAL REVENUE ACCOUNT**

**GOVERNMENT DEPARTMENT**

**University Grants Committee Secretariat**

**University Grants Committee funded institutions —  
Staff remuneration packages and stipends**

**Audit Commission  
Hong Kong  
31 March 2003**

# UNIVERSITY GRANTS COMMITTEE FUNDED INSTITUTIONS — STAFF REMUNERATION PACKAGES AND STIPENDS

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# UNIVERSITY GRANTS COMMITTEE FUNDED INSTITUTIONS — STAFF REMUNERATION PACKAGES AND STIPENDS

## Summary and key findings

### Introduction

A. The University Grants Committee (UGC) is a non-statutory advisory committee responsible for advising the Government on the development and funding needs of tertiary institutions in Hong Kong. The UGC is supported by a secretariat which is headed by its Secretary-General. The Secretary-General is the Controlling Officer who accounts for the expenditure of the UGC, including grants made to the higher-education institutions. In 2002-03, the approved budget for tertiary education amounted to \$13.5 billion, which represented 28% of the total government expenditure on education and 5% of the total government expenditure. There are eight higher-education institutions which receive government grants through the UGC, namely City University of Hong Kong, Hong Kong Baptist University, Lingnan University, The Chinese University of Hong Kong, The Hong Kong Institute of Education, The Hong Kong Polytechnic University, The Hong Kong University of Science and Technology and The University of Hong Kong (HKU) (paras. 1.2 to 1.5).

### Audit review

B. Audit has recently conducted a value for money audit of the UGC-funded institutions. The audit covered three major areas, namely: (a) the governance, strategic planning and financial and performance reporting; (b) the general administrative services; and (c) the staff remuneration packages and stipends. This report deals with the staff remuneration packages and stipends of the UGC-funded institutions. The objective of this audit review is to examine the remuneration packages of the institutions and the stipends paid to research postgraduate students (paras. 1.9 and 1.13).

C. Audit has identified some areas where improvements need to be made in the pay structure (paras. D to I below), contract gratuity (para. J below), administration of leave (para. K below), and the stipends for research students (paras. L and M below).

### Pay structure

D. Since October 1970, the pay structure of university non-clinical teaching staff in Hong Kong has followed the pattern of university salary scales, which then existed in the UK. On this basis, the Hong Kong professorial average salary has been pitched at 143.8% of the top point of the salary scale of a Senior Administrative Officer in the civil service. The salaries for senior administrative staff are on the same scale as non-clinical teaching staff. In approving the criteria for determining university academic and administrative salaries in Hong Kong, the Executive Council was informed in June 1971 that, if there were any major long-term changes in the pattern and relativities of university pay structure in the UK, the university salaries in Hong Kong should be adjusted to take account of the changed relativities (paras. 2.4, 2.11 and 2.24).

E. *Changes in the UK university pay structure.* Audit notes that the salaries of the UK university teaching staff have not been linked to the salaries of the UK local government since 1992.

At present, the UK university teaching staff salaries are either negotiated in the Joint Negotiating Committee for Higher Education Staff or determined by individual institutions. Despite the changes in the UK university pay structure, the Government and the UGC have not conducted any comprehensive review on the Hong Kong university pay structure for over 30 years. Given the recent government decision to deregulate/delink university pay from civil service pay, Audit considers that the institutions should conduct a comprehensive review of their staff pay structure, with a view to developing a new remuneration system. Audit also notes that the Government and the UGC have all along been relying on the Universities Joint Salaries Committee (UJSC) to keep the pay structure under review. Following the deregulation of university pay, there is a need to review the future role and functions of the UJSC. Audit considers that in future the UJSC should play a key role in the benchmarking and sharing of university staff remuneration information (paras. 2.26 to 2.30).

F. ***International comparison of university academic staff salary.*** Audit's analysis shows that, taking into account the differences in the cost of living, the average academic staff salaries (before-tax) of universities in Hong Kong were generally higher than those in the UK and the USA. The international comparison of university academic staff salaries shows that university academic staff in Hong Kong were generally well paid. Given that it is an established practice of Hong Kong universities to recruit their academic staff internationally, Audit considers that there is a need to have due regard to the international pay levels for academic staff when the university pay structure is reviewed in future (paras. 2.32 to 2.38).

G. ***Changes in local pay trend.*** In order to maintain the linkage with the pay of Senior Administrative Officers of the civil service, basically no revision was made to the starting salaries of the non-clinical teaching staff and senior administrative staff, despite the fact that the starting salaries of the relevant civil service benchmark qualification groups (i.e. the professional/degree and related grades and the education (graduate) grades) were reduced by about 20% in April 2000. In the event, the entry pay of some non-clinical teaching and related support staff are currently higher than that of their counterparts in the civil service. With the delinking of university pay, Audit considers that the institutions should consider reducing the entry pay of these academic staff to bring it in line with the local pay level (para. 2.42).

H. ***Disclosure of the remuneration package of university senior staff.*** There is currently no requirement for the institutions, which are entrusted with huge sums of public money, to disclose the remuneration packages of their senior staff. Audit considers that, following the good practices of local and overseas public bodies, there is a need for the institutions to enhance transparency and public accountability by making public disclosure of the remuneration of senior teaching and administrative staff. To ensure consistency and comparability of the disclosure, it is necessary for the UGC to issue specific minimum disclosure guidelines to the institutions (paras. 2.46 and 2.51).

I. ***Remuneration of key management posts.*** The pay levels of Vice-Chancellors/Presidents were set by the Government and approved by the Finance Committee (FC) of the Legislative Council in June 1996. Audit's examination of the remuneration packages of Vice-Chancellors/Presidents has revealed that six institutions top up (by the use of non-UGC funds) the salaries of their Vice-Chancellors/Presidents, either in the form of higher monthly pay or by way of cash allowances. However, it is not known whether explicit approval from the Government is required for the top-up arrangement. As far as Audit could ascertain, only one institution had sought and obtained the agreement from the former Secretary for Education and Manpower regarding the top-up of the salary

of its Vice-Chancellor/President. Furthermore, with the delinking of university remuneration, it is not clear whether the FC approved salary scales still apply, and whether public funds could be used for topping up the specified salaries. Audit also noted that in seven of the eight institutions, the Directors of Finance were the highest-paid non-academic staff (excluding Vice-Chancellors/Presidents and Pro-Vice-Chancellors/Vice-Presidents). Audit considers that the pay levels of some of these Directors of Finance appear to be higher than those of their comparable civil service counterparts (paras. 2.52, 2.54 to 2.56, 2.58 and 2.60).

### **Contract gratuity**

J. In May 1999, the Financial Services and the Treasury Bureau (FSTB) issued guidelines (in Finance Bureau Circular Memorandum No. 10/99) to all Bureau Secretaries and Controlling Officers on the provision of contract gratuity to staff employed by subvented organisations on contract terms. The FSTB guidelines require that, for non-professional and supporting staff, the level of contract gratuity should normally be pitched at no more than 10%. Audit found that, during the period May 1999 to October 2002, many newly recruited non-professional and support staff were awarded a contract gratuity of 15% by the institutions. Such cases were not in compliance with the FSTB guidelines. As a result, the overpayments could amount to \$13.4 million. Audit considers that the institutions need to critically re-examine the justifications for offering non-professional and supporting staff contract gratuities at a level of 15% of their basic salaries (paras. 3.6, 3.8 to 3.10).

### **Administration of leave**

K. The leave entitlements for new recruits of the institutions are currently in line with the new civil service fringe benefits package. However, for those serving non-clinical academic and equivalent senior administrative staff who joined the institutions before the revisions of leave schemes (in the 1990s to early 2000s), they are still entitled to better leave benefits and their total leave entitlements are better than the comparable staff of the civil service. Audit considers that, as far as the leave benefits were concerned, the 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. As a result, some staff of the institutions are currently still entitled to leave benefits which are better than those of the comparable civil service staff. To address the problems associated with the excessive leave entitlements of staff, a number of the institutions implemented leave encashment schemes as a recurrent or a one-off exercise. Audit considers that the recurrent leave encashment schemes have imposed a heavy financial burden on the institutions concerned. There is a need for the institutions to critically consider whether any recurrent leave encashment should be implemented in the future. Audit also considers that the encashment (both recurrent and one-off) of leave would constitute an enhanced benefit for the staff concerned, which resulted in better terms and conditions of service compared with those of the comparable civil service staff (paras. 4.4, 4.5, 4.9, 4.22 to 4.24, 4.27 and 4.28).

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

L. *Purposes of the provision of stipends.* Stipends are provided to the full-time research students during their normative period of study. Some institutions have provided stipends as a form of both financial assistance and scholarship to research students. For the other institutions, stipends are intended to be provided as financial assistance only. For the provision of stipends as financial assistance, the institutions granted stipends to almost all research students, without assessing their actual financial needs. For the provision of stipends as scholarship, only the HKU has specified the minimum requirement of academic attainments for the award of stipends (paras. 5.4, 5.6, 5.7, 5.10 and 5.11).



M. ***Determination of the stipend levels.*** In setting and reviewing the stipend levels, the institutions take into account the average starting salary of university graduates, the cost of living, and the levels of stipend offered by other local universities. Audit notes that the average monthly stipend rate of the institutions compares favourably with the average starting salary of university graduates. There is a need for the institutions to critically review their current stipend levels, having regard to the decreasing average starting salary of university graduates in Hong Kong. Given the significant drop in the cost of living since 1997-98, the stipend rates should be adjusted downwards. If the stipend rates had been reduced in accordance with the drop in the Composite Consumer Price Index since 1997-98, the estimated savings in stipend expenditure could amount to some \$82 million a year. Audit considers that there is a need for the institutions to critically review their current stipend rates, having due regard to the drop in the cost of living in recent years. Audit also notes that no institution wishes to unilaterally reduce its stipend rates, for fear of losing prospective research students to others. In the absence of a formal UGC coordinating mechanism for the setting and reviewing of stipend rates, there is a risk that the institutions will compete with each other for the intake of research students by setting their stipend rates at levels higher than the actual needs of the students (paras. 5.15, 5.18 and 5.21 to 5.24).

### **Audit recommendations**

N. Audit has made the following major recommendations that the Secretary-General, University Grants Committee should:

#### ***Pay structure***

- (a) review the future role and functions of the UJSC. In this regard, there is a need to examine whether the UJSC should in future play a key role in the benchmarking and sharing of university staff remuneration information (para. 2.62(a));
- (b) consider the need to expand the membership of the UJSC to include more independent external members, including representatives from the Government and the UGC (para. 2.62(b));
- (c) issue specific minimum disclosure guidelines on the remuneration of senior teaching and administrative staff in all the institutions, in order to enhance the institutions' transparency and public accountability (para. 2.62(c));
- (d) clarify whether the salary scales approved by the FC in June 1996 still apply and whether topping up of salaries by the use of public funds is acceptable after the delinking of the university pay from the civil service pay (para. 2.62(d));

#### ***Administration of stipends***

- (e) seek policy clarification from the Government regarding the provision of stipends in the form of financial assistance to non-local research students (para. 5.26(a)); and

- (f) consider establishing a formal coordinating mechanism among the institutions for the setting and reviewing of stipend rates (para. 5.26(b)).

O. Audit has made the following major recommendations that the institutions should:

***Pay structure***

- (a) in implementing the government's decision to deregulate/delink the university pay structure, conduct a comprehensive review to consider formulating a new pay structure for remunerating their staff (para. 2.61(a));
- (b) in the comprehensive review of the pay structure, pay due regard to:
  - (i) the changes in the UK university pay structure (para. 2.61(b)(i));
  - (ii) the international pay level for university academic staff (para. 2.61(b)(ii)); and
  - (iii) the changes in local pay trend (para. 2.61(b)(iii));
- (c) as part of the above comprehensive review, in consultation with the UJSC, develop an effective mechanism for future annual pay adjustment exercises (para. 2.61(c));
- (d) critically review the current remuneration packages of all key management staff (para. 2.61(d));

***Contract gratuity***

- (e) before the establishment of a new remuneration system, ensure that the relevant FSTB guidelines are followed for the provision of contract gratuity (para. 3.11(a));
- (f) in developing a new remuneration system, critically review the scope for reducing the contract gratuity rate for their staff, in the light of the current employment market situations (para. 3.11(b));

***Administration of leave***

- (g) critically assess the impact of the excessive leave entitlements of some of their academic and equivalent senior administrative staff on the overall staffing needs of the institutions (para. 4.30(a));

- (h) take more effective measures to address the problems associated with such excessive leave entitlements (para. 4.30(b));
- (i) seek the UGC's advice before implementing any leave encashment scheme (para. 4.30(c));
- (j) critically consider whether any recurrent leave encashment scheme should be implemented in the future (para. 4.30(d));
- (k) 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 (para. 4.30(e));
- (l) explore other ways and means of reducing the untaken long leave, for example by better management of staff vacation leave plans (para. 4.30(f));

#### ***Administration of stipends***

- (m) review the existing criteria for the award of stipends with reference to the institutions' policy on the provision of stipends (para. 5.25(a));
- (n) if stipends are awarded as financial assistance, review the current arrangements for granting stipends, having regard to the actual financial needs of the students (para. 5.25(b));
- (o) for the award of stipends as scholarship, consider establishing clear requirements for the minimum academic attainments of students (para. 5.25(c));
- (p) state clearly, as part of the policy on stipend administration, the basis and mechanism for the setting and reviewing of the stipend rates (para. 5.25(d)); and
- (q) review whether the current stipend rates are appropriate, having regard to:
  - (i) the decreasing average starting salary of university graduates (para. 5.25(e)(i)); and
  - (ii) the drop in the cost of living in recent years (para. 5.25(e)(ii)).

#### **Response from the Administration and the UGC-funded institutions**

P. The Administration has agreed with the audit recommendations. In general, the UGC-funded institutions have also taken note of and accepted most of the audit recommendations.

## **PART 1: INTRODUCTION**

1.1 This PART describes the background and the objectives of the audit report.

### **Background**

1.2 Tertiary education is an important part of the education system. In 2002-03, the approved budget for tertiary education amounted to \$13.5 billion, which represented 28% of the total government expenditure on education and 5% of the total government expenditure.

### **University Grants Committee**

1.3 The University Grants Committee (UGC) is a non-statutory advisory committee responsible for advising the Government on the development and funding needs of tertiary institutions in Hong Kong. It has neither statutory nor executive powers. The UGC is appointed by the Chief Executive of the Hong Kong Special Administrative Region. It comprises a Chairman and 21 members. The membership of the UGC and its subordinating committees includes academics from local and overseas tertiary institutions. The UGC is supported by a secretariat which is headed by a Secretary-General, UGC. The Secretary-General is the Controlling Officer who accounts for the expenditure of the UGC, including grants made to the higher-education institutions.

1.4 The main functions of the UGC are to:

- (a) advise the Government on the development and funding of higher education in Hong Kong;
- (b) administer government grants made to the UGC-funded higher-education institutions;
- (c) maintain and improve the quality of teaching, learning and research in the UGC-funded institutions; and
- (d) monitor the efficiency and effectiveness of the institutions' activities.

## UGC-funded institutions

1.5 There are eight higher-education institutions which receive government grants through the UGC. They are, in alphabetical order:

- (a) City University of Hong Kong (CityU);
- (b) Hong Kong Baptist University (HKBU);
- (c) Lingnan University (LU);
- (d) The Chinese University of Hong Kong (CUHK);
- (e) The Hong Kong Institute of Education (HKIEd);
- (f) The Hong Kong Polytechnic University (PolyU);
- (g) The Hong Kong University of Science and Technology (HKUST); and
- (h) The University of Hong Kong (HKU).

1.6 In the 2000-01 academic year (normally from September to August), the eight institutions together enrolled 59,408 full-time students and 22,064 part-time students (Note 1). They are hereinafter referred to as institutions.

1.7 Each of the eight institutions is an autonomous body which was established under its own ordinance with its own governing council. The institutions have substantial freedom in the control of their curricula and academic standards, selection of staff and students, and internal allocation of resources. The institutions are diverse in character and in their different contributions to the

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**Note 1:** *The 59,408 full-time students included 10,284 sub-degree students, 44,241 undergraduate students, 1,593 taught postgraduate students and 3,290 research postgraduate students. The 22,064 part-time students included 8,365 sub-degree students, 3,365 undergraduate students, 9,662 taught postgraduate students, and 672 research postgraduate students.*

educational, cultural and economic development of Hong Kong. As stated in the UGC's report "*Facts and Figures 2001*", the eight institutions can be categorised according to their characteristics as follows:

- (a) ***CUHK, HKUST and HKU***: concentrating on first and higher degree work, and emphasising scholarship and research;
- (b) ***CityU and PolyU***: offering a range of programmes including sub-degree, undergraduate and postgraduate courses, with a strong emphasis on professional and vocational education;
- (c) ***HKBU and LU***: aiming at providing a broad general education rather than a specialised professional training; and
- (d) ***HKIEd***: offering a wide range of courses for the teaching profession.

## **UGC Higher Education Review**

1.8 In May 2001, the Secretary for Education and Manpower (SEM) commissioned the UGC to launch a comprehensive review of higher education. The review was led by Lord Sutherland, who was a senior member of the UGC and Principal and Vice-Chancellor of the University of Edinburgh of the UK. The review covered all aspects of higher education provision, including the governance of universities. In March 2002, the UGC published the review report entitled "*Higher Education in Hong Kong*" (the Sutherland Report). Following public consultation on the Sutherland Report, the UGC submitted its final recommendations to the SEM in September 2002. The Government accepted most of the UGC's final recommendations and announced in November 2002 a blueprint for the further development of higher education in Hong Kong.

## **Audit review of UGC-funded institutions**

1.9 Against the above background, Audit has recently conducted a value for money audit on the institutions. Since this is a broad subject, the scope of this audit review is divided into three topics. The audit findings are contained in three separate reports, as follows:

- (a) University Grants Committee funded institutions — Staff remuneration packages and stipends (the subject matter of this report);

- (b) University Grants Committee funded institutions — Governance, strategic planning and financial and performance reporting (Chapter 8 of Director of Audit’s Report No. 40); and
- (c) University Grants Committee funded institutions — General administrative services (Chapter 9 of Director of Audit’s Report No. 40).

### **High cost of tertiary education**

1.10 Tertiary education is expensive all over the world. Hong Kong is no exception. The student unit cost of tertiary education in Hong Kong is calculated by dividing the annual total expenditure of the subvented activities of the UGC-funded institutions (Note 2) by the full time equivalent (FTE — Note 3) number of students. The estimated average student unit cost, for the 2001-02 to 2003-04 triennium, is \$226,360 a year.

### **Staff remuneration in UGC-funded institutions**

1.11 Staff remuneration is the largest expenditure item of the institutions. In 2001-02, the institutions employed a total of 19,528 FTE staff with salary funded by the UGC. In the same year, the total staff expenditure funded by the UGC amounted to \$12,805 million, representing 78% of the total expenditure of the subvented activities of the institutions (i.e. \$16,314 million). Figure 1 below shows the breakdown of total expenditure of the institutions into staff expenditure and non-staff expenditure in 2001-02. Figure 2 below is an analysis of staff expenditure of the institutions into salaries and other fringe benefits in 2001-02. It shows that salaries represented 75% of the total staff expenditure of the institutions in 2001-02.

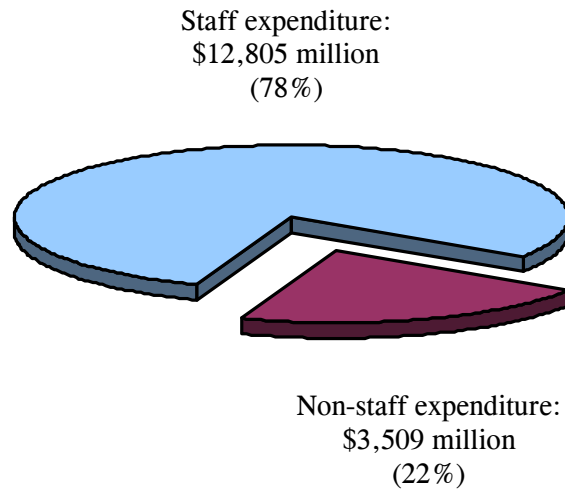
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**Note 2:** *The income of the UGC-funded institutions includes the UGC subvention, tuition fees received and other income. In 2001-02, the total expenditure of the UGC-subvented activities amounted to \$16,314 million.*

**Note 3:** *FTE is the unit used for counting staff or student numbers in order to report the approximate size of a tertiary institution. Part-time staff (or staff on fractional appointment) are counted on a pro rata basis. Part-time students are counted pro rata according to the normal duration of the course.*

**Figure 1**

**Breakdown of total expenditure of \$16,314 million (Note)  
of the institutions in 2001-02**



Source: UGC's records

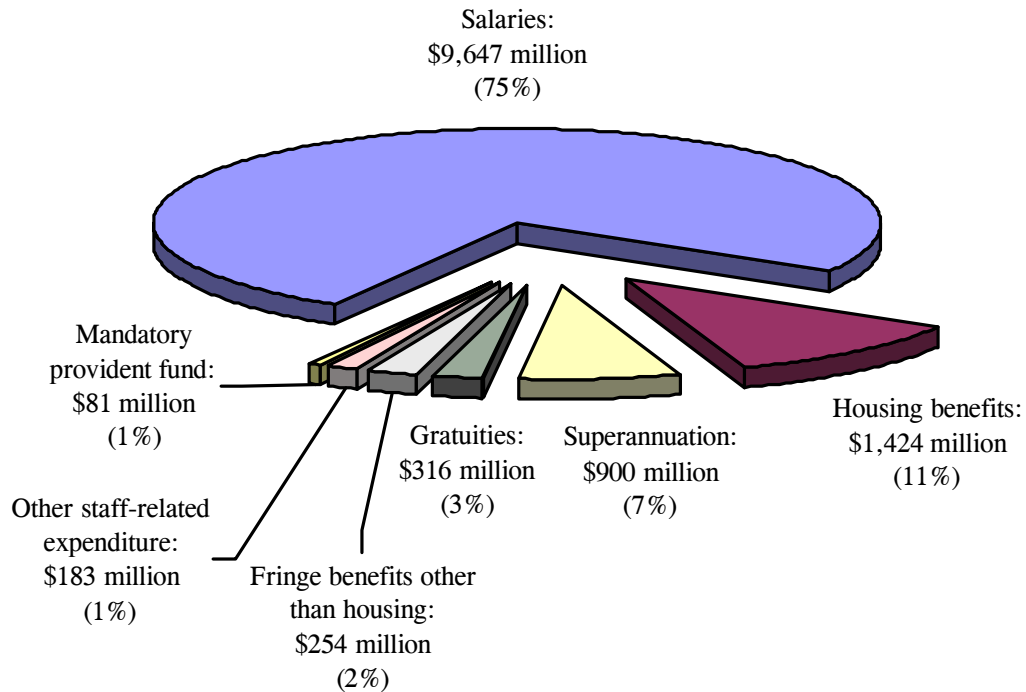
Note: Further breakdown by institutions is as follows:

<i>Institution</i>	<i>Staff expenditure</i>	<i>Non-staff expenditure</i>	<i>Total</i>
	<i>(\$ million)</i>	<i>(\$ million)</i>	<i>(\$ million)</i>
<i>CUHK</i>	2,537	910	3,447
<i>HKU</i>	2,677	699	3,376
<i>PolyU</i>	2,197	595	2,792
<i>CityU</i>	2,025	418	2,443
<i>HKUST</i>	1,517	449	1,966
<i>HKIEd</i>	754	231	985
<i>HKBU</i>	793	149	942
<i>LU</i>	305	58	363
<b><i>Total</i></b>	<b><u>12,805</u></b>	<b><u>3,509</u></b>	<b><u>16,314</u></b>



**Figure 2**

**Analysis of staff expenditure of \$12,805 million of the institutions in 2001-02**



*Source: UGC's records*

1.12 Apart from staff remuneration, stipends (in the form of financial assistance or scholarship) are paid to research postgraduate students studying full-time for the degrees of Master of Philosophy (MPhil) or Doctor of Philosophy (PhD) in the universities funded by the UGC. In 2001-02, the total amount of stipends paid by the institutions was about \$699 million (see PART 5 below).

**Audit review of UGC-funded institutions:  
Staff remuneration packages and stipends**

1.13 Audit conducted a review, as part of the value for money audit on the institutions, to examine the basis of staff remuneration packages and stipends in the institutions. The review focused on the following areas:

- (a) pay structure (PART 2);
- (b) contract gratuity (PART 3);
- (c) administration of leave (PART 4); and
- (d) stipends for research postgraduate students (PART 5).

The audit examination has revealed that there is a need to review the remuneration packages of the institutions and the stipends paid to research postgraduate students.

1.14 In carrying out the audit review, Audit examined the records and interviewed the staff of the eight institutions and the UGC Secretariat. Audit would like to acknowledge with gratitude the full cooperation of the staff of the eight institutions and the UGC Secretariat.

### **General response from the HKU**

1.15 The **Vice-Chancellor, The University of Hong Kong** has compiled an overarching statement on the whole audit review exercise (comprising three separate audit reports — see para. 1.9 above). The purpose of this statement is to provide all stakeholders (including the Public Accounts Committee of the Legislative Council (LegCo) and the public at large) with pertinent background information on the academic, moral and social values of higher education, so that they can interpret the audit reports in the proper context. The HKU's overarching statement is attached at Appendix A in Chapter 8 of the Director of Audit's Report No. 40 on University Grants Committee funded institutions — Governance, strategic planning and financial and performance reporting.

## PART 2: PAY STRUCTURE

2.1 This PART reviews the pay structure of the staff of the institutions and examines areas where improvements could be made.

### Terms and conditions of service

2.2 Staff of the institutions are broadly classified, according to the salary scale and the level of responsibility, into three main categories, as shown in Table 1 below.

**Table 1**

#### **Classification of staff of the institutions**

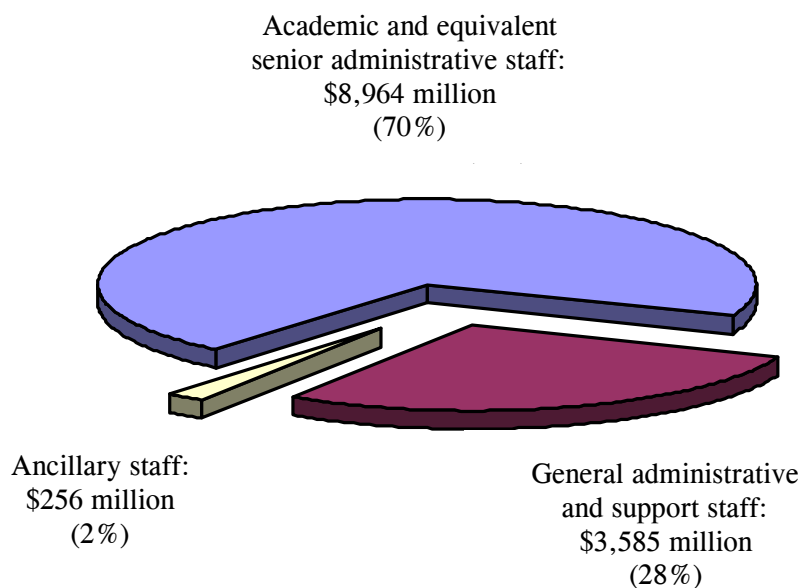
<b>Category</b>	<b>Grade of staff</b>	<b>Comparable civil service pay scale</b>
<b>Academic and equivalent senior administrative staff</b>	The staff under this category are mainly:	
	(a) clinical teachers: (i) Professors; (ii) Readers; (iii) Senior Lecturers; and (iv) Lecturers;	The pay scale for clinical teachers is linked to the pay scale of the grades from Medical Officers to Consultants of the Government/Hospital Authority (HA).
	(b) non-clinical teachers: (i) Professors; (ii) Readers; (iii) Senior Lecturers; (iv) Lecturers; and (v) Assistant Lecturers;	The pay scale for non-clinical teachers (engaged in degree level courses) is linked to the pay scale of the Senior Administrative Officer of the civil service.  The pay scale for non-clinical teachers (engaged in non-degree level courses) and all teachers of the HKIEd is linked to the Master Pay Scale (MPS) of the civil service.
	(c) senior administrative staff; and (d) senior research staff.	The pay scale for equivalent senior administrative and research staff follows that of non-clinical teachers mentioned in (b) above, except for the HKIEd (the pay scale of which is linked to the MPS and the Directorate Pay Scale (DPS) of the civil service).
<b>General administrative and support staff</b>	The staff under this category are mainly the administrative, teaching and research support staff.	The pay scale for general administrative and support staff is linked to the MPS of the civil service.
<b>Ancillary staff</b>	The staff under this category are mainly those involving physical labour in their jobs, such as cleaners and guards.	The pay scale for ancillary staff is linked to the Model Scale 1 (MOD 1) Pay Scale of the civil service.

*Source: The institutions' records*

2.3 Figure 3 below shows the analysis of staff expenditure of \$12,805 million for the year 2001-02. It can be seen that the staff expenditure of the academic and equivalent senior administrative staff (hereinafter referred to as university senior staff) represented 70% of the total staff expenditure.

**Figure 3**

**Analysis of staff expenditure by categories for the year 2001-02**



*Source: Institutions' records*

**Pay structure of university senior staff**

**Non-clinical teaching staff**

2.4 Since October 1970, the pay structure of university non-clinical teaching staff in Hong Kong has followed the pattern of university salary scales, which then existed in the UK (i.e. university salaries bear a relationship to the civil service administrative grade salaries). In the UK, the non-clinical professorial average salary (Note 4) as at 1 October 1970 was equivalent to 143.8% of the top point of the salary scale of a Principal (an administrative grade in the UK civil service). A similar link was adopted by the Government and the universities in Hong Kong by

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**Note 4:** *The professorial average salary is the average of the salaries of all professor grade staff of the university.*

pitching the professorial average salary at 143.8% of the top point of the salary scale of a Senior Administrative Officer in the civil service (Note 5).

2.5 For non-clinical teaching staff in the professor grade, there is a minimum salary, but no upper limit has been set. This is because the universities are required only to ensure that the professorial average salary has not exceeded 143.8% of the top point of the salary scale of a Senior Administrative Officer (hereinafter referred to as the professorial average salary limit). In 2002-03, the professorial average salary limit was \$127,155 per month (Note 6) and the professorial minimum salary was \$102,800 per month.

2.6 For other grades of non-clinical teaching staff, the salary scale is linked to the professorial average salary limit by a percentage relativity which is the same as that used in the UK in 1970. The percentage relativity between the professorial average salary limit, the combined reader/senior lecturer scale, and the combined lecturer/assistant lecturer scale is as follows:

- the maximum of the reader/senior lecturer scale is 78.5% of the professorial average salary limit. In 2002-03, the salary scale ranged from \$72,020 to \$99,815 per month (Note 7); and
- the maximum and the bottom point of the lecturer/assistant lecturer scale is 60.9% and 26.6% respectively of the professorial average salary limit. In 2002-03, the salary scale ranged from \$33,765 to \$77,435 per month (Note 8).

2.7 When administrative grade salaries of the Government are revised, the university salaries of non-clinical teachers are re-calculated in accordance with the percentage relativity as described in paragraphs 2.4 to 2.6 above.

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**Note 5:** *The salaries for all teaching staff in the HKIED are linked to the MPS, as approved by the LegCo in 1994. The HKIED does not offer the rank of professor in terms of salaries. The salary scale for the top ranking teaching staff position at the HKIED, the Principal Lecturer, was \$71,490 to \$88,425 per month (with effect from 1 October 2002).*

**Note 6:** *In 2002-03, the maximum point of the salary of a Senior Administrative Officer was \$88,425 per month. Therefore, the professorial average salary limit was \$127,155 (i.e. \$88,425 × 143.8%) per month.*

**Note 7:** *Based on the professorial average salary limit of \$127,155 per month in 2002-03 (para. 2.5 above), the maximum salary was \$99,815 (i.e. \$127,155 × 78.5%) per month.*

**Note 8:** *In 2002-03, the professorial average salary limit was \$127,155 per month (para. 2.5 above). Therefore, the maximum point of this scale was \$77,435 (i.e. \$127,155 × 60.9%) per month. The bottom point of this scale was 43.6% of the top point, and was equivalent to 26.6% (43.6% × 60.9%) of the professorial average salary limit. Therefore, the bottom point of this scale in 2002-03 was \$33,765 per month.*

## Clinical teaching staff

2.8 Clinical teaching staff of the institutions (mainly in the HKU and the CUHK) are remunerated on a separate scale which bears a special relationship to the pay scale of the grades from Medical Officers to Consultants of the Government/HA. For the clinical teaching staff who work side by side with the HA doctors, there is a separate agreement (which came into effect on 1 May 1993) regarding the parity of remuneration between these clinical teaching staff and the HA doctors. These clinical teaching staff are entitled to the HA equivalent remuneration package, which includes monthly cash allowances (see para. 2.10 below), housing allowances and leave entitlements of the HA.

2.9 The current arrangements agreed between the Government and the universities for determining the salaries of clinical teaching staff are as follows:

- (a) **Clinical professors.** Clinical professors are paid on the basis of a professorial range. There is no upper limit for the salary scale of a clinical professor, but there is a fixed minimum. Similar to non-clinical teaching staff, control is exercised through a maximum limit placed on the average of the salaries of all clinical professors (i.e. the clinical professorial average salary limit). The clinical professorial average salary limit is based on 120.83% of the top salary point for Consultants employed by the HA (Note 9), but subject to the proviso that the figure should not exceed 97.5% of the DPS point D7 (i.e. \$171,800 per month in 2002-03 — Note 10). The minimum figure for the professorial range is the DPS point D4 (i.e. \$145,665 per month in 2002-03);
- (b) **Clinical readers.** The salaries of clinical readers are calculated in relation to that of Consultants employed by the HA on the second point (i.e. point D3). The top point of the clinical reader scale is 105.56% of that of the clinical senior lecturer scale. In 2002-03, the salary scale of the clinical readers ranged from \$135,500 to \$143,575 per month (Note 11);
- (c) **Clinical senior lecturers.** The salary scale of clinical senior lecturers is the same as that of Consultants employed by the HA on the lower two points (i.e. points D2 and D3). In

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**Note 9:** *The top salary point for Consultants employed by the HA is D4 of the DPS (i.e. \$145,665 per month in 2002-03). Consultants are paid on ascending points D2, D3 and D4 of the DPS according to grading. Therefore, the average salary for clinical professors should not exceed \$176,007 (i.e.  $\$145,665 \times 120.83\%$ ) per month in 2002-03.*

**Note 10:** *In 2002-03, the salary of point D7 of the DPS was \$176,205 per month. Therefore, the average salary for clinical professors should not exceed \$171,800 (i.e.  $\$176,205 \times 97.5\%$ ).*

**Note 11:** *In 2002-03, the top point salary of clinical senior lecturer was \$136,015 per month (para. 2.9(c) below). Therefore, the top salary point of clinical reader was \$143,575 (i.e.  $\$136,015 \times 105.56\%$ ).*

2002-03, the salary scale of the clinical senior lecturers ranged from \$117,040 per month (the minimum salary of point D2) to \$136,015 per month (the maximum salary of point D3); and

- (d) **Clinical lecturers.** The salary scale for clinical lecturers consists of a series of points taken from the MPS of the civil service. The scale is a combination of the scales for Medical and Health Officers and Senior Medical and Health Officers of the HA. In 2002-03, the salary scale of the clinical lecturers ranged from \$35,535 to \$88,425 per month.

2.10 For the clinical teaching staff who work side by side with the HA doctors, they are also entitled to a monthly cash allowance, which has three levels i.e. 60%, 37% and 22% (Note 12) of the actual salaries or the maximum point of the equivalent HA salary (Note 13), whichever is the less. However, only the appointees whose positions were advertised on or before a date specified by the university concerned (i.e. 31 March 1998 for HKU, and 25 May 1998 for CUHK) were eligible for these three levels of cash allowance. For appointees whose positions were advertised after these two dates, they were entitled to a fixed sum at each salary point (ranging from \$6,054 to \$63,984 per month in 2002-03).

### Senior administrative staff

2.11 The salaries for senior administrative staff are on the same scale as non-clinical teaching staff (see paras. 2.4 to 2.7 above).

## Review of university pay structure

### Linkage with the civil service pay structure

2.12 The salary scales for both clinical and non-clinical teaching and equivalent senior administrative staff have to be formally approved by the Government. According to the UGC

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**Note 12:** *For appointees whose positions were advertised between 1 January 1997 and mid-1998 (31 March 1998 for HKU and 25 May 1998 for CUHK), these cash allowance rates were further broken down into two components of a fixed allowance and a flexi-allowance (i.e. 17.25% + 42.75%, 13.82% + 23.18%, and 13.75% + 8.25% respectively for the three cash allowance rates). Payment of the flexi-allowance is subject to the rules on prevention of double housing benefits.*

**Note 13:** *At 2002-03 salary level, the maximum point of the equivalent HA salary is \$150,110 per month for the clinical professor grade, \$136,015 per month for the clinical reader and clinical senior lecturer grades, \$88,425 per month for the clinical lecturer grade on points 7 to 11, \$74,075 per month for the clinical lecturer grade on points 3 to 6, and \$46,810 per month for the clinical lecturer grade on points 1 to 2.*

Notes on Procedures (Note 14), the other terms and conditions of service are not formally approved by the Government, but have to be held close to those of the Government. In case of any questions on the changes in staff terms and conditions, they should be referred to the UGC for advice on comparability. **The UGC Notes on Procedures also stated that the institutions were subject to the subvention policy that the terms and conditions of service of the staff of subvented bodies should be broadly comparable to, but no better than, those of comparable grades in the civil service. There was an additional requirement that an institution's contributions from public funds to its superannuation schemes might not exceed 15% of the average salaries.**

### **Pay adjustment mechanism**

2.13 Basically, the annual pay adjustment of the university staff follows that of the civil service. It was approved by the Finance Committee (FC) of LegCo that any changes in the civil service pay scale would apply to university staff.

2.14 Since salaries of university non-clinical teaching staff and senior administrative staff are linked to the top point of the Senior Administrative Officer scale in the civil service, these university salaries are re-calculated whenever civil service administrative grade salaries are revised (see para. 2.7 above). Similarly, the salaries of clinical teaching staff are re-calculated with reference to the changes in the salaries of HA staff, which are also linked to the civil service pay scale (see paras. 2.8 to 2.10 above).

2.15 The salary scales of teaching staff and equivalent senior administrative staff had to be approved by the Government. The seven universities made a submission, through the Universities Joint Salaries Committee (UJSC), to the Government for salary revisions in respect of all teaching and equivalent grades of staff. The UJSC consists of representatives from the seven universities. The terms of reference and membership of the UJSC are at Appendix A.

2.16 For the remaining university staff grades (i.e. general administrative and support staff, and ancillary staff — see Table 1 in para. 2.2 above), the salaries were modelled on the civil service grades on the MPS and the MOD 1 Pay Scale. They did not require formal approval by the Government. The terms and conditions of these grades of staff were however subject to the subvention policy stated in paragraph 2.12 above. Therefore, the salaries of these grades were also revised in accordance with the civil service pay adjustment.

2.17 With effect from 1 October 2002, the civil service pay was reduced by 4.42% for those earning above \$47,590 a month, 1.64% for those earning between \$15,520 and \$47,590 a month,

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**Note 14:** *The UGC Notes on Procedures form the basis of the understanding among the UGC, the Government and the institutions of their mutually dependent roles. The notes are for compliance by officers of the institutions, government officers and staff of the UGC Secretariat for handling the affairs of the institutions.*



and 1.58% for those earning less than \$15,520 a month. Following the pay adjustment mechanism, the institutions also reduced the pay of their staff accordingly with effect from the same date. Therefore, the relativity between the institutions' pay and the civil service pay has remained unchanged.

**Review of starting pay and benefits  
in the context of the civil service reform**

2.18 In general, the institutions follow the revisions of starting pay and benefits as a result of the civil service reform. In the context of the civil service reform introduced in 1998, the Government implemented various reform initiatives, including:

- (a) *Revision of starting salary levels.* To bring civil service salary benchmarks in line with those of the private sector, the Government implemented new starting salary levels with effect from 1 April 2000. The new salaries apply to all new recruits and serving staff on transfer; and
- (b) *Revision of fringe benefits package.* In June 2000, the Government introduced a new fringe benefits package which included the cessation of local education allowance, the revision of leave-earning rates, and the introduction of a new leave passage arrangement and non-accountable housing benefits for new recruits. The revised fringe benefits applied to civil service recruits who were offered appointments on or after 1 June 2000.

2.19 In line with the revision of starting salaries and fringe benefits package of the civil service, the institutions adopted:

- (a) the new civil service entry points on the MPS/MOD 1 Pay Scale for those university grades which matched directly with civil service entry grades, in terms of qualification group, salary scale and job nature in mid-2000 (ranging from April to July 2000 for the eight institutions);
- (b) the reduction of entry pay for clinical teaching and equivalent grade staff in July 2000 (for CUHK) and August 2000 (for HKU); and
- (c) the new fringe benefits package for new recruits with appointments offered on or after a date (ranging from mid-2001 to early 2002 for the eight institutions). The new fringe benefits package included the reduction of leave entitlements.

## **Delinking of university pay from the civil service**

2.20 One of the key recommendations of the Sutherland Report is the delinking of the terms and conditions of service of staff of the institutions from the civil service pay and conditions of service. The Report considered that the existing linkage was an impediment to international competitiveness. Delinking would give institutions the freedom to devise their own remuneration packages, and would enable the institutions to recruit and retain staff of the highest standing.

2.21 **Following public consultation of the Sutherland Report, in November 2002 the Executive Council decided that institution remuneration should be deregulated/delinked but the institutions should be given the option to decide whether and when to introduce their own remuneration packages.**

2.22 **Notwithstanding that deregulation/delinking would be a cost neutral exercise, the Executive Council also decided in November 2002 that discussion would be held with the institutions to achieve efficiency savings in line with the cost-saving measures taken by government departments in 2004-05 and in the 2005-06 to 2007-08 triennium.**

## **Audit observations on pay structure**

### **Changes in the UK university pay structure**

2.23 As mentioned in paragraphs 2.4 to 2.7 above, the link to the civil service pay scale was based on that of the UK in 1970. The criteria for determining university academic and administrative salaries in Hong Kong, as approved by the then Governor-in-Council in June 1971, were that:

- (a) university salaries in Hong Kong should follow the pattern of university salaries in the UK;
- (b) university salaries in Hong Kong should bear a similar relationship to administrative grade salaries in Hong Kong as university salaries in the UK bore to administrative class salaries there; and
- (c) the bottom point of the lecturer/assistant lecturer scale should be in the same ratio to the top point as in the UK.

2.24 In June 1971, the Executive Council was informed that in applying these criteria, it was the intention that the then relationship between British civil service and British university salaries

should be used, and that a review would be carried out only if there was evidence of a significant long term trend in this relationship. In other words, if there are any major long-term changes, as opposed to small variations or adjustments, in the pattern and relativities of university pay structure (including the relationship between university and civil service administrative grade salaries) in the UK, the university salaries in Hong Kong should be adjusted to take account of the changed relativities (see paras. 2.7 and 2.14 above).

2.25 In June 2002, Audit sought the advice of the Higher Education Funding Council for England (HEFCE — Note 15) in the UK regarding:

- (a) whether there had been any major changes in the pattern of university salary scales in the UK since 1970; and
- (b) whether the salaries of university teaching staff were still linked to those of the UK civil service.

2.26 In July 2002, the HEFCE advised Audit that there had been major changes in the pattern of the university salary scales in the UK since 1970. **According to the HEFCE, the salaries of the UK university teaching staff have not been linked to the salaries of the local government since 1992. At present, the salaries of the UK university teaching staff are either negotiated in the Joint Negotiating Committee for Higher Education Staff or determined by individual institutions.**

2.27 **Despite the changes in the UK on the pay structure of university teaching staff, the Government and the UGC have not conducted any comprehensive review on the pay structure of university staff (for over 30 years).** While some reviews were carried out by the UJSC on salaries in 1980, 1990 and 1994, no major changes to the university pay structure had been recommended to the Government. In particular, the 1994 UJSC review did not reflect the significant changes in the UK (which took place in 1992) in the relationship between the university salaries and the civil service administrative grade salaries. **Audit considers that the significant changes in the mechanism for the determination of university pay levels in 1992 in the UK constituted a significant long-term change in the pay relativities. Therefore, according to the conditions set out in the June 1971 Executive Council Memorandum (see paras. 2.23 and 2.24 above), an overall review of the university pay structure in Hong Kong should have been conducted a decade ago in the early nineties.**

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**Note 15:** *The HEFCE is the funding council in the UK which distributes public money for teaching and research to universities and colleges in England. It also plays a key role in ensuring accountability and promoting good practices in the higher education sector.*

2.28 As mentioned in paragraph 2.21 above, the Government announced in November 2002 the decision to delink the university pay from the civil service pay. The institutions were given the option to decide whether and when to introduce their own remuneration system. According to a paper on deregulation of university salaries submitted to the LegCo Panel on Education for discussion in February 2003:

- (a) the linkage between the various salary scales and the civil service pay has been in place since the 1970s, modelling along the practice in the UK at that time. Despite the tremendous changes in the tertiary education sector in Hong Kong and worldwide, both the link and the mechanism underpinning it have not been reviewed or revised;
- (b) based on the higher education review completed in 2002 (see para. 1.8 above), the UGC considers that the link with the civil service pay is obsolescent and it goes against the world trend of deregulation;
- (c) few countries now link university pay with that of their civil service; and
- (d) **the existing practice of linking the pay of a university professor with that of a Senior Administrative Officer based on a historical percentage over 30 years ago is seriously out of date.**

**Audit considers that the institutions should, as a matter of urgency, conduct a comprehensive review of their staff pay structure, with a view to developing a new remuneration system.**

2.29 Audit also notes that the Government and the UGC have all along been relying on the universities themselves, which work through the UJSC, to keep the pay structure under review. As shown in Appendix A, the terms of reference of the UJSC require it to “consider and make submissions to the Government regarding changes in the salary scale relativities of the teaching grades of staff of the institutions”. At present, the membership of the UJSC consists of only representatives from the universities (see Appendix A). There are no representatives from the Government or from the UGC. There is no other independent mechanism to regularly review the university pay structure. **Audit considers that the existing UJSC mechanism could be enhanced by expanding the membership of the UJSC to include more independent external members, including representatives from the Government and the UGC.**

2.30 Following the recent policy decision to deregulate university pay, there is a need to review the future role and functions of the UJSC. **Audit considers that in future the UJSC**

should play a key role in the benchmarking and sharing of university staff remuneration information, both locally (among the seven institutions — Note 16) and internationally (especially with reference to universities in advanced countries). In this regard, the Government and the UGC should be able to provide useful input. Audit considers it necessary for the Government to review, in consultation with the UGC, the future role and functions of the UJSC.

### **International comparison of university academic staff salary**

2.31 The system of university salaries (except for HKIEd) in Hong Kong has been in place for more than 30 years. During this period, no systematic benchmarking of university salaries in Hong Kong against those of overseas universities has been conducted to determine the university pay level. **Given the recent policy decision to deregulate/delink university pay, Audit considers that it is necessary for all universities in Hong Kong to take due account of the pay trend in the international tertiary education sector, because many academic staff are recruited internationally.**

#### **Comparison of the before-tax salaries of university non-clinical academic staff (before adjustment for the cost of living)**

2.32 *Comparison with the UK (before adjustment for the cost of living).* As the pay structure and the academic rank structure of Hong Kong have all along been modelled on those of the UK, a comparison of university pay between Hong Kong and the UK can be made on a like-with-like basis. Appendix B shows a comparison of the before-tax salaries of university non-clinical academic staff in Hong Kong and the UK. **It can be seen that, as at December 2002, the academic staff salaries (before-tax and before cost-of-living adjustment) of universities in Hong Kong were higher than those in the UK (by 46% to 141%). In particular, the before-tax salaries of senior academic staff (i.e. professors, readers and senior lecturers) in Hong Kong were considerably higher (by 95% to 141%) than those of their counterparts in the UK. Furthermore, as the Hong Kong tax rates are substantially lower than the UK tax rates, the after-tax salary differences will be even greater.**

2.33 *Comparison with the USA (before adjustment for the cost of living).* In English-speaking countries such as Australia, Canada, New Zealand and the UK, the average pay level of university academic staff in the USA is generally the highest. Because of the disparities between the Hong Kong academic rank structure (which follows the UK system) and that of the USA, it is not appropriate to compare the university pay of Hong Kong and the USA on a direct rank-to-rank basis. For example, the title of professor in the USA in general encompasses a

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**Note 16:** *The salaries of academic and equivalent senior administrative staff of all institutions, except the HKIEd, follow the pre-1992 UK pattern of linking with civil service pay scales. As mentioned in Table 1 in paragraph 2.2 above, the pay scale for teachers/senior administrative staff of the HKIEd is linked to the MPS and the DPS of the civil service.*

greater range of scholars of different academic standing, compared with the same title in Hong Kong. The title of lecturer in the USA also does not necessarily correspond to a staff member with the same title in Hong Kong. Besides, it is a common practice of universities in the USA to pay their academic staff only nine months' contracted salary each year. In other words, under the employment contracts, universities in the USA normally do not pay their academic staff during the remaining three months (Note 17). Given the differences in the academic rank structure and the payroll practices between Hong Kong and the USA, the comparison of university pay can only be made in a broad-brush manner. In this regard, Audit has conducted an overall comparison of the university annual salary levels (based on the weighted average annual salaries of all ranks of academic staff) in Hong Kong with those in the USA. Appendix C shows the before-tax salaries of university non-clinical academic staff in Hong Kong and the USA. In Appendix C, the salary levels of Hong Kong universities are compared with those of three different categories of public universities in the USA (namely doctoral, comprehensive and baccalaureate universities — Note 18). **Appendix C shows that, as at December 2002, the weighted average salaries of all ranks of academic staff (before-tax and before cost-of-living adjustment) of universities in Hong Kong were higher than those in all three categories of public universities in the USA (by 55% to 109%). Furthermore, as the Hong Kong tax rates are substantially lower than the USA tax rates, the after-tax salary differences will be even larger.**

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**Note 17:** *In the USA, university academic staff normally do not receive any contracted salaries during the three months of summer vacation/term break. In these three months, they will only receive additional remuneration if they undertake additional work, such as teaching in summer sessions. They may also earn other outside incomes (which are not contracted salaries from the universities) mainly from outside consultancy/research work. In the case of Hong Kong, university academic staff are remunerated for twelve months, despite the fact that they normally have limited teaching activities during the summer vacation/term break. Besides, the Hong Kong academic staff can similarly receive additional incomes if they undertake additional activities not covered by the employment contracts, including outside practices (e.g. consultancy work). As these additional incomes (for both Hong Kong and the USA academic staff) are not contracted salaries paid by the institutions and these incomes are derived from additional work (including outside practices), Audit considers that such incomes should not be included in the comparison between the university pay levels of Hong Kong and the USA.*

**Note 18:** *Universities in the USA are generally classified into the following three main categories:*

- (a) **doctoral universities**, which are characterised by a significant level and breadth of activity in and commitment to doctoral-level education;*
- (b) **comprehensive universities**, which are characterised by diverse postgraduate programmes, but do not engage in significant doctoral-level education; and*
- (c) **baccalaureate universities**, which are characterised by their primary emphasis on general undergraduate education, but are not significantly engaged in postgraduate education.*

**Comparison of the before-tax salaries of university  
non-clinical academic staff (after adjustment for the cost of living)**

2.34 *Cost-of-living adjustment.* According to recent international surveys, the cost of living in Hong Kong is in general higher than that in the UK and the USA. In order to compare the pay levels of Hong Kong, the UK and the USA on a real-terms basis, cost-of-living adjustments need to be made. Audit has adopted a set of cost-of-living adjustment indices based on an international survey on expatriate living costs, in recognition of the fact that Hong Kong universities recruit scholars from overseas. According to the Finfacts Worldwide 2002 Cost of Living Survey (Note 19) published in July 2002, Hong Kong was ranked the most expensive city in the world. Based on this survey, the 2002 average cost of living indices for Hong Kong, the UK and the USA are 124.2, 73, and 77.2 respectively. In other words, for an expatriate living in Hong Kong, it is more expensive than living in the UK and the USA by 70% (i.e.  $[124.2 - 73] \div 73$ ) and 61% (i.e.  $[124.2 - 77.2] \div 77.2$ ) respectively. However, the difference in the cost of living has been narrowing given the continued deflation in Hong Kong in recent years.

2.35 *Comparison with the UK (after adjustment for the cost of living).* Appendix D shows the comparison of before-tax salaries of university non-clinical academic staff as at December 2002 in Hong Kong with the UK, after adjustment for the cost of living. **It shows that, taking into account the differences in the cost of living, the academic staff salaries (before-tax) of universities in Hong Kong, especially for senior academic staff (i.e. professors, readers and senior lecturers), were still generally higher than those in the UK. For example, after adjustment for the cost of living, the salaries of professors in Hong Kong were 41% higher than those of their counterparts in the UK. If a comparison is made on an after-tax basis, the differences between university salaries in Hong Kong and the UK (as shown in Appendix D) will widen further.**

2.36 *Comparison with the USA (after adjustment for the cost of living).* Appendix E shows the comparison of the weighted average salaries (before-tax) of all ranks of academic staff as at December 2002, of universities in Hong Kong with the USA after an adjustment for the cost of living. **It shows that, taking into account the differences in the cost of living, the weighted average salaries of all ranks of academic staff (before-tax) of universities in Hong Kong, were:**

- (a) **marginally lower (by 3%) than those of the public doctoral universities in the USA;**

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**Note 19:** *Finfacts is Ireland's leading business/finance/e-business information portal service providing both business managers and financial consumers with up-to-date information in a wide variety of areas. The Finfacts Worldwide 2002 Cost of Living Survey, which covered 144 cities worldwide, measured the comparative cost of over 200 items in each location. These included housing, food, clothing and household goods, together with transport and entertainment. The data was published to assist multinational companies in determining compensation allowances for their expatriate workers.*

- (b) **higher (by 16%) than those of the public comprehensive universities in the USA; and**
- (c) **higher (by 30%) than those of the public baccalaureate universities in the USA.**

Given that the tax rates in Hong Kong are substantially lower than those in the USA, if salaries are calculated on an after-tax basis, the salary differences between Hong Kong universities and the public comprehensive and baccalaureate universities in the USA shown in Appendix E will widen further. **The after-tax salaries of all ranks of academic staff of Hong Kong universities will probably be higher than those of the public doctoral universities in the USA (Note 20). Audit noted that according to the UGC Notes on Procedures regarding the roles and missions of the institutions (Note 21), not all Hong Kong institutions would be classified as doctoral universities.**

2.37 **The international comparison of university non-clinical academic staff salaries in paragraphs 2.32 to 2.36 above shows that university academic staff in Hong Kong were generally well paid. This is largely due to the linkage of the professorial average salary with the pay of the Senior Administrative Officer in the Hong Kong civil service some thirty years ago.**

2.38 **Given that it is an established practice of universities in Hong Kong to recruit their academic staff internationally, Audit considers that there is a need to have due regard to the international pay levels for academic staff in advanced countries (e.g. the USA, the UK, Australia and Canada) when the university pay structure is reviewed in future.**

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**Note 20:** *For the USA citizens who work in Hong Kong, their income earned in Hong Kong is subject to the USA income tax (in addition to the Hong Kong income tax). Despite this, the USA citizens who work in Hong Kong institutions normally can still benefit considerably from the lower tax rates in Hong Kong, because of the foreign earnings tax relief (e.g. the maximum amount of foreign earned income that the USA citizens may treat as not taxable by the USA is US\$80,000 for 2002, i.e. about HK\$624,000). Furthermore, the USA citizens working in Hong Kong may continue to claim the various kinds of USA tax deductions.*

**Note 21:** *According to paragraph 1.22 of the UGC Notes on Procedures, the HKU, the CUHK and the HKUST concentrate on first and higher degree work, emphasising scholarship and research; the PolyU and CityU offer a range of programmes including diplomas and postgraduate courses, with a strong emphasis on professional and vocational education; and the HKBU and the LU are developing as predominantly degree-awarding institutions, aiming at providing a broad general education rather than a specialised professional training. The HKIEd concentrates on pre-service teacher education, and provides in-service education, professional training and enhancement for teachers and other educators in the pre-school, school and vocational education sectors.*



2.39 Audit recognises that it is necessary for universities in Hong Kong to offer salaries which are able to attract academics of the right calibre from all over the world. **However, in view of the differentials between the average academic salaries in Hong Kong and those in other English-speaking communities, Audit considers it necessary for the institutions to review whether there is scope for bringing the pay level of university academic staff in line with the relevant international benchmarks for future recruitment. In this connection, following the delinking, there is a need for the institutions to consider formulating a new pay structure for remunerating their staff.**

### **Changes in local pay trend**

2.40 In view of the downward pay trend in Hong Kong in recent years, the Government conducted a comprehensive review of the starting salaries in the civil service in 1998. One of the objectives was to ascertain if the civil service entry pay remained comparable with pay in the private sector with similar qualifications. The results of the review showed that the civil service entry pay had outstripped that in the private sector. To bring the civil service pay closer in line with the market, the starting salaries of the various qualification groups of the civilian grade were lowered (by 6% to 31%) with effect from 1 April 2000. Appendix F shows the reduction of the starting salaries of the civil service as a result of this review.

2.41 Following the revision of the civil service starting salaries, the universities also adopted the new civil service entry points with effect from 1 April 2000 for those university grades which match directly with civil service entry grades, in terms of qualification group, salary scale and job nature. The universities have also effected entry pay reduction for the clinical teaching and equivalent grade staff along the lines adopted by the Government, based on the linkage with the HA pay scale.

2.42 However, due to the linkage with the pay of Senior Administrative Officers of the civil service, basically no revision was made to the starting salaries of the non-clinical teaching staff and senior administrative staff, despite the fact that the starting salaries of the relevant civil service benchmark qualification groups (i.e. the professional/degree and related grades and the education (graduate) grades) had already been reduced by about 20% (see Appendix F). **In the event, the entry pay of some non-clinical teaching and related support staff are currently higher (by 20.4% to 23.4%) than their counterparts in the civil service. With the deregulation/delinking of university pay, Audit considers that the institutions should consider reducing the entry pay of these academic staff to bring it in line with the local pay level.**

### **Pay adjustment mechanism**

2.43 With the deregulation/delinking of university pay, Audit considers that there is a need for the universities to develop an effective mechanism for future annual pay adjustment exercises. In this regard, the UJSC should have a key role to play.

## Disclosure of the remuneration package of university senior staff

2.44 Although the existing university pay structure is linked to that of the civil service (or the HA for clinical teaching staff), the universities have ample flexibility in setting the salary level of individual professors provided that the average salary of professors does not exceed the professorial average salary limit.

2.45 The flexibility in setting the salary level also applies to some senior administrative staff, such as the Director of Finance, the Director of Estates and the Registrar. Similar to the professor grade, for these senior administrative staff there is a minimum salary, but no upper limit has been set. Examples of the senior administrative staff on pay scale without upper salary limit are shown in Appendix G.

2.46 There is currently no requirement for the institutions, which are entrusted with huge sums of public money, to disclose the remuneration packages of their senior staff. **Audit considers that there should be more transparency in the remuneration policies of the professorial and other university senior staff, in order to enhance public accountability of the institutions.**

2.47 Audit notes that in recent years, there have been increasing public concerns about the perceived lack of transparency and impartiality in the remuneration policies governing executives in some major public bodies. In response to such public concerns, in January 2002 the Government commissioned a consultancy study on the remuneration of the top three tiers of senior executives in eleven selected statutory and public bodies. Appendix H shows a list of these eleven statutory and public bodies covered by that review.

2.48 The consultancy study was completed in June 2002. One of the recommendations of the consultant was that the details of the remuneration package of the chief executive and other senior executives of a public body should be disclosed to the public. Such an arrangement was in line with the trend in overseas countries such as the UK. The consultant proposed the public bodies under review to follow in the meantime the disclosure practice of companies listed in the Stock Exchange of Hong Kong. The consultant also proposed that, in the longer run, as in developed countries, more detailed disclosure of the pay packages at the chief executive level should be made. At other levels, these bodies should disclose the aggregate or average remuneration data for the second and third tier executives.

2.49 In June 2002, the Administration accepted the consultant's recommendations that these public bodies concerned should:

- (a) with immediate effect, follow the disclosure practice of companies listed in the Stock Exchange of Hong Kong. This would require the disclosure of remuneration of the top

five executives, showing the amount that they receive in different bands without identifying the individuals. In this regard, some of the public bodies in Hong Kong have already followed such disclosure requirements in their published financial statements. Examples include the Airport Authority Hong Kong, the Hong Kong Monetary Authority, the Kowloon-Canton Railway Corporation, the Mandatory Provident Fund Schemes Authority, the Mass Transit Railway Corporation Limited and the Securities and Futures Commission; and

- (b) with effect from 2003, disclose the full remuneration packages of their chief executive officers. The information should include the chief executive officers' base salaries, allowances, variable remuneration targets, major benefits and perquisites, and any adjustments to their remuneration. At other levels, the aggregate or average remuneration data for the second and third tier executives would suffice.

2.50 Audit also notes that some advanced countries have specific requirements for the public disclosure of the top staff of universities. For example:

- (a) **UK.** All higher education institutions funded by the HEFCE are required to disclose in their published financial statements details about the remuneration of Vice-Chancellors/Presidents and other higher-paid staff. According to the HEFCE's Accounts Direction to Higher Education Institutions for 2002-03, HEFCE-funded institutions are required to disclose the following:

- (i) the actual total emoluments of the Vice-Chancellor or Director/Principal, including bonuses (but no details of bonuses earned). Emoluments are defined to include:
- fees and percentages;
  - any sums paid by way of expense allowances (in so far as those sums are charged to UK income tax);
  - any sums paid in respect of the Vice-Chancellor or Director/Principal under any pension scheme; and
  - the estimated monetary value of any other benefits received by the Vice-Chancellor or Director/Principal other than in cash (in particular share option, company cars, subsidised loans including mortgage subsidies and subsidised accommodation);

- (ii) the remuneration of higher-paid staff in bands of United Kingdom Pounds (£) 10,000 from a starting point of £70,000. Disclosure is also required for those staff who joined part way through a year but who would have received remuneration in these bands in a full year; and
  - (iii) details of any compensation for loss of office paid or payable to the Vice-Chancellor or Director/Principal, or higher-paid staff whose annual remuneration exceeds £70,000;
- (b) *Canada.* Under Ontario's Public Sector Salary Disclosure Act (enacted in 1996), the Ontario Government has published a compendium on public sector employees who were paid a salary of Canadian dollars (CAD\$) 100,000 or more a year. Organisations that receive public funding from the Province of Ontario are required to disclose the names, positions, salaries and taxable benefits of these employees. The purpose of this law is to provide a more open and accountable system of government. It lets taxpayers compare the performance of an organisation with the compensation given to the people running it. In Canada, people who are paid CAD\$100,000 or more a year are usually the senior employees in an organisation. It also provides taxpayers with more details on how their tax dollars are spent. The compendium of the lists of all organisations (including universities) disclosing salaries, as well as organisations stating that they have no employee salaries at CAD\$100,000 or more, is publicly available on the Ministry of Finance Internet website; and
- (c) *Australia.* In Victoria and Western Australia, all remuneration above Australian dollars (A\$) 100,000 per annum paid to persons in universities must be reported in the form of a matrix table which has bands for every A\$10,000.

**2.51 Audit considers that, following the good practices applicable to local and overseas public bodies, there is a need for the institutions to enhance their transparency and public accountability by making public disclosure of the remuneration of senior teaching and administrative staff. To ensure consistency and comparability of the disclosure, it is necessary for the UGC to issue specific minimum disclosure guidelines to the institutions.**

### **Benchmarking of the remuneration of key management posts**

2.52 Transparency and disclosure of the remuneration of university professors and senior administrators will enable more comprehensive benchmarking of the staff remuneration information of the institutions. Audit recently examined the remuneration packages of the senior staff of the institutions. Audit selected the heads of institutions (i.e. Vice-Chancellors/Presidents) and the highest-paid non-academic staff (excluding Vice-Chancellors/Presidents and Pro-Vice-Chancellors/

Vice-Presidents) for benchmarking against their comparable civil service posts. The audit findings are reported in paragraphs 2.53 to 2.60 below.

### **Remuneration of the Vice-Chancellors/Presidents**

2.53 The salaries of the Vice-Chancellors/Presidents of the institutions were determined by the Government after a consultancy review commissioned by the UGC in September 1995. The consultancy review took into account:

- (a) the change in the nature and scale of responsibilities of the heads of institutions 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 used English as the medium of instruction in the Asia Pacific region, the UK and the USA.

2.54 Based on the findings of the consultancy review, the Government determined that:

- (a) the heads of the HKU, the CUHK, the HKUST, the PolyU and CityU were within the same job evaluation boundaries as policy secretaries in the civil service (i.e. DPS point D8 — \$181,700 per month as at 1 November 2002);
- (b) the head of the HKBU was within the same job evaluation boundaries as heads of Group I departments in the civil service (i.e. DPS point D7 — \$176,205 per month as at 1 November 2002); and
- (c) the heads of the LU and the HKIEd were within the same job evaluation boundaries as heads of Group II departments in the civil service (i.e. DPS point D6 — \$163,205 per month as at 1 November 2002).

**FC of LegCo approved the salary scales for Vice-Chancellors/Presidents in June 1996.** The monthly remuneration of the Vice-Chancellors/Presidents of the institutions as at 1 November 2002 are shown in Table 2 below.

**Table 2**

**Monthly remuneration of the Vice-Chancellors/Presidents  
of the institutions as at 1 November 2002**

**Number of Vice-Chancellors/Presidents  
whose remuneration falls within the bands stated**

<b>Salary band</b>	<b>Monthly basic salary</b>	<b>Monthly cash allowance (Note 1)</b>	<b>Total monthly cash remuneration (i.e. basic salary + cash allowance)</b>
\$350,001 — \$360,000	—	—	1
⋮			
\$250,001 — \$260,000	—	—	1
⋮			
\$220,001 — \$230,000	—	—	1
\$210,001 — \$220,000	2 (Note 2)	—	1
⋮			
\$180,001 — \$190,000	3	—	2
\$170,001 — \$180,000	1	1	1
\$160,001 — \$170,000	2	—	1
⋮			
\$70,001 — \$80,000	—	1	—
⋮			
\$10,001 — \$20,000	—	—	—
\$1 — \$10,000	—	3	—
\$0	—	3	—
	<u>8</u>	<u>8</u>	<u>8</u>

*Source: The institutions' records*

*Note 1: Cash allowances are charged to non-UGC funds. The cash allowance of one Vice-Chancellor/President in the range of \$170,001 to \$180,000 per month includes about \$138,000 per month paid in lieu of housing benefits and leave passage.*

*Note 2: Salaries in excess of the DPS point D8 (\$181,700 per month as at 1 November 2002) are charged to non-UGC funds.*

2.55 Audit's examination of the remuneration packages of Vice-Chancellors/Presidents has revealed that six universities top up (by the use of non-UGC funds) the salaries of their Vice-Chancellors/Presidents, either in the form of higher pay or by way of cash allowance (see Table 2 in para. 2.54 above). The top-up amounts range 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 (which included about \$138,000 paid in lieu of housing benefits and leave passage).

2.56 Audit notes that the pay levels of Vice-Chancellors/Presidents were set by the Government after systematic benchmarking against comparable civil service posts and counterparts in overseas universities (see paras. 2.53 and 2.54 above). The pay levels were discussed and approved by the FC of LegCo in June 1996 (see para. 2.54 above). However, it is not known whether explicit approval from the Government would be required for the top-up arrangement. **As far as Audit could ascertain, only one university had sought and obtained the agreement from the former SEM regarding the top-up of the salary (by private funds and in the form of cash allowance) of the Vice-Chancellor/President. Furthermore, with the delinking of university remuneration (see para. 2.21 above), it is not clear whether the FC approved salary scales still apply, and whether public funds could be used for topping up the specified salaries.**

2.57 Regarding the remuneration package of one of the Vice-Chancellors/Presidents which includes the encashment of housing benefits and passages amounting to about \$138,000 per month (see para. 2.55 above), Audit also found that quite a large number of senior staff quarters in that university had remained vacant (as at 31 October 2002). **Audit considers that there is a need for the university concerned to explore the possibility of using the vacant senior staff quarters to provide housing to its key management staff, instead of resorting to the encashment of housing benefits.**

#### **Remuneration of the highest-paid non-academic staff (excluding Vice-Chancellors/Presidents and Pro-Vice-Chancellors/Vice-Presidents)**

2.58 Table 3 below shows the monthly remuneration of the highest-paid non-academic staff (excluding the Vice-Chancellors/Presidents and Pro-Vice-Chancellors/Vice-Presidents) as at 1 November 2002. Audit noted that in seven of the eight institutions, the Directors of Finance (Note 22) were the highest-paid non-academic staff.

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**Note 22:** *Different institutions use different titles for their heads of finance (Director of Finance/Bursar/Comptroller). In this report, they are commonly referred to as Directors of Finance.*

**Table 3**

**Monthly remuneration of the highest-paid non-academic staff  
(excluding Vice-Chancellors/Presidents and Pro-Vice-Chancellors/Vice-Presidents)  
of the institutions as at 1 November 2002**

<b>Salary band</b>	<b>Number of staff (Note 1)</b>
\$170,001 — \$180,000	1 (Note 2)
\$160,001 — \$170,000	1
\$150,001 — \$160,000	—
\$140,001 — \$150,000	—
\$130,001 — \$140,000	2
\$120,001 — \$130,000	2 (Note 3)
\$110,001 — \$120,000	1
\$100,001 — \$110,000	2
\$100,000 or below	—

*Source: The institutions' records*

*Note 1: None of these highest-paid non-academic staff received any monthly cash allowances.*

*Note 2: Among these highest-paid non-academic staff, the one with the highest salary (in the range of \$170,001 to \$180,000) was not a Director of Finance. This non-academic staff member was employed on contract-term basis to handle two major capital projects of the university concerned. According to the university, the recruitment of this staff member in lieu of payment of consultancy fees to external consultants for such capital projects will generate savings to the university. The staff costs concerned were charged against the capital grants for these projects. The recruitment of this staff member for reasons of efficiency and economy was supported by the UGC.*

*Note 3: In one institution, two staff members including the Director of Finance, whose monthly salaries were the same, were the highest-paid non-academic staff as at 1 November 2002.*



2.59 The salary of the head of finance is mainly dependent on the nature and the size of the organisation in which he or she is working. The total expenditure in 2001-02 (including both UGC funds and non-UGC funds) of the individual institutions ranged from \$425 million to \$4,923 million (Note 23). In Audit's view, the comparable civil service post of the Directors of Finance should be the head of the finance division of a large government department. In the civil service, the finance division of a medium to large government department with annual expenditure of \$400 million to \$5,000 million in 2001-02 is headed by either a Senior Treasury Accountant (STA) or a Chief Treasury Accountant (CTA). Only those very large government departments with annual expenditure of over \$5,000 million (e.g. the Education Department, the Social Welfare Department, the Hong Kong Police Force and the Water Supplies Department) have an Assistant Director of Accounting Services (ADAS) as the head of the finance division. The accounting head of the whole government is the Director of Accounting Services (DAS). Table 4 below shows the salary benchmarks of the relevant Treasury Grade staff in the civil service.

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**Note 23:** *The total expenditure (including both UGC funds and non-UGC funds) of the institutions in 2001-02 was as follows:*

	(\$ million)
<i>HKU</i>	4,923
<i>CUHK</i>	4,321
<i>PolyU</i>	3,749
<i>CityU</i>	2,947
<i>HKUST</i>	2,308
<i>HKBU</i>	1,470
<i>HKIEd</i>	1,110
<i>LU</i>	425
<b><i>Total</i></b>	<b><u>21,253</u></b>

**Table 4**

**Function, title and pay of Treasury Grade staff in the civil service**

<b>Function</b>	<b>Civil service post (Pay point)</b>	<b>Monthly salary as at 1 November 2002</b>
Accounting head of the whole government	DAS (DPS point D5)	\$154,700
Head of the finance division of a very large government department (e.g. the Hong Kong Police Force) and the Hong Kong Housing Authority (Note)	ADAS (DPS point D2)	\$117,040 to \$124,305
Head of the finance division of a medium to large government department	STA or CTA (MPS point 45 to 49 or DPS point D1)	\$76,755 to \$88,425 or \$98,595 to \$104,615
Head of the finance division of a small to medium department	STA or below (MPS point 49 or below)	\$88,425 or less

*Source: Civil service pay scales*

*Note: Audit considers that, in terms of both the size of budget and the complexity/importance of the major duties, the responsibilities of the head of the Finance Unit of the Housing Authority are at least comparable to (if not higher than) those of the Directors of Finance of the UGC-funded institutions. In 2001-02, the total expenditure of the Housing Authority amounted to \$26,591 million, which was even higher than the total expenditure of the eight institutions combined (see Note 23 to para. 2.59 above). The head of the Finance Unit of the Housing Authority is responsible for leading and managing the finance functions of the Authority, which include, among other things, the management of the Authority's investment activities and cash flow. As at 31 March 2002, the total investments of the Housing Authority amounted to \$10,739 million, which was much higher than the investments of the UGC-funded institutions. Furthermore, he is also responsible for arranging adequate financial resources to meet the Housing Authority's production targets and core business operations, including financial arrangements with the Government and raising funds from the capital markets and banking sector.*

2.60 **In Audit's view, compared with the civil service benchmarks of D6 to D8 rank staff (as approved by the FC of LegCo — see para. 2.54 above) for Vice-Chancellors/Presidents, the salary scale benchmarks of the Directors of Finance of the institutions should be at the level of CTA (D1 rank staff) or ADAS (D2 rank staff). Of the seven Directors of Finance who were the highest-paid administrative staff (other than Pro-Vice-Chancellors/Vice-Presidents) as at 1 November 2002, in terms of pay level, two are comparable to the CTA (D1 rank staff), one is comparable to the ADAS (D2 rank staff), and four are comparable to staff higher than D2 rank in the civil service. The highest-paid Director of Finance (with salary in the range of \$160,001 to \$170,000 per month) is comparable to that of a directorate officer between D6 rank and D7 rank in the civil service, and is higher than that of the DAS who is the accounting head of the whole government. In fact, such a ranking level falls within the civil service benchmarks for Vice-Chancellors/Presidents. Audit considers that the pay levels of some of the Directors of Finance appear to be higher than those of their comparable civil service counterparts. There is a need for the institutions to take this into account in determining the appropriate pay levels in the future recruitment of Directors of Finance.**

### **Audit recommendations on pay structure**

2.61 **Audit has recommended that the governing body of each institution should:**

- (a) **in implementing the government's decision to deregulate/delink the university pay structure, conduct a comprehensive review to consider formulating a new pay structure for remunerating its staff (see paras. 2.28 and 2.39 above);**
- (b) **in the comprehensive review of the pay structure of its institution, pay due regard to:**
  - (i) **the changes in the UK university pay structure, particularly the fact that the UK university salaries are no longer linked to those of the UK government (see paras. 2.26 and 2.27 above);**
  - (ii) **the international pay levels for university academic staff (see para. 2.38 above); and**
  - (iii) **the changes in local pay trend. In this regard, there is a need to critically review whether there are sufficient justifications for not reducing the entry pay of the academic staff to bring it in line with the local pay level (see para. 2.42 above);**

- (c) as part of the above comprehensive review, in consultation with the UJSC, develop an effective mechanism for future annual pay adjustment exercises (see para. 2.43 above); and
- (d) critically review the current remuneration packages of all its key management staff (see paras. 2.52 to 2.60 above). The governing body of each institution should also explore the possibility of using the institution's vacant senior staff quarters to provide housing to its key management staff, instead of resorting to the encashment of housing benefits (see para. 2.57 above).

2.62 Audit has *recommended* that the Secretary-General, University Grants Committee should, in consultation with the SEM:

- (a) review the future role and functions of the UJSC. In this regard, there is a need to examine whether the UJSC should in future play a key role in the benchmarking and sharing of university staff remuneration information, both locally and internationally (see para. 2.30 above);
- (b) consider the need to expand the membership of the UJSC to include more independent external members, including representatives from the Government and the UGC (see para. 2.29 above);
- (c) issue specific minimum disclosure guidelines on the remuneration of senior teaching and administrative staff in all the institutions, in order to enhance the institutions' transparency and public accountability (e.g. disclosure of salary levels, by way of salary bands, of the senior teaching and administrative staff — see para. 2.51 above); and
- (d) clarify whether the salary scales approved by the FC in June 1996 still apply and whether topping up of salaries by the use of public funds is acceptable after the delinking of the university pay from the civil service pay (see para. 2.56 above).

### **Response from the Administration and the institutions**

2.63 The Secretary for Education and Manpower generally agrees with Audit's recommendations on the pay structure. He has said that:

- (a) in the context of the Higher Education Review, the Administration accepted the UGC's recommendation to deregulate university pay structure by removing the mandatory

requirement to link with the civil service salary scale. Institutions are free to decide whether to introduce their own remuneration system and, if so, the timing and extent for implementation;

- (b) the Executive Council has recently decided (on 25 February 2003) that the Government should do away with the subvention guideline premised upon the “no better than” principle and the UGC-funded institutions are exempt from the new guidelines for the control and monitoring of remuneration of senior staff of subvented bodies;
- (c) against the above background, he agrees with Audit’s recommendations that the governing body of each institution should conduct thorough reviews of its own remuneration packages, including those for its key management staff (see para. 2.61(a), (b) and (d) above), and develop an effective mechanism for future annual pay adjustment (see para. 2.61(c) above);
- (d) he also agrees with Audit’s recommendations that the roles, functions and composition of the UJSC should be reviewed (see para. 2.62(a) and (b) above). In this regard, he notes the comments from institutions that it may not be feasible to develop or impose a uniform pay structure or adjustment mechanism across the sector given the different circumstances of individual institutions, particularly under a delinked environment;
- (e) since the bulk of the salary payments to university staff come from public funds, there is a clear responsibility for disclosure to enhance transparency and accountability. He agrees that this should cover the institutions’ salary structure (including fringe benefits) and details of remuneration packages of senior teaching and administrative staff (whether paid for by public or private funds). He will discuss with the UGC to issue specific guidelines, taking into account local and overseas good practices, to enhance the consistency and comparability among information disclosed by the institutions (see para. 2.62(c) above); and
- (f) on the topping up of the Vice-Chancellor/President’s salaries by private funds, in the isolated case referred to in paragraph 2.56 above, the Education and Manpower Bureau indicated no objection to the institution’s proposal if private funds were used and subject to the endorsement of the University Council. He is of the view that approval from the Government and the FC is not necessary under a deregulated environment; but institutions should have an 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 (see para. 2.62(d) above).

2.64 **The Secretary for Financial Services and the Treasury** has said that:

- (a) it is difficult to apply the “no better than” guideline to academic staff for which there are no comparable jobs in the civil service; and
- (b) regarding paragraphs 2.56 and 2.62(d) above, to pursue delinking/deregulation of university salaries from the civil service pay, the Education and Manpower Bureau will be seeking the FC’s approval to remove the salary scales previously approved by the FC. Subject to the FC’s approval, those salary scales will cease to apply in a delinked environment.

2.65 **The Secretary-General, University Grants Committee** has said that:

- (a) the Higher Education Review conducted by the UGC in 2002 recommended, among other things, to deregulate university pay structure by removing the mandatory link with the civil service pay scale. The deregulation proposal has the support of the Administration and will be submitted to the FC of LegCo for consideration soon. By removing the mandatory link, the institutions will be free to adopt remuneration systems to suit their own circumstances and to compete for talents globally;
- (b) regarding paragraph 2.62(a) above, the UGC sees merit in a review of the role and composition of the UJSC, but would point out that the UJSC is not under the direction of the UGC. The review therefore should be undertaken by the institutions themselves, in view of the possible deregulation initiative;
- (c) regarding paragraph 2.62(b) above, the inclusion of the Administration or the UGC in the membership of the UJSC should be considered in context. As a matter of fact, in a delinked environment, institutions will not be required or expected to develop a uniform pay structure or a common adjustment mechanism. In such a case, what is needed may just be an information-sharing or coordinating body among the institutions;
- (d) regarding paragraph 2.62(c) above, the UGC accepts Audit’s recommendation that, to increase accountability and to be in line with the disclosure practices of other subvented or public bodies, the institutions should be required to disclose remuneration information in respect of their top staff, with due consideration being given to good administration and the protection of privacy. The UGC will develop disclosure guidelines in consultation with the Administration and the institutions; and
- (e) regarding paragraph 2.62(d) above, the UGC considers that the governing bodies of the institutions should be given the flexibility in remunerating their heads of institutions to overcome the recruitment/retention problems but such should only be done by using non-public funds. In this regard, institutions are expected to observe the two general principles of “transparency” and “external participation”. “Transparency” in this

context should include disclosure of essential information to the public, the relevant monitoring bodies, and the source of private funding. “External participation” should manifest itself through the significant involvement of independent persons in the decision-making process.

2.66 The **heads of the institutions** have provided a joint response. They have said that:

*Regarding paragraph 2.61(a) and (c) above*

- (a) the university pay structure in Hong Kong is not just to reward staff for their service, but it has to be able to attract and retain staff of such quality on an international scale that the higher education sector in Hong Kong can develop in the future. Audit’s recommendations on pay structure must be set within that larger context. They accept that there must be in place appropriate and robust mechanisms for the systematic review of the terms and conditions of academic staff. The UJSC (which resulted from the wish of the Government itself) collectively reviews and negotiates salaries for the institutions. Throughout these years, the salaries approved by the Government and adopted by the institutions have been able to facilitate effective recruitment;
- (b) this audit report comes at a time of considerable flux in the tertiary sector as a whole. Universities of stature must now operate in a global academic environment. It is therefore essential that the potential and real effects of changes recommended in this report be viewed in terms of their impact upon the abilities of the universities to discharge the full range of their functions in the service of Hong Kong;

*Regarding paragraph 2.61(b) above*

- (c) for the universities involved in degree and doctoral level teaching, the criteria for the salary levels of staff were first established in 1970. The so-called ‘linkage’ with the civil service salary scales arose because it was accepted that there was merit in following such comparabilities as already existed between relevant grades in the civil service and the universities in the UK, although in fact no formal relativity existed in the UK. It was a comprehensive assessment of qualifications, duties and responsibilities which underpinned the relationships in the salary structures, which were agreed by all the concerned parties (including the Government) for Hong Kong;
- (d) the changes (referred to in para. 2.27 above) in the UK in 1992 were not an exercise in “delinking”, as no linkage existed. The changes in salaries were designed to accommodate the abolition of the “binary divide”, when the polytechnics became universities. There has not been any major overhaul of salary structure for universities already in existence before 1992. What the Sutherland Report recommends for the Hong

Kong institutions at this juncture is therefore entirely different from the circumstances appertaining to the UK in 1992;

- (e) it has to be acknowledged that tertiary institutions in Hong Kong operate in very different circumstances from those which exist in other jurisdictions. The available pool for recruitment locally cannot possibly satisfy the needs of universities here which have established an international status. In the early 1990s, the UGC initiated the need to buttress recruitment and retention of academic staff due to the rapid expansion of higher education and the pre-1997 brain-drain issue by funding a joint overseas recruitment campaign in 1991 and calling for measures to retain quality staff in 1996. To retain international credibility in the intensely competitive global higher education field, Hong Kong has to offer terms which can attract academics from overseas to accept positions in local universities. Salaries and the conditions of service must be attractive enough for overseas academics to be persuaded that they mitigate the difficulties in moving families into a different social and educational environment. Universities have to look to supporting an adequate provision of research degree candidates and to providing attractive research opportunities if applicants of the right calibre across all the academic levels are to view the universities here as internationally competitive;
- (f) a number of authoritative reports (the Dearing Report 1997, the Bett Report 1999 and the Commonwealth Higher Education Management Service Report 2001) have emerged in the UK in the last decade which point to the undoubted damage which has been inflicted upon universities there because of the widening gap between pay levels for academic teachers and comparable professional positions in the private and public sectors. The brain-drain which has resulted there is something Hong Kong can ill afford to contemplate;
- (g) comparison of the salaries of academic staff here with their counterparts in other countries should be done in the proper context. For example, academic staff in the USA receive their salaries for a nine-month academic teaching year. For the remaining time there is no restriction on whatever quantum of remunerated work the academic wishes to undertake, nor the level of remuneration which derives from it. When the necessary adjustments are made to take account of matters of fact like this, it may not be appropriate to say that the average pay of staff at North American Universities is markedly less than that for Hong Kong academics (see Audit's comments in Note 17 to para. 2.33 above). It has to be understood that the higher education system in the USA is far from homogeneous. Academic salaries in Hong Kong are actually significantly lower than those in **top** USA universities. Besides, USA citizens have to pay tax on their global earnings. Hong Kong institutions have to recruit mainly from overseas, and many from the North American setting, and these academics are subject to global taxation (see Audit's comments in Note 20 to para. 2.36 above). It becomes clear that any failure to resource sufficiently academic salaries in Hong Kong will impact seriously on the attractiveness of positions in the tertiary sector here;



- (h) with the many adverse forces now at play in Hong Kong's economy, a future review of the pay structure in universities must be predicated upon established facts and their proper interpretation so that the full impact upon the future of Hong Kong's universities is clear;

*Regarding paragraph 2.61(d) above*

- (i) regarding the comparison of the salaries of non-academic university staff with selected counterparts in the Government, it should similarly be done in the proper context. In this regard, the comparison of the Directors of Finance of the institutions with the treasury grade staff of the civil service has to give due regard to the differences in the scope and complexity of work between these two groups of professionals (see Audit's comments in the Note in Table 4 of para. 2.59 above); and
- (j) they consider that private funds could be used to construct appropriate salary packages for the universities' most senior staff. This is a time when the institutions emphasise the need to seek non-public funds through such means as donations and endowments. These funds are not public funds and the universities must have the autonomy to permit latitude in the use of such funds. To curtail such freedom in the furtherance of the aims of the institutions cannot possibly assist the development of higher education in Hong Kong.

2.67 The **Vice-Chancellor, The University of Hong Kong** has also said that, regarding Audit's comments on the pay levels of the Directors of Finance (see para. 2.60 above), the HKU would point out that, in addition to the normal finance functions, its Director of Finance is also the Facilitator of the HKU's Estates Office, the Company Secretary of the HKU Foundation for Education Development and Research (an independent company established by the HKU for fund raising and investing in research and academic activities) and responsible for overseeing its efficiency unit and liaising and coordinating the operations of the HKU's subsidiary companies (see Audit's comments in the Note in Table 4 of para. 2.59 above).

2.68 The **Vice-Chancellor, The Chinese University of Hong Kong** has also said that:

*Regarding paragraph 2.61(a) above*

- (a) the CUHK takes note that it is opportune to conduct a comprehensive review of the pay structure with a view to offering remuneration packages that help to attract and retain candidates with the right calibre;

*Regarding paragraph 2.61(b) above*

- (b) the CUHK agrees that when a comprehensive review on the pay structure is to be conducted, all relevant factors must be taken into account, including the international and local pay trends. However, it must be reckoned that in striving to attain an international standing, the CUHK is not competing with the average institutions for the best talents. Therefore, a comparison should not be made with the average, and surely not the lowest possible remuneration level;
- (c) the CUHK wishes to reiterate that in trying to study salaries of academic staff of Hong Kong vis-à-vis those of the UK, it must be borne in mind the widening gap between the pay levels of the academic jobs and others, and the depressive salary situation in the UK. Therefore, the audit conclusion that academic staff salaries in Hong Kong are higher than those in the UK should be seen in the context that the UK academic staff salaries were benchmarked as too low both vis-à-vis those of the public/private sectors in the UK and the academic staff counterparts in other countries;
- (d) the CUHK offers 61 doctoral programmes, 123 master's programmes and 90 undergraduate programmes. Hence, it should be classified as a doctoral university. The average salaries of the USA public doctoral universities, as quoted in the audit report, are based on a nine-month work year of the USA. The CUHK considers that a fair comparison for the pay level for academic staff between universities in Hong Kong and the USA should be made on the same basis of effort contribution in the form of time commitment. In other words, the annual salaries should be adjusted either by an additional weight for the USA universities or a discounted rate for Hong Kong universities. In either case, the result is a 33% factor (see Audit's comments in Note 17 to para. 2.33 above);
- (e) the CUHK wishes to point out that to align with its commitment to excellence in both teaching and research, and as an internationally acknowledged research university, the CUHK has over the years been recruiting internationally scholars from such top-tier universities in the USA as the University of California Los Angeles, the University of California Berkeley, the University of Chicago, and the Massachusetts Institute of Technology, where there are world-class academics in their respective disciplines. Salaries in these universities are some 10% to 15% higher than the average salary level of doctoral universities in the USA. In fact, the CUHK has been competing with the upper segment of the market salaries of public doctoral universities, instead of the average salaries;
- (f) according to the recruitment statistics of the CUHK in the past five years (1998 to 2002), among the new appointees recruited from overseas, 58% were recruited from North

America. The CUHK has been competing with the most highly-paid group of academics in the international scene for its target appointees;

***Regarding paragraph 2.61(c) above***

- (g) the CUHK takes note of the audit recommendation to develop, in consultation with the UJSC, a mechanism for future annual pay adjustment exercises. If there is such a mechanism, the purpose should not be limited to aligning salaries with the local pay level only. The mechanism should also allow reference to the international pay levels for university staff and ensure a stable funding support to the universities;

***Regarding paragraph 2.61(d) above***

- (h) the CUHK takes note of the audit recommendation for a review of the remuneration package for key management staff of the university. In making any comparison or review, due regard should be given to the specific circumstances and responsibility requirements of the different institutions. For instance, quite a number of “executive” appointments in the CUHK (e.g. Pro-Vice-Chancellors and College Heads) are held by senior teaching staff members on substantive academic appointments with concurrent and additional executive roles for which they are paid a nominal responsibility allowance only;
- (i) the CUHK wishes to reiterate that the comparison made between the salary of a Director of Finance in a university setting and that of the accounting head in the Government is not entirely appropriate. The nature and substance of duties of the Director of Finance in a university are much broader. The job holder has sizeable treasury as well as financial planning functions, including payroll, superannuation and provident fund benefits administration, procurement, investment, catering management and business enterprise development. In view of the complexity in the scope of work for the Directors of Finance in the institutions, the CUHK considers that perhaps a comparison of the pay level of the financial personnel in the private sector rather than that of the Government is more appropriate (see Audit’s comments in the Note in Table 4 of para. 2.59 above). The CUHK notes that, according to a recent report on the pay level of senior staff in the financial services sector, finance directors were paid in the range of \$100,000 to \$250,000 per month, excluding fringe benefits and bonus;

***Regarding paragraph 2.62(a) and (b) above***

- (j) the CUHK is agreeable that a review of the role, functions and membership of the UJSC should be conducted, preferably with input from the institutions;

*Regarding paragraph 2.62(c) above*

- (k) the proposed disclosure of salaries of the top executives should take into account the manner in which some universities manage their operations. For example, in the case of the CUHK, quite a number of “executive” appointments are held by senior teaching staff members on substantive academic appointments. Disclosing salaries of individual professors may create peer pressure and induce leap-frogging of salaries and escalating costs in Hong Kong; and

*Regarding paragraph 2.62(d) above*

- (l) the CUHK welcomes that the UGC clarifies whether the salary scales approved by the FC in June 1996 still apply in the future and any guidelines on the arrangements for topping up of salaries.

2.69 **The President, The Hong Kong Polytechnic University** has also said that:

- (a) regarding paragraph 2.61(d) above, owing to the nature of the position, the Vice-Chancellors/Presidents in some institutions are allocated with special premises to hold official functions that would not be appropriate in an ordinary senior staff quarters setting. Therefore, institutions should be allowed to accommodate their needs according to circumstances, especially when they are supported by non-public funds; and
- (b) regarding paragraphs 2.56 and 2.62(d) above, the UGC has always held the view that university governing bodies should have some flexibility in remunerating their heads of institutions to overcome recruitment/retention difficulties or to provide incentives for performance from non-public funds.

2.70 **The President, City University of Hong Kong** has also said that, regarding paragraph 2.42 above, CityU has taken the following steps to react to the changes in local pay trend:

- (a) in December 2000, CityU Council approved to lower the starting salary of Teaching Assistants from MPS point 16 to point 12. The revised scale is MPS points 12 to 18 to give departments more flexibility in the recruitment of Teaching Assistants to undertake some of the teaching at the fundamental level;

- (b) the Instructor I grade ( MPS points 23 to 33) and the Instructor II grade (MPS points 17 to 22) with starting salaries lower than the Lecturer grade are more often offered to undertake teaching duties; and
- (c) consideration has been given to formulating a set of salary ranges and post titles for non-academic appointments for non-UGC-funded activities, and more desirable titles for UGC-funded posts at a lower salary scale.

2.71 The **President, The Hong Kong University of Science and Technology** has no specific comments beyond those in the joint response of the heads of the institutions in paragraph 2.66 above.

2.72 The **President and Vice-Chancellor, Hong Kong Baptist University** has also said that:

- (a) regarding Audit’s comments in paragraph 2.27 above, he would like to point out that in the early 1990s the institutions had to take up the challenge of conducting a massive international recruitment exercise for academic staff, consequent upon the Government’s policy decision of implementing a fairly rapid expansion of higher education in Hong Kong. It was estimated then that as many as 3,500 academic staff would need to be recruited to join the local higher education workforce between the years of 1990 to 1995;
- (b) regarding Audit’s comments in paragraph 2.43 above, while he agrees that local pay trend is a factor that should be taken into consideration, he has reservation about “going too far” and using that as a determining or predominant factor in setting the new pay structure and pay levels for academic staff in the future. This is because the institutions in Hong Kong will need to continue to recruit internationally. Therefore, the overriding objective of the new pay structure and package must be to maintain the competitiveness of the Hong Kong institutions in not only attracting, but also retaining the best qualified academics from all over the world;
- (c) regarding Audit’s comments on the pay levels of the Directors of Finance in the institutions in paragraphs 2.58 to 2.60 above, he considers that the Directors of Finance should not be so singled out from within the group of senior administrative staff. Furthermore, comparison of these staff with the treasury grade staff in the civil service, without due consideration of the differences in the scope and complexity between the job responsibilities of these two groups of professionals, would not be appropriate (see Audit’s comments in the Note in Table 4 of para. 2.59 above);
- (d) regarding Audit’s recommendation to conduct a comprehensive review of the pay structure in paragraph 2.61(a) above, it will be a natural step for the HKBU Council to

take in the event of a decision to implement delinking from the civil service pay scales. It will then be agreeable to take on board Audit's recommendations in paragraph 2.61(b) and (d). According to the present indications, the HKBU Council is inclined to approve delinking, subject to:

- (i) examination of the implementation details in the pertinent proposal from the Government;
  - (ii) a careful consideration of the benefits derivable from delinking; and
  - (iii) allowing adequate time for due consultations with the staff; and
- (e) regarding paragraph 2.61(c) above, given that the primary purpose of delinking is to provide each institution with as much flexibility as possible to devise pay structures and remuneration packages that can make the best use of its available resources to enhance its competitiveness, there is no obvious need for a mechanism for future pay adjustment exercises.

2.73 **The President, The Hong Kong Institute of Education** has also said that:

- (a) despite offering mainly degree and postgraduate courses, the HKIED operates salary scales for academic staff which are significantly lower than those in the other seven UGC-funded institutions;
- (b) while the seven universities adopt the University Salary Scales to pay their academic and equivalent administrative staff, the HKIED has used the pay structure specifically approved by LegCo since its establishment in 1994. The current HKIED pay structure as approved by LegCo in 1994 is applicable to a publicly-funded sub-degree teaching institution in Hong Kong. This is despite the fact that the HKIED currently has most of its students (56% in 2002-03 and 64% in 2003-04) studying in degree and postgraduate diploma programmes;
- (c) all references to the University Salary Scale, the UJSC, the university pay structure, the professorial salary range, the ranks of professor/reader/university senior lecturer/ university lecturer/university assistant lecturer grades, the clinical teaching staff, and the academic equivalent senior administrative staff in this report are, therefore, not applicable to the HKIED. Any reference made to and comment on "universities" in this report does not include and is not applicable to the HKIED; and

- (d) regarding paragraph 2.61 above, subject to discussions and a consequent decision being made by the HKIED Council on a total delink of the HKIED's current pay structure from the Government's pay scales and conditions, the HKIED would conduct a comprehensive review to formulate an appropriate set of remuneration packages for all its staff. In carrying out such a review, the HKIED would ensure that the new pay structure would include an effective mechanism for future pay adjustments. The HKIED Council will consider making use of the vacant senior staff quarters for staff accommodation if and when the Government should finally decide to stop funding the institutions for offering the Home Financing Scheme and any other forms of housing subsidies to their new staff members.

2.74 **The President, Lingnan University** has also said that:

- (a) regarding paragraph 2.61(a) above, the LU appreciated the needs for a higher level of flexibility and accountability in the management of its financial and human resources and will examine vigilantly the proposal of delinking and the attendant issues;
- (b) regarding paragraph 2.61(b) above, the LU considers that not only the pay package for academic staff should be benchmarked against the salary level for university academic staff internationally, but also that other elements such as relocation and adaptation costs borne by the family and research environment for the individual should be factored into the calculation of the total package for effective staff recruitment and retention, especially for appointees from overseas;
- (c) regarding paragraph 2.61(c) above, salary advancement in the LU has been merit-based and no increment will be given to staff with unsatisfactory performance;
- (d) regarding paragraph 2.61(d) above, over the past few years, the LU has capitalised on various opportunities to review the remuneration packages of the majority of its senior management staff in the light of recent developments in the relevant sectors. On the other hand, the recommendation on the use of senior staff quarters is not an issue to the LU as it does not have any senior staff quarters; and
- (e) regarding paragraph 2.62(c) above, the LU has no objection to the disclosure of pay levels of senior staff by way of salary bands.

## **PART 3: CONTRACT GRATUITY**

3.1 This PART reviews the administration of contract gratuity in the institutions and examines areas where improvements could be made.

### **Background**

3.2 Staff of the institutions are employed mainly on superannuable terms or on contract terms. Staff employed on superannuable terms join a superannuation/provident fund scheme and are provided with an employer's contribution equal to a certain percentage of their basic salary. Regarding staff employed on contract terms, they are paid a gratuity upon satisfactory completion of a contract.

3.3 Government's subvention policy required that the terms and conditions of service of staff in subvented organisations should not be superior to those provided by the Government to comparable grades in the civil service. In accordance with this subvention policy, the institutions basically followed the civil service terms in the provision of contract gratuity for their staff.

### **Civil service terms for the provision of contract gratuity**

3.4 The offer of contract gratuity to civil service agreement staff is determined having regard to the recruitment situations of the grade and the competitiveness of the remuneration package, subject to the gratuity level not being higher than the pension on-cost of civil servants employed on permanent and pensionable terms. Before 1999, the contract gratuity rate offered was any percentage up to 25% of the salary during the contract period. In the light of the market and recruitment situations, the level of contract gratuity for officers recruited on agreement terms to professional grades and the Administrative Officer grade has since been set at 15% of the basic salary. Individual cases where recruitment difficulties remain may continue to be awarded gratuity at a level of up to 25% if fully justified.

3.5 In June 2002, the Civil Service Bureau (CSB) announced in CSB Circular No. 9/2002 that Heads of Department and Heads of Grade might approve contract gratuity levels not exceeding 15% of the basic salary. In this circular, the CSB stated that the following two factors should be taken into account in deciding the contract gratuity levels for individual appointments:

- (a) ***Skill level of the job.*** An office that required a high level of academic attainments, professional and/or specialist skills, or experience might justify a higher level of contract gratuity to attract talents of the necessary calibre; and
- (b) ***Recruitment conditions.*** An office might require a higher level of contract gratuity to attract suitable candidates, if it faced keen competition from other employers in the market for talents of the necessary calibre or when the target pool of candidates was small.



## **Government guidelines on the provision of contract gratuity to staff of subvented organisations**

3.6 In May 1999, the Financial Services and the Treasury Bureau (FSTB) issued guidelines (in Finance Bureau Circular Memorandum No. 10/99) to all Bureau Secretaries and Controlling Officers on the provision of contract gratuity to staff employed by subvented organisations on contract terms. The FSTB guidelines specify that:

- (a) in accordance with the subvention policy, subvented organisations should provide contract gratuity to professional staff employed on gratuity-bearing terms at a level of no more than 15%;
- (b) **in the light of the market situations, for non-professional and supporting staff, the level of contract gratuity should normally be pitched at no more than 10%;**
- (c) these gratuity levels should apply to new appointments with immediate effect;
- (d) for renewal of existing contracts, in line with the civil service practice, subvented organisations may continue to offer the level of contract gratuity as in the previous contract, subject to the condition that it does not exceed 25% of the total basic salary during the contract period; and
- (e) where Controlling Officers support individual cases of appointment in subvented organisations providing contract gratuity at a level higher than the prescribed levels, they should seek the FSTB's prior agreement in the light of the financial implications involved.

3.7 In July 1999, the Secretary-General, UGC issued a letter to all institutions, advising them that the Government had adjusted the level of contract gratuity for officers recently recruited on agreement terms. A copy of the Finance Bureau Circular Memorandum No. 10/99 was attached to the letter for reference by the institutions.

### **Audit observations on contract gratuity**

3.8 **Audit conducted a review on all first-time new employment contracts awarded by the institutions during the period May 1999 to October 2002.** Audit found that 1,032 of them did not follow the FSTB guidelines on the provision of contract gratuity, which require that the level of contract gratuity for non-professional and supporting staff should be pitched at no more than 10% of their basic salary (see para. 3.6(b) above). In these non-compliance cases, the employees concerned were general administrative and support staff, all with pay points below MPS point 34 (i.e. equivalent to non-professional grade staff in the civil service). All these employees were awarded a gratuity of 15% of their basic salary after the FSTB guidelines were issued in May 1999. Details of these cases are summarised in Table 5 below.

Table 5

**Provision of contract gratuity at 15% of basic salary  
for newly employed general administrative and support staff  
from May 1999 to October 2002**

Institution	Number of contracts (Note 1)	Gratuities paid during the period (Note 2) (\$'000)	Gratuities payable as at 31 October 2002 (Note 2) (\$'000)	Additional gratuities paid during the period (Note 3) (\$'000)	Additional gratuities payable as at 31 October 2002 (Note 4) (\$'000)
CUHK	367	6,229	5,937	2,076	1,979
HKU	305	5,712	6,521	1,904	2,174
PolyU	172	3,944	3,567	1,315	1,189
HKIEd	125	2,426	3,387	809	1,129
LU	56	1,209	1,080	403	360
HKBU	7	330	15	110	5
HKUST	0	0	0	0	0
CityU	0	0	0	0	0
<b>Total</b>	<b><u>1,032</u></b>	<b><u>19,850</u></b>	<b><u>20,507</u></b>	<b><u>6,617</u></b>	<b><u>6,836</u></b>

Source: Information provided by the institutions

Note 1: Only first-time new employment contracts awarded at a gratuity rate of 15% to general administrative and support staff with all the pay points below MPS point 34 by the institutions from May 1999 to October 2002 are included. Those employment contracts wholly funded by private funds are excluded.

Note 2: The amount of gratuities paid/payable (i.e. 15% of the basic salaries) included the employers' contributions to the Mandatory Provident Fund Scheme for the appointees concerned.

Note 3: The additional amount of gratuities paid is equal to the difference between the gratuities paid (at 15% of basic salaries) during the period from May 1999 to October 2002, and the gratuities that should have been paid if the gratuity rate had been set at 10% in accordance with the relevant FSTB guidelines.

Note 4: The additional amount of gratuities payable is equal to the difference between the gratuities accrued but not paid as at 31 October 2002, and the gratuities that should have been accrued if the gratuity rate had been set at 10% in accordance with the relevant FSTB guidelines.

3.9 As shown in Table 5 above, if the gratuity rate had been set at 10% for all general administrative and support staff (with pay points below MPS point 34) employed on contract terms in accordance with the FSTB guidelines issued in May 1999, the total amount of gratuities paid would have been reduced by about \$6.6 million. Similarly, the amount of gratuities payable as at 31 October 2002 would also have been reduced by about \$6.8 million. The total savings could amount to \$13.4 million.

3.10 **The provision of contract gratuity at a rate of 15% of basic salary for general administrative and support staff (with pay points below MPS point 34) newly employed on contract terms was not in compliance with the FSTB guidelines issued in May 1999. Audit considers that, based on the current employment market situations, the institutions need to critically re-examine the justifications for offering non-professional and supporting staff contract gratuities at a level of 15% of their basic salaries, instead of 10% as stipulated in the FSTB guidelines.**

### **Audit recommendations on contract gratuity**

3.11 **Audit has recommended that the governing body of each institution should:**

- (a) **before the establishment of a new remuneration system under the government initiative to delink the university pay from the civil service pay, ensure that the relevant FSTB guidelines are followed for the provision of contract gratuity, i.e. at a rate of no more than 10% of the basic salary for the award of new contracts, as well as for the renewal of contracts, for the general administrative and support staff (see para. 3.10 above); and**
- (b) **in developing a new remuneration system for its institution, critically review the scope for reducing the contract gratuity rate for their staff, in the light of the current employment market situations (see para. 3.10 above).**

### **Response from the Administration and the institutions**

3.12 The **Secretary for Education and Manpower** has said that he agrees with Audit's recommendations on contract gratuity (see para. 3.11 above).

3.13 The **Secretary for Financial Services and the Treasury** has said that, following the decision of the Chief Executive in Council to remove the subvention guideline premised upon the "no better than" principle, he will promulgate the removal of the relevant FSTB guidelines on contract gratuity for subvented staff.

3.14 The **Secretary-General, University Grants Committee** has said that the UGC envisages that under a delinked environment, the institutions are free to devise their remuneration packages to suit the employment market situations. In the interim, the institutions should observe the FSTB guidelines, subject to legal and contractual obligations being met.

3.15 The **Vice-Chancellor, The University of Hong Kong** agrees with the audit recommendations on contract gratuity. He has said that:

- (a) the retention of the 15% contract gratuity rate for the majority of the appointees employed on fixed-term contracts on a salary below MPS 34, notwithstanding the FSTB guidelines in May 1999, is to maintain parity with the HKU's contributions to retirement benefits of appointees on substantive terms and the majority of local institutions in terms of recruiting and retaining the best appointees;
- (b) he agrees with the audit recommendation in paragraph 3.11(a) above, in spite of the Government's proposal of delinking institutional pay from the civil service salary scales from 1 July 2003 (which would allow institutions, including the HKU, to set their own terms and conditions of service). With immediate effect, the HKU has reduced the contract gratuity rate to 10% in normal conditions during the interim period; and
- (c) regarding the audit recommendation in paragraph 3.11(b) above, the HKU agrees that the review of the contract gratuity rate for different types of contracts will be among the areas to be considered, should the Government's delinking proposal from the civil service be accepted by LegCo (which will result in the HKU requiring to establish its own system to determine pay and conditions). Factors such as market conditions, the need to recruit and retain the best appointees (in particular the best scholars), and the HKU's financial and operating positions will be fully considered. As recommended by the recent review of governance and management of the HKU, there will be a need to set up a remuneration committee and to appoint a professional Director of Human Resources with appropriate qualifications and experience. Their major tasks will be to look at the status quo and how to set up new systems and processes in a deregulated environment.

3.16 The **Vice-Chancellor, The Chinese University of Hong Kong** has said that he appreciates Audit's advice to review the scope for reducing the contract gratuity rate for the CUHK staff, in the light of the current employment market situations. He has also said that:

- (a) in 1999 when the UGC referred the FSTB guidelines on contract gratuity to the institutions for reference, the CUHK did not implement the revised gratuity rate

immediately. At that time, the CUHK noted that there were going to be more changes in the civil service terms and benefits, and therefore decided to wait for the Government's decision on such revisions in order to implement all changes in one go to avoid multiple sets of terms for staff joining at different times of the year;

- (b) since 1 January 2003, the CUHK has reduced the rate of contract gratuity to 10% for Terms of Service (B) and equivalent staff. The revised rate applies not only to those who are not on "professional" rank, but also those "professional" staff below MPS point 34;
- (c) a flexible arrangement is already in place in the self-financing units of the CUHK, where the gratuity provision is based not purely on the length of service, but a portion of which is performance-linked and will be released to good performers only; and
- (d) the CUHK will conduct continuous review on the subject.

3.17 **The President, The Hong Kong Polytechnic University** has said that:

- (a) it has been the PolyU's policy to appoint all non-professional and supporting staff on superannuable terms of service with 15% employer contribution. This category of staff was only appointed on contract terms with an end-of-contract gratuity as a transitional arrangement in response to retirement funding issues and budgetary uncertainties. In view of the then impending civil service reforms of the terms and conditions of service which might have some bearing on the university remuneration package, the level of gratuity was retained at 15% to maintain parity with sister institutions; and
- (b) nonetheless, the PolyU will critically review the level of contract gratuity in conjunction with the impending review of the remuneration package.

3.18 **The President, City University of Hong Kong** has said that the current gratuity rates for different categories of staff in CityU are already in line with the FSTB's guidelines.

3.19 **The President, The Hong Kong University of Science and Technology** has said that he has no specific comments on contract gratuity.

3.20 The **President and Vice-Chancellor, Hong Kong Baptist University** has said that he has no difficulty with accepting Audit's recommendations in paragraph 3.11 above, since the HKBU is already practising what are being recommended therein. He has also said that:

- (a) the HKBU had actually taken the initiative to reduce the gratuity for non-professional and support staff to 10% in January 1999; and
- (b) in devising the new pay packages upon delinking, he does not envisage a departure from the current practices, unless in some cases (expected to be few) market force considerations could justify making exceptions.

3.21 The **President, The Hong Kong Institute of Education** has said that the HKIED Council has already approved changing the rate of gratuity for non-academic staff remunerated at MPS point 33 and below to 10% of their basic salary. The change will apply to all such new staff effective 1 April 2003 as well as to all such serving staff upon their contract renewal from 1 September 2003 (see para. 3.11 above).

3.22 The **President, Lingnan University** has said that regarding paragraph 3.11(a) and (b) above, the LU is in the course of reviewing its staffing systems and the gratuity arrangements for all staff will be revisited.

## **PART 4: ADMINISTRATION OF LEAVE**

4.1 This PART reviews the administration of leave in the institutions and examines areas where improvements could be made.

### **Background**

4.2 Except for salaries (see PART 2), the terms and conditions of service for staff of the institutions do not need to be formally approved by the Government. However, in accordance with the UGC Notes on Procedures, the terms and conditions of service of the staff of the institutions were subject to the guiding principle that they should be broadly comparable to, and no better than the civil service terms.

### **Leave entitlements**

4.3 Staff of the institutions are entitled to annual leave, including other types of leave with an annual entitlement. These are referred to as vacation leave, long leave, short leave and casual leave in different institutions. Hereinafter, they are collectively referred to as annual leave in this report. The annual leave entitlements under the terms and conditions of employment mainly depend on:

- (a) the categories to which the staff belong (see Table 1 in para. 2.2 above); and
- (b) the time of the offer of appointment.

Appendices I to P summarise the leave entitlements of staff in the eight institutions (i.e. CityU, HKBU, LU, CUHK, HKIEd, PolyU, HKUST and HKU) for different staff categories at different times of the offer of appointment.

## **Audit observations on the administration of leave**

### **Leave entitlements of some university staff are better than those of the comparable staff of the civil service**

4.4 As mentioned in paragraphs 2.18(b) and 2.19(c) above, the leave entitlements for new recruits of the institutions are currently in line with the new civil service fringe benefits package introduced since June 2000. For new recruits of non-clinical academic staff and equivalent senior administrative staff of the institutions, their leave entitlements are the same as those for the comparable staff on the DPS of the civil service, as follows:

(a) 22 working days for appointees with less than ten years of service; and

(b) 26 working days for appointees with ten years of service or more.

4.5 However, for those serving non-clinical academic and equivalent senior administrative staff who joined the institutions before the revisions of leave schemes (in the 1990s to early 2000s — see Appendices I to P), they are still entitled to much better leave benefits, and their total leave entitlements are better than the comparable staff of the civil service. This is particularly the case for the “older” universities in Hong Kong (i.e. HKU and CUHK).

**4.6 As at 30 June 2002, there were 3,962 staff who were still entitled to such better leave benefits, representing about 54% of the total number of academic and equivalent senior administrative staff in the institutions.**

4.7 Audit has made a comparison of the annual leave entitlements of non-clinical academic and equivalent senior administrative staff, who joined the eight institutions before the revisions of the leave schemes mentioned in paragraph 4.5 above, with those of comparable grades in the civil service. To ensure that the different annual leave entitlements of the institutions and the civil service can be compared on a like-with-like basis, all annual leave entitlements are expressed in terms of the number of working days (instead of calendar days), assuming that all such annual leave entitlements are taken within the year concerned. For directorate officers below D4 (see Note 1 in Table 6 below) who joined the civil service before June 2000, the leave earning rates for each 12-month cycle are 40.5 days (for officers with ten years of service or more) or 31 days (for



officers with less than ten years of service). As such leave days are not leave earning, the leave entitlements earned in a year, assuming that all such leave entitlements are taken within the year (which is the practice commonly adopted by the institutions), are 36.5 days or 28.5 days respectively. On this basis, subject to the “12-day rule” of the civil service (Note 24) which governs the counting of leave days, the annual leave entitlements of civil servants on the DPS are:

- (a) 28.5 to 36.5 working days for directorate officers below D4 with ten years of service or more; and
- (b) 22.5 to 28.5 working days for directorate officers below D4 with less than ten years of service.

Table 6 below summarises the results of the comparison.

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**Note 24:** *The 12-day rule of the civil service works as follows:*

- (a) *for leave of 12 days or less, it may be taken in half-day units and will be counted on a working day basis (i.e. intervening public holidays, Sundays, Saturday afternoons and off-duty Saturday mornings are not counted); and*
- (b) *for leave of more than 12 days, it will be counted in whole days on a calendar day basis (i.e. intervening public holidays, Sundays, Saturday afternoons and off-duty Saturday mornings are counted).*

*For example, the annual leave entitlements of an officer below D4 with ten years of service or more will be 36.5 working days (if he takes all such leave with each leave period of 12 days or less) or 28.5 working days (if he takes such leave with each leave period of more than 12 days). Therefore, his actual annual leave entitlements will be in the range of 28.5 to 36.5 working days, depending on how he takes his annual leave.*

**Table 6**

**Comparison of the annual leave entitlements of non-clinical academic and equivalent senior administrative staff (who joined the institutions before the reduction of leave entitlements) with those of comparable grades in the civil service**

		<b>Date of appointment</b>	<b>Annual leave entitlements (working days)</b>	
<b>Government:</b>		Before June 2000	<b>22.5 to 36.5</b> (Note 1)	
<b>Institutions:</b>			<b>Non-clinical academic staff</b>	<b>Equivalent senior administrative staff</b>
<b>HKU</b>	(see Appendix P)	Before March 1995	<b>62</b> (Note 2)	55
<b>CUHK</b>	(see Appendix L)	Before May 1997	55	55
<b>LU</b>	(see Appendix K)	Before July 2001	49	49/35 (Note 3)
<b>PolyU</b>	(see Appendix N)	Before July 1995	47	47
<b>HKBU</b>	(see Appendix J)	Before January 2002	47	47
<b>CityU</b>	(see Appendix I)	Before July 1993	47	47
<b>HKUST</b>	(see Appendix O)	Before September 2001	<b>45</b>	<b>45</b>
<b>HKIEd</b>	(see Appendix M)	Before April 2002	<b>36</b>	<b>22/28/36</b> (Note 4)

Source: Government's records and the institutions' records

Note 1: As at 1 November 2002, there were 20 non-clinical academic staff and equivalent senior administrative staff, whose salaries were equivalent to or more than those of the D4 staff of the civil service. These 20 staff represented only 0.5% of the total of 3,962 staff who joined the institutions before the reduction of leave entitlements (see para. 4.6 above). Since almost all (i.e. 99.5%) of the 3,962 staff concerned were comparable to directorate officers below D4, only the annual leave entitlements of these staff below D4 were compared with the annual leave entitlements of their civil service counterparts (i.e. 22.5 to 36.5 working days — see para. 4.7 above).

Note 2: The leave entitlements include designated vacations (totalled 62 working days in 2002) as set out in the HKU Staff Manual, as well as the long leave entitlements of 41 working days. As set out in the HKU Staff Manual, long leave may be taken at any time, but it must include the summer vacations of July and August (which are included in the leave days of designated vacations). Untaken long leave can be accumulated to a maximum of 365 days and may be encashed on resignation or retirement. In this comparison, all annual leave entitlements are assumed to be taken within the year (see para. 4.7 above) and therefore the long leave entitlements of 41 working days are subsumed in the designated vacations of 62 working days.

Note 3: Senior administrative staff appointed under the Directorate Scale or Professorial Range are entitled to 49 days' annual leave. The other senior administrative staff are provided with only 35 days.

Note 4: For staff on or below D1, the leave entitlements are 22 working days (for those with less than ten years of service) and 28 working days (for those with ten years of service or more). For staff above D1, the leave entitlements are 36 working days.

4.8 Table 6 above shows that, in general, the leave entitlements for non-clinical academic staff and equivalent senior administrative staff who were appointed to the institutions (except HKIEd) before the reduction of leave entitlements are higher, by 23% to 176% (Note 25), than the comparable directorate officers in the civil service.

4.9 **Audit considers that, as far as the leave benefits of the institutions were concerned, the 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 are currently still entitled to leave benefits which are better than those of the comparable staff in the civil service.**

#### **Leave entitlements for some university staff appear excessive**

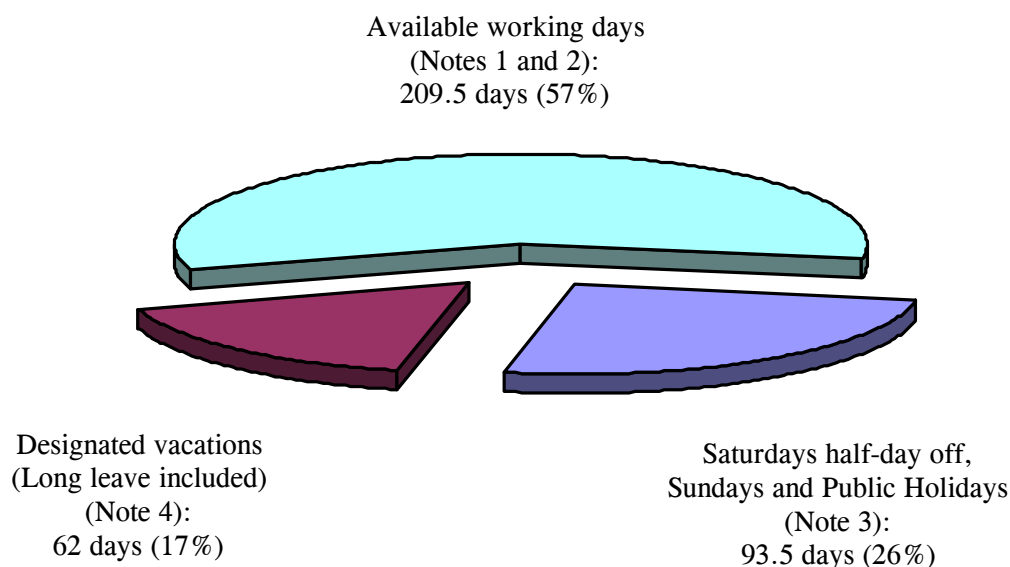
4.10 As noted in Table 6 above, the leave entitlements for some staff in the HKU, notably the non-clinical academic staff appointed before 25 April 1996, are the most generous among the institutions. These non-clinical teachers in the HKU are entitled to 62 days of annual leave (including designated vacations/long leave). Figure 4 below shows the leave entitlements of these HKU non-clinical academic staff in 2002, and their available working days in that year.

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**Note 25:** *As shown in Table 6 above, the largest difference in leave entitlements between the institutions and the civil service is 176% (i.e.  $[62 - 22.5] \div 22.5$ ). The smallest difference is 23% (i.e.  $[45 - 36.5] \div 36.5$ ).*

**Figure 4**

**Available working days and leave entitlements in 2002 for non-clinical academic staff who joined the HKU before 25 April 1996**



Source: HKU's records

Note 1: The total leave entitlements for non-clinical academic staff in 2002 were:

$$93.5 \text{ days} + 62 \text{ days} = 155.5 \text{ days.}$$

Note 2: The number of available working days is 209.5 days (i.e. 365 days – 155.5 days).

Note 3: In 2002, there were 52 Sundays, 17 days of public holidays, and 49 working Saturdays (or 24.5 days off). There were a total of 93.5 days of leave (i.e. 52 + 17 + 24.5).

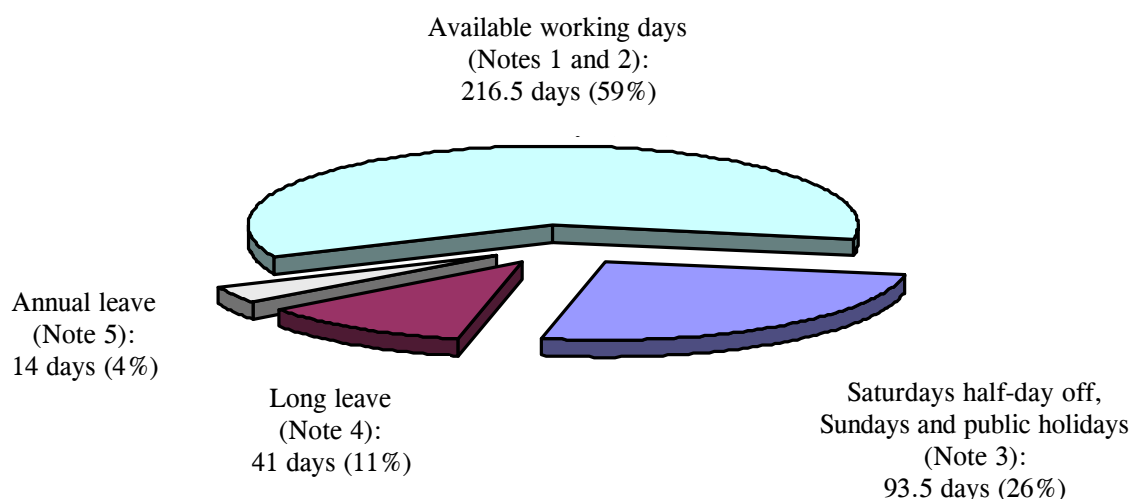
Note 4: The designated vacations, as set out in the HKU Staff Manual are 20 December to 1 January, 23 April to 30 April, and 1 July to 31 August (i.e. 62 working days in 2002). The long leave of 41 working days (see Note 2 in Table 6 of para. 4.7 above) is deemed to be included in the leave days of designated vacations. Therefore, these staff are entitled to a total leave of 62 working days each year.

4.11 In order to take all the entitled leave in a year, non-clinical academic staff who joined the HKU before 25 April 1996 have to be off duty for 43% (i.e. 100% – 57%, as shown in Figure 4 above) of the days in a year, taking into account Saturdays (half-day off), Sundays, public holidays and designated vacations. As at 30 June 2002, there were 288 non-clinical academic staff who were still entitled to such better leave benefits.

4.12 Regarding senior administrative staff who joined the HKU before March 1995, Figure 5 below shows their leave entitlements in 2002, and their available working days in that year.

**Figure 5**

**Available working days and leave entitlements in 2002 for senior administrative staff who joined the HKU before March 1995**



*Source: HKU's records*

*Note 1: The total leave entitlements for senior administrative staff in 2002 comprised:*

$$93.5 \text{ days} + 41 \text{ days} + 14 \text{ days} = 148.5 \text{ days.}$$

*Note 2: The number of available working days amounted to 216.5 days (i.e. 365 days – 148.5 days).*

*Note 3: In 2002, there were 52 Sundays, 17 days of public holidays, and 49 working Saturdays (or 24.5 days off). There were a total of 93.5 days of leave (i.e. 52 + 17 + 24.5).*

*Note 4: Long leave is earned at a rate of one-sixth of the leave earning service. On the assumption that a senior administrative staff takes all his annual leave entitlements in a year (which is the practice commonly adopted by the institutions), he will earn long leave of 52 calendar days (365 days ÷ (1 + 6)) each year. By applying the factor of 0.786 (i.e. 5.5 ÷ 7, based on 5.5 working days per week), 52 calendar days are converted into 41 (i.e. 52 × 0.786) working days.*

*Note 5: Senior administrative staff who joined HKU before March 1995 are entitled to 14 days of annual leave.*

4.13 Figure 5 above shows that, taking into account Saturdays (half-day off), Sundays and public holidays, senior administrative staff who joined the HKU before March 1995 are entitled to be off duty for 41% (i.e. 100% – 59%, as shown in Figure 5 above) of the days in a year. As at 30 June 2002, there were 118 senior administrative staff who were still entitled to such better leave benefits.

4.14 Based on the above analyses, it appears that the leave benefits of non-clinical academic staff and senior administrative staff, before the reduction of leave entitlements in the HKU are excessive. Audit analysed the long leave taken by eligible staff in the HKU in the past three years. The results of Audit's analysis are summarised in Table 7 below.

**Table 7**  
**Analysis of long leave taken by eligible staff in the HKU**  
**during 1999-2000 to 2001-02**

	1999-2000		2000-01		2001-02	
	Number of staff	Percentage	Number of staff	Percentage	Number of staff	Percentage
0 day	153	36%	134	32%	151	36%
1 – 10 days	71	17%	78	18%	69	16%
11 – 20 days	38	9%	49	12%	51	12%
21 – 30 days	21	5%	29	7%	34	8%
31 – 60 days	66	15%	66	15%	66	15%
More than 60 days	76	18%	69	16%	54	13%
<b>Total</b>	<b><u>425</u></b>	<b><u>100%</u></b>	<b><u>425</u></b>	<b><u>100%</u></b>	<b><u>425</u></b>	<b><u>100%</u></b>

Source: HKU's records

4.15 Table 7 above shows that most of the eligible staff in the HKU did not take all their annual long leave entitlements. In the past three years, the majority of the eligible staff (about 70% on average) took 30 days of long leave or less each year. Furthermore, many eligible staff (about one-third on average) did not take any long leave at all in a year.

4.16 Given the generous leave entitlements, many non-clinical academic staff and equivalent senior administrative staff have accumulated considerable untaken leave. As these staff may encash their untaken leave when they leave the university, the total accumulated untaken leave represents a large financial liability of the university. Audit analysed the untaken long leave accumulated by eligible staff and the amount of leave encashment payable on the assumption that the staff concerned would leave the HKU after 30 June 2002. The results of Audit's analysis are summarised in Table 8 below.

**Table 8**

**Analysis of accumulated untaken long leave  
of eligible staff in the HKU as at 30 June 2002**

	365 days		301 to 364 days		201 to 300 days		200 days or less		Total	
	Number of staff	Amount (Note) (\$'000)	Number of staff	Amount (Note) (\$'000)	Number of staff	Amount (Note) (\$'000)	Number of staff	Amount (Note) (\$'000)	Number of staff	Amount (Note) (\$'000)
<b>Academic staff</b>										
Professor	10	17,544	11	17,387	2	2,002	7	4,602	30	41,535
Reader	13	18,422	12	17,330	9	9,069	9	4,048	43	48,869
Senior Lecturer	14	20,858	20	26,454	18	17,602	25	10,093	77	75,007
Lecturer	40	44,731	34	35,611	38	28,813	45	14,657	157	123,812
	<u>77</u>	<u>101,555</u>	<u>77</u>	<u>96,782</u>	<u>67</u>	<u>57,486</u>	<u>86</u>	<u>33,400</u>	<u>307</u>	<u>289,223</u>
<b>Senior administrative staff</b>	31	34,401	49	48,681	21	16,000	17	5,213	118	104,295
<b>Total</b>	<u>108</u>	<u>135,956</u>	<u>126</u>	<u>145,463</u>	<u>88</u>	<u>73,486</u>	<u>103</u>	<u>38,613</u>	<u>425</u>	<u>393,518</u>
	(25%)	(34%)	(30%)	(37%)	(21%)	(19%)	(24%)	(10%)	(100%)	(100%)

Source: HKU's records

Note: This is the amount of leave encashment payable on the assumption that the staff concerned might leave the HKU after 30 June 2002

4.17 Table 8 above shows that of the 425 eligible staff in the HKU, 234 (i.e. 108 + 126) staff, representing more than half (or 55%) of the eligible staff, had accumulated over 300 days untaken long leave as at 30 June 2002. The financial liability of the HKU for the encashment of the total accumulated untaken leave as at 30 June 2002 amounted to about \$394 million. In fact, a provision of \$390 million was made for the payment of staff leave entitlements in the balance sheet of the HKU as at 30 June 2002. Other institutions also made similar provisions in their financial statements (Note 26).

4.18 **Audit considers that the accumulation of such a large amount of untaken leave is mainly due to the excessive leave entitlements previously granted by the HKU to academic staff appointed before 25 April 1996 and equivalent senior administrative staff appointed before March 1995.** The HKU Council noted that, when the new annual leave scheme for teachers was introduced in April 1996, the accumulation of large amount of untaken leave by the staff would have detrimental effects on the academic process, as the cost of paying for untaken leave on resignation could only be met by freezing other posts, which would put pressure on the staffing level.

4.19 For staff planning purposes, the leave entitlements of teaching staff need to be taken into account in the calculation of the total number of teaching staff required in the HKU. **In view of the generous leave entitlements previously granted to staff of the HKU as mentioned above, additional teaching staff are needed to meet the teaching and research work requirements. Audit considers that there is a need for the HKU to conduct a review to:**

- (a) **critically assess the impact of the excessive leave entitlements of some of its staff on the overall staffing need, and on the HKU's long-term financial position; and**

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**Note 26:** *Provisions for the payment of staff leave entitlements as at 30 June 2002 for the institutions were as follows:*

	(\$ million)
<i>CUHK</i>	420
<i>HKU</i>	390
<i>PolyU</i>	279
<i>CityU</i>	150
<i>HKUST</i>	32
<i>LU</i>	6
<i>HKBU</i>	0
<i>HKIEd</i>	0
<b>Total</b>	<u><u>1,277</u></u>



- (b) **take more effective measures to address the problems associated with such excessive leave entitlements.**

Similarly, other universities (all institutions except HKIEd), which have old leave benefits more favourable than the civil service terms (see Table 6 in para. 4.7 above), also need to conduct such a review.

#### **Background to the generous leave entitlements of senior administrative staff**

4.20 The policy of the generous leave entitlements for university staff was established many years ago when the HKU was the only university in Hong Kong. **As stated in the HKU Council paper of December 1993, the policy of long leave entitlements was established in the olden days to accommodate a journey to the UK taking several weeks by sea, and was not consistent with the university's need to promote a modern image.** Therefore, the HKU revised the leave scheme for non-teachers in March 1995 and for teachers in April 1996 (see Appendix P). However, the leave entitlements of the serving staff have remained unaffected. As at 30 June 2002, there were still 425 staff (see Table 8 in para. 4.16 above) in the HKU who were entitled to the old generous leave terms.

4.21 **The generous leave terms were extended to senior administrative staff. Other universities had also adopted this archaic practice until a few years ago.**

#### **Leave encashment**

4.22 To address the problems associated with the excessive leave entitlements of staff, five of the institutions (i.e. HKU, CUHK, HKUST, PolyU and CityU) implemented leave encashment schemes in the form of either a recurrent or a one-off exercise.

4.23 ***Recurrent leave encashment exercise.* Three universities (i.e. CUHK, PolyU and CityU) implemented recurrent leave encashment exercises to allow eligible staff to encash, on an annual basis, their untaken leave balance up to a maximum of 30 days, as follows:**

- (a) ***CUHK.*** In the CUHK, recurrent leave encashment is an entitlement for those academic and equivalent senior administrative staff who were appointed during the period 1 January 1990 to 31 December 1997 under the 1990 Long Leave Scheme. As at 30 June 2002, there were 451 staff in this scheme. The leave encashment payment made in 2001-02 was \$42 million. The total leave encashment payment made in the past five years from 1997-98 to 2001-02 amounted to \$220 million;

- (b) **PolyU.** The leave encashment scheme in the PolyU was first implemented in June 1998 as a one-off exercise. However, it has become a regular exercise (see para. 4.24(d) below). In the past five years from 1997-98 to 2001-02, there were a total of 319 applications for leave encashment and the total leave encashment payment made during the period amounted to \$23 million; and
- (c) **CityU.** The recurrent leave encashment scheme in CityU was first implemented in June 1996 to provide more flexibility for department heads to encash the leave days which the academic and equivalent senior administrative staff could not clear due to staffing requirements. This recurrent exercise ceased in 2001 with the implementation of a one-off leave encashment exercise in the same year (see para. 4.24(e) below). In the past five years from 1997-98 to 2001-02, there were a total of 503 applications for recurrent leave encashment. Total leave encashment payment made during the period amounted to \$30 million.

4.24 **One-off leave encashment exercise.** Five institutions (i.e. HKU, CUHK, HKUST, PolyU and CityU) had implemented one-off leave encashment exercises, as follows:

- (a) **HKU.** In June 2000, the HKU Council approved a Long Leave Encashment Scheme for all UGC-funded staff who were eligible for long leave. Under the scheme, eligible staff were permitted to encash untaken long leave up to the maximum of 365 days. After opting for long leave encashment, the staff concerned would no longer be entitled to long leave and consequentially the new annual leave schemes (introduced in 1995 or 1996) would apply to them. Of the 587 eligible staff, only 144 (or 25%) opted for encashment. They encashed 47,288 days of untaken leave. The encashment payment was \$157 million (or about \$1.1 million per staff). In 2002, the HKU Council approved another similar long leave encashment scheme. Under the 2002 scheme, the new 2002 annual leave scheme (see Appendix P) would apply to those staff who opted for long leave encashment. Of the remaining 425 staff (see Table 8 in para. 4.16 above) who were eligible for long leave as at 30 June 2002, only 37 staff (or 9%) opted for leave encashment. The encashment payment was \$44 million (or about \$1.2 million per staff). After the encashment, 388 staff still remained eligible for long leave;
- (b) **CUHK.** Upon the implementation of the new 2002 Annual Leave Scheme (see Appendix L) for the academic and equivalent senior administrative staff, the CUHK offered a one-off option to the serving staff to convert to the new leave scheme. For those staff who opted to switch to the new scheme, their accrued long leave was crystallised and paid off. Of the 268 staff who were eligible for long leave as at 30 June 2002, only 36 staff (or 13%) opted for leave encashment, involving 10,404 days of untaken leave and encashment payment of \$38 million (or about \$1.1 million per staff);

- (c) **HKUST.** In late 2001, the HKUST Council approved a one-off payment-in-lieu of leave accumulated prior to the application of the new regulations on the accumulation of annual leave (see Appendix O). The new regulations, which took effect on 1 September 2001, provide that, for all terms of service, a maximum of 14 days may be deferred to be taken in the following leave year. No payment in lieu will be made for any untaken leave, except on cessation of employment. As a result of the change, eligible staff were offered options to dispense with the permitted leave balance accumulated by either choosing a one-off payment-in-lieu for the accumulated leave, or clearance of the leave balance within two years (for accumulated leave balance of 28 days or less) or four years (for accumulated leave balance of more than 28 days). Of the 1,897 eligible staff, 1,626 staff (or 86%) opted for leave encashment. The encashment payment was \$90 million;
- (d) **PolyU.** In June 1998, the Executive Committee of the PolyU Council approved the implementation of a one-off leave encashment scheme in 1997-98. Under the scheme, academic and equivalent senior administrative staff were offered to encash their vacation leave accrued. The maximum amount of vacation leave to be encashed was equivalent to one month's basic salary. In 1997-98, 171 staff took leave encashment, amounting to \$12 million. The scheme was only intended to apply to those staff who had been unable to clear their entitled leave due to specific staffing requirements. The department heads in the PolyU were required to apply this criterion rigidly and to ensure that, through appropriate planning with staff, accumulation of excess leave would not occur in the future. Despite the fact that the leave encashment scheme was intended to be a one-off exercise in 1997-98, it turned out that the scheme has been implemented annually, since then (see para. 4.23(b) above); and
- (e) **CityU.** As mentioned in paragraph 4.23(c) above, in June 2001 CityU implemented a one-off leave encashment exercise, upon cessation of its recurrent leave encashment scheme introduced in 1996. The maximum number of days that could be encashed were 60 days for academic and equivalent senior administrative staff, 21 days for general grade and minor grade staff, and 23 days for tutors and senior tutors. A total of 1,538 staff, representing 70% of the eligible staff, were granted leave encashment. The encashment payment amounted to \$82 million.

4.25 Audit recognises that the institutions have taken some positive measures to address the problems associated with the excessive leave entitlements previously granted to their staff, including:

- (a) the revisions of leave schemes (since the 1990s for the eight institutions) to reduce the leave entitlements of new appointees; and
- (b) the various leave encashment schemes (see paras. 4.22 to 4.24 above).

4.26 As mentioned in paragraphs 4.4 and 4.5 above, the leave entitlements for all new recruits of institutions are currently the same as those for staff of comparable grades in the civil service. However, as revisions of the leave schemes did not apply to serving staff, the generous leave entitlements of serving staff were unaffected. Therefore, the problems associated with the excessive leave entitlements have remained unresolved.

4.27 Some institutions have relied on the recurrent leave encashment schemes to clear the untaken leave of staff (see para. 4.23 above). **The recurrent encashment of untaken leave has imposed a heavy financial burden on the institutions concerned, especially at times of financial stringency. Audit considers that the recurrent encashment of leave would constitute an enhanced benefit for the staff concerned, which resulted in better terms and conditions of service compared with those of the comparable staff in the civil service. This was in contravention of the Government's subvention policy. According to the UGC Notes on Procedures, institutions should seek the UGC's advice on any questions on the comparability of staff's terms and conditions with those of the civil service. There is a need for the institutions to critically consider whether any recurrent leave encashment should be implemented in the future.**

4.28 The attempts of the HKU and the CUHK to "buy back" (by long leave encashment) the over-generous leave entitlements of serving staff were also not very successful (see para. 4.24(a) and (b) above). Only a small percentage of the HKU/CUHK staff were willing to switch to the much less favourable new leave schemes in return for the encashment of their accumulated untaken leave. **Besides, similar to the case for the recurrent encashment of untaken leave, such one-off leave encashment also constituted an enhanced benefit for the staff concerned (see para. 4.27 above). Therefore, it would have been necessary for the institutions to seek the UGC's advice on the comparability of staff's terms and conditions with those of the civil service.** As mentioned in paragraph 4.24(a) above, after the 2002 leave encashment exercise in the HKU, there were 388 HKU staff who were still entitled to the old generous leave terms. According to the HKU's analysis, about 55% of the staff eligible for such better leave entitlements will continue to remain in service for over ten years. **It appears that, unless more effective measures are taken, the problems associated with the excessive leave entitlements will probably remain unresolved in the next ten years. Audit considers that there is a need for the HKU to take more effective measures to address the problems of excessive leave entitlements of its staff.**

4.29 As mentioned in paragraph 4.24(c) above, the HKUST has succeeded in implementing, by way of a one-off leave encashment exercise, new regulations on the accumulation of annual leave, which provide that, for all terms of service, a maximum of 14 days may be deferred to be taken in the following leave year and no payment in lieu will be made for any untaken leave, except on cessation of employment. **Audit considers that there is a need for other institutions to explore the possibility of implementing measures similar to those taken by the HKUST on the accumulation of annual leave. Institutions should also explore other ways and means of**

reducing the accumulation of untaken long leave, for example by better management of staff vacation leave plans.

### **Audit recommendations on the administration of leave**

4.30 **Audit has *recommended* 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 the overall staffing needs of the institutions (see para. 4.19(a) above);**
- (b) **take more effective measures to address the problems associated with such excessive leave entitlements (such as adopting methods similar to the one used to deal with the pay reduction in 2002, i.e. seeking the consent of the staff concerned to accept a revised leave scheme) with a view to urging the staff concerned to switch to more realistic new leave terms (see para. 4.19(b) above);**
- (c) **seek the UGC's advice before implementing any leave encashment scheme (recurrent or one-off scheme), having regard to the comparability of staff's terms and conditions of service with those of the civil service (see paras. 4.27 and 4.28 above);**
- (d) **critically consider whether any recurrent leave encashment scheme should be implemented in the future, having regard to the fact that such leave encashment would constitute an enhanced benefit for the staff concerned, resulting in better terms and conditions of service compared with those of the comparable staff in the civil service (see para. 4.27 above);**
- (e) **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 (see para. 4.29 above); and**
- (f) **explore other ways and means of reducing the untaken long leave, for example by better management of staff vacation leave plans (see para. 4.29 above).**

### **Response from the Administration and the institutions**

4.31 **The Secretary for Education and Manpower** agrees with Audit's recommendations on the administration of leave (see para. 4.30 above). In this regard, he notes the institutions' comments that they will need to comply with the Employment Ordinance (Cap. 57) and abide by

the terms of contract before they can amend the terms and conditions of service for their serving staff.

4.32 The **Secretary for Financial Services and the Treasury** has said that:

- (a) in taking forward the audit recommendations on the administration of leave, the institutions should take into account:
  - (i) the policy decision to delink university salaries from the civil service pay;
  - (ii) the audit recommendation (see para. 2.61(b) above) to make reference to international practices and market trends in determining remuneration packages (including salaries and other fringe benefits) for the staff of the institutions; and
  - (iii) the Administration's recently announced decision to remove the subvention guideline premised upon the "no better than" principle (see para. 2.63(b) above); and
- (b) he supports Audit's observation that the practice of encashing untaken leave in individual institutions will mean additional financial burden on the institutions and redeployment of public funding within the block grant for encashment purposes. He considers that even without pinpointing comparability with the civil service terms, this practice of encashment should be reviewed to ensure the cost-effective use of public funding.

4.33 The **Secretary-General, University Grants Committee** welcomes Audit's recommendations for the institutions to assess and take effective measures to tackle the problems associated with the excessive leave entitlement and the encashment of leave. Under a delinked environment, the institutions will be free to devise their remuneration packages including leave entitlements but the recommendations in paragraph 4.30 would still provide useful points for reference.

4.34 The **Vice-Chancellor, The University of Hong Kong** accepts the audit recommendations in paragraph 4.30 above on assessing the leave entitlements of some of the HKU's staff and is taking measures to address the associated problems. He has said that relevant actions have been taken since 1995 in this area. He has also said that:

- (a) regarding paragraph 4.30(a) above, the HKU has started to address the problems back in 1995 and 1996 for administrative and academic staff respectively, with staff joining the HKU after a specified date no longer eligible for long leave. The HKU has also initiated two one-off leave encashment exercises since June 2000 to persuade its staff to switch to the new leave schemes. The results of these two exercises indicated that the number of staff entitled to long leave was reduced by 30.8%;
- (b) regarding paragraph 4.30(b) above, in attempting to ask staff to switch to the new leave schemes, the HKU is 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 is liable to litigation. The HKU has done, and will continue to do, whatever is practicable within the bounds of the law. Since the approach adopted in the pay reduction exercise applied equally to all staff, it may not be appropriate in the situation on long leave entitlements, which concerns only a small and decreasing portion of the HKU's staff;
- (c) regarding paragraph 4.30(c) above, a reserve for untaken leave was established by the HKU in the 1994 to 1997 triennium with the UGC's knowledge. Expenditure on the two leave encashment exercises was charged to this UGC-acknowledged untaken leave reserve. The nature of the two leave encashment exercises is to allow staff to encash their untaken leave prior to their departure from the HKU. In consideration of the aforesaid, the HKU is of the view that the leave encashment exercises should be within the purpose of the UGC-acknowledged untaken leave reserve;
- (d) regarding paragraph 4.30(d) above, the HKU has not implemented any recurrent leave encashment exercises; and
- (e) regarding paragraph 4.30(e) and (f) above, it is not uncommon for staff members' accumulated leave being in excess of the allowed limits, due to staff always giving priorities to discharging their duties and the needs of their department/unit. As a result, they are not always able to take sufficient long leave at a time convenient to their own personal/family commitments. Although the HKU's liability in this area will be reduced by requiring staff to take leave regularly, and staff should be encouraged to take leave whenever they can, it is the HKU's view that the priorities should still be on the employees' commitment to their duties. Also, the problem on the accumulation of a substantial amount of leave has been dealt with under the new leave schemes introduced since 1995.

4.35 **The Vice-Chancellor, The Chinese University of Hong Kong** has said that:

- (a) regarding paragraph 4.30(a) and (b) above, the proposed assessment of the impact of excessive leave entitlements was in fact in place in the CUHK and will be conducted on a continuous basis. Since such leave entitlements refer to a closed group of staff whose employment contracts still carry historical leave entitlements, the CUHK has to be extremely cautious in the process to ensure that it will not do anything unlawful;
- (b) regarding paragraph 4.30(c) and (d) above, the CUHK is aware of the possible burden of the payment-in-lieu arrangement on the recurrent budget, and will look into the possibilities of minimising such arrangement within the legally permitted framework;
- (c) regarding paragraph 4.30(e) and (f) above, the CUHK is agreeable to the continuous review of the regulations on annual leave matters and the introduction of new measures where appropriate to applicable staff. It is mindful, however, that contractual obligations to serving staff members cannot be altered unilaterally;
- (d) leave entitlement for the Terms of Service (A) and equivalent appointees (mainly academic staff) of the CUHK in the past was based on historical, political and social reasons, with close reference to the civil servants on overseas terms of employment. In the CUHK, staff on overseas terms of service accounted for 30% of the Terms of Service (A) staff population before the implementation of the common terms of employment in 1995 (Note 27). There was also an immensely reasonable need for more leave since academic appointees at that time were not given sabbatical leave although they required time to do research and for other academic pursuits;
- (e) academic staff do not have specified working hours. Instead, their service is entirely at the disposal of the university. Many of them work long hours during the week;
- (f) the CUHK followed the principle adopted in the civil service that the “new” leave schemes applied to “new” recruits who were offered appointments on or after the effective date of the new packages. Serving appointees were not affected. It should be noted that the leave earning rates and the accumulation limits of the old leave schemes are contractual terms stipulated in the appointees’ terms of service/letters of appointment. As a good employer, the CUHK is bound to honour its contractual obligations and cannot revise them unilaterally without consent from the staff concerned;

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**Note 27:** *Following the same basis for the comparison of annual leave entitlements adopted in paragraph 4.7 and Table 6 above, the annual leave entitlements of civil servants on overseas terms of employment range from 29.5 to 52 days (for staff on MPS point 34 to DPS point D3). Therefore, for those CUHK staff who were appointed on overseas terms of service (before the implementation of the CUHK common terms of employment in 1995), their annual leave entitlements of 55 days (Table 6 in para. 4.7 above) are still 6% to 86% higher than those of the civil servants on overseas terms.*



- (g) with a view to migrating those on “old” leave terms to the “newer” schemes whenever legally possible, the CUHK has in fact implemented transitional arrangements that require serving staff on re-appointment, which resulted in a change of post or terms of service, to transfer to the revised leave terms;
- (h) the 1990 Long Leave Scheme was implemented for better manpower planning purpose. The scheme helped to limit the leave accumulation and expedited the post filling process. It also helped to avoid budgetary problem if there were a large number of staff with accumulated leave leaving the university service during the year. The payment in lieu of leave arrangement was considered to be an effective option to help relieve the university liability on accumulated leave. The UGC had knowledge of the 1990 Long Leave Scheme and did not raise objection to it. The arrangement of payment in lieu of untaken leave subject to a maximum of 30 calendar days each year, and the forfeiture of the remaining earned but untaken leave days, should not be considered as an enhanced benefit for the staff concerned. It was in fact a cost-saving arrangement. This provided additional manpower to the university and was good for the academic programmes for students; and
- (i) the 1990 Long Leave Scheme ceased in 1997. However, the CUHK is contractually bound to continue with the payment-in-lieu arrangement under the scheme for those serving staff whose employment contracts still carry such provisions.

4.36 The **President, The Hong Kong Polytechnic University** has said that the PolyU will consider, having regard to its contractual obligations, the leave entitlements of staff in its impending review of remuneration package in the light of the delinking proposal. He has also said that:

- (a) as for leave encashment, approval is given on a restrictive and need basis and staff will only receive the salary portion of their remuneration for the leave encashed. To secure the much required services of some experienced staff by means of leave encashment is therefore considered to be a cost-effective measure; and
- (b) with the strict enforcement of leave accumulation limitations and better vacation planning supported by an enhanced leave information system, it is considered that leave administration issues will be resolved.

4.37 **The President, City University of Hong Kong** has said that:

- (a) regarding paragraph 4.30(a) and (b) above, the one-off leave encashment exercise in 2001 was one of the measures taken by CityU to reduce its long-term contractual financial liability, and to attract staff members to switch to a more stringent leave accumulation scheme. After the 2001 exercise, forfeiture of leave days untaken by the clearance deadline has been strictly enforced. In 2002, 4,424.5 equivalent annual leave days untaken by 326 staff members were forfeited;
- (b) regarding paragraph 4.30(c) above, due to legal and contractual reasons, the old leave provisions for serving staff cannot be unilaterally varied by CityU. Since the leave encashment is determined as one of the most appropriate ways to address the problem and the allocation of resources among functional areas, and as these are matters entirely for the institutions, CityU is of the view that specific application to the UGC would not be necessary;
- (c) regarding paragraph 4.30(d) above, in respect of the leave encashed, staff members only received the salary portion of the entire remuneration package. By encashing leave from staff, CityU has in fact saved the housing and superannuation benefits for the leave encashed as such benefits have to be paid in case leave or terminal leave is taken by staff. Following the implementation of the one-off leave encashment exercise in 2001, the recurrent leave scheme ceased in 2002. In the light of the prospect of financial stringency in the coming years and the reduced leave provisions for new staff, it is unlikely that there will be any recurrent leave encashment scheme in future;
- (d) regarding paragraph 4.30(e) above, for academic and equivalent administrative staff in CityU, the maximum number of days for annual leave that may be carried forward to the next year ranges from 11 days to 23 days only in order to reduce the long-term legal and contractual liabilities of the university; and
- (e) regarding paragraph 4.30(f) above, strict enforcement of forfeiture of untaken leave can help solve the problem of excessive leave accumulation. Heads of departments have also been reminded to make leave plans for their staff members.

4.38 **The President, The Hong Kong University of Science and Technology** has said that he has no specific comments on the administration of leave.

4.39 **The President and Vice-Chancellor, Hong Kong Baptist University** has said that:

- (a) the HKBU is prepared to take up Audit's recommendations in paragraph 4.30(a), (b), (e) and (f) above. At the same time, the HKBU needs to be mindful of the contractual obligations to the serving staff and thus new terms and conditions cannot be imposed on them unilaterally;
- (b) the HKBU has been prudent in the administration of the leave of its staff. The fact that the HKBU is one of the few institutions which did not implement any leave encashment is most illustrative. Therefore, Audit's recommendations in paragraph 4.30(c) and (d) above do not apply to the HKBU; and
- (c) regarding paragraph 4.21 above, the HKBU has not been indiscriminately following the older universities in the provision of leave. The HKBU leave provisions are considerably less generous than those of the older universities. However, the HKBU had no choice but to stay comparable with the older universities since the HKBU had to compete with them for the same pool of academic talents both internationally and locally. Such competitions were keen especially during the years of 1990 to 1995.

4.40 The **President, The Hong Kong Institute of Education** has said that while the HKIED's leave provisions have always been at reasonable and appropriate levels, the HKIED is nevertheless mindful of the financial implications on the accumulation of leave and has set aside sufficient funding under the HKIED's general reserve for this purpose. The HKIED notes the comment made in the report on the one-off encashment exercise implemented by the HKUST (see paras. 4.24(c) and 4.29 above) and will explore similar measures to reduce the leave accumulation by staff and to encourage staff to take vacation leave every year (see para. 4.30 above).

4.41 The **President, Lingnan University** has said that the problems of excessive leave entitlement and leave encashment are not applicable to the LU. The LU has all along adopted a very simple and efficient leave scheme for its staff. For academic staff on the old leave terms, they are given 49 days of annual leave for both vacation and research purposes. Half of such leave should be taken during the summer breaks and all such leave shall have to be forfeited if not used. For academic staff on the new leave terms, they are given a reduced leave entitlement and all such leave is not encashable. As for non-academic staff, the LU requests all unit heads to work out an annual leave plan for their staff members at the beginning of each leave year and to make necessary arrangements for staff's clearing of unused leave before their departure. Hence the financial implications of unused accumulated leave have been kept at a minimal level.

## **PART 5: STIPENDS FOR RESEARCH POSTGRADUATE STUDENTS**

5.1 This PART reviews the administration of stipends for research postgraduate students in the institutions (Note 28) and examines areas where improvements could be made.

### **Provision of research postgraduate studentships**

5.2 A studentship, in the form of monthly stipends, is granted by the institutions to research postgraduate students (hereinafter referred to as research students) studying full-time for the degree of MPhil or PhD, in order to ensure that they need not concern themselves with looking for other sources of income to support themselves, and that they can devote full efforts to their studies. Although stipend recipients are usually required to perform teaching and research related duties, they are not considered employees of the institutions. The stipend is also not remuneration for work, and it is therefore not subject to income tax.

5.3 Stipend recipients may be asked to undertake, under supervision, teaching assistance or other duties (including research and other activities which carry educational benefits for the recipients) of up to a certain number of hours during a period as determined by the institutions (see Table 12 in para. 5.17 below). The UGC has made it clear that stipends exist for the intellectual and career development of the students, and not to provide a cheap and skilful pair of hands for the academic staff.

5.4 Stipends are provided to the full-time research students during their normative period of study which ranges from two to four years, depending on the research degree programme being studied. In 2001-02, the institutions spent \$699 million in providing stipends to research students. Table 9 below shows an analysis of the stipend expenditure in 2001-02.

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**Note 28:** *The HKIEd does not currently offer research postgraduate programmes and, hence, findings and comments made in this PART of the report do not apply to the HKIEd.*

**Table 9****Analysis of stipend expenditure in 2001-02**

<b>Institution</b>	<b>Number of stipend recipients</b>	<b>Average monthly stipend rate (Note)</b>	<b>Total amount of stipend expenditure</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) × (b) × 12</b>
		<b>(\$)</b>	<b>(\$ million)</b>
CUHK	1,246	13,615	204
HKU	1,056	13,800	175
HKUST	842	14,728	149
CityU	397	14,508	69
PolyU	382	16,448	75
HKBU	146	13,964	24
LU	24	10,154	3
<b>Overall</b>	<b>4,093</b>	<b>14,235</b>	<b>699</b>

*Source: UGC's records*

*Note: The HKIEd does not offer any research postgraduate degree programmes.*

## **UGC policy on stipends**

5.5 The current UGC policy regarding the administration of stipends requires that the institutions should:

- (a) have a clear policy on the administration of stipends to ensure propriety and equality, and to account for the use of public money;
- (b) set the levels of stipend with reference to the actual needs of students and other competing requirements; and
- (c) conduct regular reviews to ensure that stipends are pitched at reasonable levels.

## **Audit observations on the administration of stipends**

### **Purposes of the provision of stipends**

5.6 Of the seven institutions which offer UGC-funded research postgraduate programmes, four (i.e. HKU, PolyU, HKUST and CityU) have provided stipends as a form of both financial assistance and scholarship to research students. For the other three institutions (i.e. CUHK, HKBU and LU), stipends are intended to be provided as financial assistance only. Table 10 below summarises the purposes and the minimum academic attainments required for the award of stipends in the institutions.

**Table 10**

**Purposes and minimum academic attainments required for the award of stipends in the institutions**

<b>Institution</b>	<b>Purpose of stipend</b>	<b>Minimum academic attainments required for the award of stipend</b>	<b>Percentage of full-time research students receiving stipends as at 30.6.2002</b>
HKU	Both financial assistance and scholarship	Second Class Honours (First Division) degree or above	94%
PolyU	Both financial assistance and scholarship (Note 1)	Not specified (Note 2)	100%
HKUST	Both financial assistance and scholarship	Not specified (Note 2)	Over 95% (Note 3)
CityU	Both financial assistance and scholarship (Note 1)	Not specified (Notes 2 and 4)	100%
CUHK	Financial assistance	Not specified (Note 2)	100%
HKBU	Financial assistance (Note 1)	Not specified (Note 2)	100%
LU	Financial assistance	Not specified (Note 2)	96%

*Source: The institutions' records*

*Note 1: The information was provided by the institutions upon Audit enquiries. The purposes of stipends were not clearly documented in the institutions' records.*

*Note 2: Basically, all full-time research students are eligible for stipends.*

*Note 3: The figure was provided by the HKUST based on its best estimate of the position as at 30.6.2002.*

*Note 4: It is stated in CityU's regulations governing postgraduate studentships that the postgraduate studentship is granted to selected full-time research students on the basis of academic merit. The award of the studentship is subject to the recommendation of the supervisor and the department. Renewal of the award mainly takes into consideration the student's study progress and performance in academic-related duties as assigned by the department. If a student is not performing well in these aspects, the university will discontinue or suspend his or her studentship.*

5.7 ***Stipends provided as financial assistance.*** All institutions offer stipends wholly or partly for the purpose of providing financial assistance to research students. 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 (see Table 10 in para. 5.6 above).**

5.8 ***Provision of stipends to non-local students.*** Normally, in Hong Kong, financial assistance (e.g. the Comprehensive Social Security Assistance) is, as a matter of policy, provided only to residents. However, stipends in the form of financial assistance are currently provided also to non-local research students (Note 29). In 2001-02, about 1,460 non-local research students received stipends (representing some 36% of the total number of research students in the institutions), involving an estimated expenditure of about \$252 million. As mentioned in paragraph 5.5(a) above, at present the UGC only requires the institutions to ensure propriety and equality, and to account for the use of public money in the administration of stipends. Audit could not ascertain whether there is a clear government policy on the provision of stipends in the form of financial assistance to non-local students. **Audit considers that, in the absence of a clear government policy on the provision of financial assistance to non-local research students, stipends should be awarded to them only in the form of scholarships (see paras. 5.10 to 5.12 below). In view of the substantial recurrent financial implications involved, Audit considers that there is a need for the UGC to seek policy clarification from the Government regarding the provision of stipends in the form of financial assistance to non-local research students.**

5.9 ***Provision of stipends to local students.*** Regarding local students, the financial needs of these students are not ascertained by means tests. Assuming that the financial position of local research students was similar to that of the undergraduate students, only 43% of the local research students (Note 30) would have a genuine need for financial assistance. On this basis, some 57% (i.e. 100% – 43%) of the local research students who received stipends might not have a genuine need for any financial assistance. The potential reduction in stipend payments could amount to \$255 million a year (i.e. \$699 million × 57% × 64% being the proportion of local students). In response to Audit's comments on this matter, the heads of the institutions provided a joint response to clarify that:

- (a) the award of studentships by the institutions is actually based on academic merits rather than financial needs and means tests are therefore not considered appropriate. In this

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**Note 29:** *Nearly 90% of the non-local research students are students from Mainland China. The rest are students from other countries.*

**Note 30:** *Audit notes that, in 2001-02 only 43% of the eligible students under the Local Students Finance Scheme (a means-tested scheme providing financial assistance to needy tertiary students) were provided with grants. The average amount of grants under the scheme was \$24,276 per year (or \$2,023 per month), which is much lower than the levels of stipend awarded to research students (ranging from \$11,000 to \$15,600 per month in 2002-03 – Table 12 in para. 5.17 below).*



regard, it is the international practice for stipends to be paid to research students without means test; and

- (b) if the matter lacks clarity in the present policies and regulations of the institutions, this can be remedied for the future.

**Audit considers that the present policies and regulations of the institutions are not entirely clear, in particular regarding whether stipends are really intended to be financial assistance (see Table 10 in para. 5.6 above). There is a need for the institutions to clarify the existing policies and review the criteria for the award of stipends with reference to these policies.**

5.10 *Stipends provided as scholarship.* In four of the institutions (i.e. HKU, PolyU, HKUST and CityU), stipends are provided not only as financial assistance, but also as scholarships to the research students (see Table 10 in para. 5.6 above). As a form of scholarship, stipends should only be awarded to those students with outstanding academic attainments. Audit's research has found that, for example, stipends granted under the Australian Postgraduate Awards Scheme (Note 31) are available only to students with a First Class Honours degree (or equivalent academic attainments). However, the PolyU, the HKUST and CityU do not specify the minimum requirement of academic attainments of the new students for the award of stipends. As at 30 June 2002, over 90% of the research students enrolled in these three institutions were granted stipends (see Table 10 in para. 5.6 above).

5.11 As for the HKU, it has adopted the principle of linking stipends with academic achievements. It is the policy of the HKU to award stipends to every new full-time research student who has at least a Second Class Honours (First Division) degree. Audit notes that in the past few years, some 40% of the university graduates in Hong Kong have received such honours. However, in practice, it is not uncommon for the HKU to waive this requirement of minimum academic attainments. Based on the HKU's enrolment statistics for the period February 2001 to January 2002, there were about 12% of the new research students who had been exempted from this minimum requirement of academic attainments and granted stipends. In the exemption cases, the students had only graduated with a Second Class Honours (Second Division) degree or below. In Hong Kong, a Second Class Honours (Second Division) degree or above was attained by some 85% of the university graduates in the past few years. **Audit considers that the HKU should adhere to its stated academic requirement for awarding stipends as far as possible.**

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**Note 31:** *The Australian Postgraduate Awards Scheme is administered by the Department of Education, Science and Training of the Australian Government. The scheme aims to maintain and strengthen Australia's knowledge base and research capabilities by assisting the development of an effective research and research training system in the higher education sector. The stipend rate for 2003 is about HK\$83,000 a year for full-time students. In addition, most universities provide from their own resources additional postgraduate scholarships which are awarded on a competitive basis of academic attainment.*

5.12 In the absence of a clearly stated minimum requirement of academic attainments for the award of stipends (in the case of PolyU, HKUST and CityU), there is a risk that students with below average academic attainments may be awarded stipends in the form of scholarships. **Audit considers that there is a need for the institutions to establish and publish clear requirements for the minimum academic attainments of students eligible for the award of stipends in the form of scholarships.**

#### **Determination of the stipend levels**

5.13 The UGC requires that the institutions should set the levels of stipend with reference to actual needs of students and conduct regular reviews to ensure that stipends are pitched at reasonable levels (see para. 5.5(b) and (c) above). The CUHK has a clear policy that the value of the stipend will be subject to periodic review in the light of the cost of living. Except for the CUHK, the other institutions which offer stipends to research students do not have a stated policy on:

- the basis for setting the levels of stipend; and
- the mechanism for the regular review of the levels of stipend.

5.14 **Audit considers that, in the absence of a stated policy on the administration of stipends, including the basis and mechanism for the setting and reviewing of the stipend levels, there is a risk that the stipend levels may be set at an arbitrary level.**

5.15 Based on information provided by the institutions upon audit enquiries, the most common factors that are taken into account by the institutions in setting and reviewing the stipend levels are:

- (a) average starting salary of university graduates;
- (b) cost of living; and
- (c) levels of stipend offered by other local universities.

Table 11 below shows a summary of the factors taken into account in setting and reviewing the stipend levels.

Table 11

Factors taken into account by  
the UGC-funded institutions in setting and reviewing the stipend levels

Institution	Factors taken into account			
	Average starting salary of University graduates	Cost of living	Levels of stipend offered by other local universities	Others
CityU	X	X	✓	<ul style="list-style-type: none"> <li>• Available funding from the UGC</li> <li>• Economic situation</li> </ul>
HKBU	✓	✓	✓	X
LU	✓	✓	✓	<ul style="list-style-type: none"> <li>• University's financial situation</li> </ul>
CUHK	✓	✓	✓	X
PolyU	✓	✓	✓	X
HKUST	X	✓	✓	X
HKU	X	X	✓	X

Legend: ✓ = yes  
X = no

Source: Information provided by the institutions

**Average starting salary of graduates**

5.16 As shown in Table 11 above, four of the seven institutions which offer stipends to research students claim to have taken into account the average starting salaries of university graduates in setting and reviewing the stipend rates. **Audit agrees that this is an appropriate benchmark for setting the stipend rates. This is because the average starting salaries of university graduates generally represent the level of income determined by the market, taking into account all relevant factors including the economic situation.**

5.17 While all the institutions do not consider stipends as remuneration, research students are required to undertake teaching and research related work (or “training”) as a condition of the award of stipends. The level of stipends paid partly reflects the work which the students are required to undertake for the institutions. Table 12 below shows the stipend rates and the maximum number of hours of work that students are required to undertake as a condition of the receipt of stipends in the institutions.

**Table 12**

**Stipend rates and amount of work that  
the recipients are required to undertake in 2002-03**

<b>Institution</b>	<b>Monthly stipend rate</b>	<b>Maximum number of hours of work (or “training”) required per month</b>
CUHK	\$13,615	52
HKBU (Note)	\$12,250 / \$12,750 / \$13,250	52
LU	\$11,000	52
HKUST (Note)	\$14,500 / \$15,000 / \$15,500	30
PolyU	\$15,500	26
CityU	\$14,500	26
HKU	\$15,600	21
	\$14,900	17
	\$14,200	13
	\$13,500	8

*Source: The institutions’ records*

*Note: The three levels of stipend are provided to students studying in their first year, second year and third year respectively.*

5.18 It can be seen in Table 12 above that the monthly stipend rates set by the institutions are comparable (ranging from \$11,000 to \$15,600 in 2002-03). The average monthly stipend rate for the seven institutions which offer stipends to research students in 2002-03 was about \$13,800. Audit notes that this average monthly stipend rate compares favourably with the average starting salary of Hong Kong university graduates of about \$13,300 per month (as at December 2001 — Note 32). Five of the institutions (i.e. HKU, CUHK, HKUST, PolyU and CityU) offer stipend rates which are higher than the average starting salary of university graduates. **Audit considers that the current stipend rates of these five institutions have exceeded such a market benchmark.** Furthermore, the maximum number of hours of work that the students are required to undertake (ranging from eight hours to 52 hours per month — see Table 12 in para. 5.17 above) is much less than that for a full-time job. **There is a need for all institutions to critically review their current stipend levels, having due regard to the decreasing average starting salary of university graduates in Hong Kong.**

### Cost of living

5.19 As shown in Table 11 above, five of the seven institutions which offer stipends to research students claim to have taken into account the cost of living factor in setting and reviewing the stipend rates. In accordance with the UGC policy on stipends, the institutions are required to set the levels of stipend with reference to the actual needs of students and to conduct regular reviews to ensure that stipends are pitched at reasonable levels (see para. 5.5(b) and (c) above). **Audit considers that the cost of living is a very important factor to consider in setting and reviewing the stipend rates, because changes in the cost of living have a direct impact on the dollar value of stipend required to meet the actual needs of students.** Table 13 below shows the changes in the monthly stipend rates in the institutions since 1997-98.

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**Note 32:** *This is the overall average starting monthly salary of full-time university graduates who were in full-time employment in Hong Kong based on the latest available statistics of the UGC as at 31 December 2001. In fact, slightly more than 50% of these graduates earned a starting monthly salary of between \$8,300 and \$12,500 only. Given the recent economic downturn in Hong Kong, there are signs for the continued downward trend of the average starting salary level of university graduates.*

Table 13

Changes in the monthly stipend rates in the institutions during the period 1997-98 to 2002-03

Institution	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	Percentage change from 1997-98 to 2002-03 (Note 1)
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
CUHK	12,840	13,615	13,615	13,615	13,615	13,615	6.0%
HKUST	14,840	15,500	15,500	15,500	15,500	14,500 15,000 15,500 (Note 2)	1.1%
HKU	14,750	15,500	15,500	13,500 14,200 14,900 15,600 (Note 3)	13,500 14,200 14,900 15,600 (Note 3)	13,500 14,200 14,900 15,600 (Note 3)	-1.4%
CityU	14,750	15,000	15,000	14,500	14,500	14,500	-1.7%
PolyU	16,165	17,100	16,245	16,245	16,000	15,500	-4.1%
HKBU	14,750	13,000 15,500	13,000 15,500	13,000 15,500	13,500	12,250 12,750 13,250 (Note 2)	-13.6%
LU	13,510	13,510	13,510	11,000	11,000	11,000	-18.6%

Source: UGC's records

Note 1: In the calculation of the percentage change, the mid-point stipend rate is used if there are a number of stipend rates in the institution. For example, the stipend rate of \$15,000 is used for the HKUST in 2002-03.

Note 2: The three levels of stipend are provided to students studying in their first year, second year and third year respectively.

Note 3: The four monthly stipend rates are provided to students who are required to undertake different numbers of hours of work (see Table 12 in para. 5.17 above).

5.20 Audit notes that, from 1997-98 to November 2002, the Composite Consumer Price Index (CPI) had dropped by 12.3% (Note 33). This represents the accumulated decrease in the cost of living since 1997-98. However, it can be seen in Table 13 above that:

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**Note 33:** As at 28.2.1998 (the mid-point of academic year 1997-98), the CPI was 107.3. As at 30.11.2002 (the date when the latest CPI figure was available at the time of audit), the CPI was 94.1. Therefore, the CPI had dropped by 12.3% (i.e.  $(107.3 - 94.1) \div 107.3 \times 100\%$ ).

- (a) only the HKBU and the LU had made corresponding downward adjustments to the stipend rates, which were largely in line with the magnitude of the drop in the CPI since 1997-98;
- (b) the HKU, CityU and the PolyU had only made very small net reductions in their stipend rates, which were much less than the accumulative deflation since 1997-98; and
- (c) the CUHK and the HKUST had even increased the stipend rates since 1997-98, despite the downward trend of the CPI during the period. In particular, while it is the policy of the CUHK that the value of the stipend will be subject to periodic review in the light of the cost of living (see para. 5.13 above), the CUHK did not seem to have followed its own policy to make the necessary downward adjustments to the stipend rate to reflect the changes in the cost of living.

5.21 **Audit considers that, given the significant drop in the cost of living since 1997-98, the stipend rates should be adjusted downwards. If the stipend rates were reduced in accordance with the drop in CPI since 1997-98, the estimated savings in total stipend expenditure would amount to some \$82 million a year.** The detailed calculations are shown in Appendix Q.

5.22 **Based on the above analyses, Audit considers that there is a need for all the institutions to critically review their current stipend rates, having due regard to the drop in the cost of living in recent years. In particular, for the five institutions (i.e. CUHK, HKUST, HKU, CityU and PolyU), which have not made sufficient downward adjustments to reflect the change in the cost of living (see para. 5.20 above), there appears to be scope for immediate reductions in their stipend rates.**

#### **Comparison with the stipend rates offered by other local universities**

5.23 As shown in Table 11 above, all institutions claim to have taken into account the stipend rates offered by other local institutions in setting and reviewing the stipend rates. **Audit considers that this appears to be a major factor taken into consideration by the institutions in determining their stipend rates. This is apparently because no institution wishes to unilaterally reduce its stipend rates, for fear of losing prospective research students to others.** As an illustration, Table 14 below shows some institutions' views on the comparison of their stipend rates with those of other institutions.

**Table 14**

**Some institutions' views on their stipend rates and the effects if changes are made**

<b>Institution</b>	<b>Comparison with other institutions</b>	<b>Factors for considerations and decision</b>
CityU	CityU noted that its monthly stipend rate was in the middle of the range as compared with other local institutions.	<ul style="list-style-type: none"> <li>• To maintain the university's competitiveness, CityU decided that the monthly stipend rate for 2002-03 should remain unchanged at \$14,500.</li> </ul>
CUHK	The CUHK noted that the HKU and the HKUST set their monthly stipend rates at \$13,500 and \$14,500 respectively.	<ul style="list-style-type: none"> <li>• The CUHK proposed to reduce the stipend rate to \$12,615 in 2003-04.</li> <li>• However, the CUHK decided that it had to reconsider the scale of reduction, in case the sister institutions, especially the HKU and the HKUST, would maintain their existing stipend rates which were higher than that of the CUHK.</li> </ul>
PolyU	The PolyU noted that its monthly stipend rate was the highest among all local institutions, and would remain so even if there was a cut from \$16,000 to \$15,500. (The monthly stipend rates of other institutions at that time ranged from about \$12,000 to \$15,000).	<ul style="list-style-type: none"> <li>• The PolyU considered that a monthly stipend rate of less than \$15,500 might affect its competitiveness in student recruitment.</li> <li>• Based on this consideration, the PolyU decided to reduce its monthly stipend rate to \$15,500 in 2002-03.</li> </ul>
HKU	The HKU noted that the HKUST had no intention to reduce the monthly stipend rate of \$15,500, and the stipend rate of the CUHK was set at \$13,615.	<ul style="list-style-type: none"> <li>• The HKU originally proposed to lower the monthly stipend rate from \$15,500 to \$12,500 in 2000-01.</li> <li>• Concern was expressed that a reduction in the stipend rate might reduce the HKU's competitiveness in student recruitment.</li> <li>• The HKU finally decided to bring the minimum monthly stipend rate upward by \$1,000 (i.e. from \$12,500 to \$13,500) in 2000-01.</li> </ul>

*Source: The institutions' records*



5.24 In Audit's view, in the absence of a formal UGC coordinating mechanism for the setting and reviewing of stipend rates, there is a risk that the institutions will compete with each other for the intake of research students by setting their stipend rates at levels higher than what are necessary to meet the actual needs of the students.

#### **Audit recommendations on the administration of stipends**

5.25 Audit has *recommended* 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 (i.e. either as financial assistance or scholarship, or both — see paras. 5.9 and 5.12 above);
- (b) if stipends are awarded as financial assistance, review the current arrangements for granting stipends, having regard to the actual financial needs of the students (see paras. 5.7 and 5.9 above). In this connection, the institutions may consider establishing a sliding scale of stipends to ensure that stipends are provided at levels which are commensurate with the actual financial needs of the students (see para. 5.9 above);
- (c) for the award of stipends as scholarship, consider establishing clear requirements for the minimum academic attainments of students to ensure that such scholarships would only be awarded to those students who possess the required academic attainments (see para. 5.12 above). In this regard, the requirements should only be waived in exceptional circumstances (see para. 5.11 above);
- (d) state clearly, as part of the policy on stipend administration, the basis and mechanism for the setting and reviewing of the stipend rates (see para. 5.14 above); and
- (e) review whether the current stipend rates are appropriate, having regard to:
  - (i) the decreasing average starting salary of university graduates (see para. 5.18 above); and
  - (ii) the drop in the cost of living in recent years (see paras. 5.21 and 5.22 above).

5.26 **Audit has recommended that the Secretary-General, University Grants Committee should:**

- (a) **seek policy clarification from the Government regarding the provision of stipends in the form of financial assistance to non-local research students (see para. 5.8 above); and**
- (b) **consider establishing a formal coordinating mechanism among the institutions for the setting and reviewing of stipend rates (see paras. 5.23 and 5.24 above).**

### **Response from the Administration and the institutions**

5.27 **The Secretary for Education and Manpower** generally agrees with Audit's recommendations on the administration of stipends. He has said that:

- (a) he agrees with Audit that the institutions should review and stipulate clear assessment criteria in the provision of stipends to research students, in particular the provision of stipends as financial assistance since the Government already operates student financial assistance schemes for these students based on need (see para. 5.25(a), (b) and (c) above);
- (b) he agrees that the institutions should be clear of their policy on setting and reviewing stipend rates, which should incorporate the latest changes in the average starting salary of university graduates and the cost of living (see para. 5.25(d) and (e) above); and
- (c) the Government would discuss with the UGC on the policy of providing stipends to non-local research students and consider a coordinating mechanism for the setting and reviewing of stipend rates (see para. 5.26(a) and (b) above).

5.28 **The Secretary for Financial Services and the Treasury** has said that he has no particular comments on stipends.

5.29 **The Secretary-General, University Grants Committee** has said that:

- (a) regarding the provision of stipends for research students, the UGC does not provide a dedicated stream of funding to cater for research postgraduate studentships. The current policy is that funding for studentship or scholarship in general cannot come out of the

block grant, except in the case of students filling UGC-approved research postgraduate places. In such cases, the institutions are empowered to provide some means to reward and assist research students in order to achieve the objective of getting maximum value out of quality students;

- (b) while the award and administration of these studentships are within the institutions' autonomy, the UGC supports Audit's recommendations in paragraph 5.25 above that the institutions should put in place a fair and transparent mechanism and keep it under review having regard to the cost of living and the employment market situations;
- (c) regarding paragraph 5.26(a) above, as long as research postgraduate studentships are awarded as scholarship based on merit, there is no question of drawing a distinction between local and non-local students. Research is an inseparable part of a university's activity where an element of international participation is essential for success and excellence. If non-local students are excluded, Hong Kong's strategic aim to develop itself into an international higher education hub will be hindered; and
- (d) regarding paragraph 5.26(b) above, the UGC will discuss further with the institutions as to whether a formal coordinating mechanism should be established.

5.30 The **heads of the institutions** have provided a joint response. They have said that:

*Regarding paragraph 5.25 above*

- (a) the institutions will each document the basis for and the mechanism adopted for setting and reviewing the stipend rates, with all relevant factors taken into account, including those cited in this report (i.e. starting salaries of graduates and movements in cost of living);

*Regarding paragraph 5.26(a) above*

- (b) the institutions take the view that non-local students should not be treated differently from local students in this present context. Both categories of students should continue to remain eligible for the award of scholarships, as these are meant to serve the purpose of attracting the best students to study in Hong Kong. The competitiveness of Hong Kong in recruiting the best students internationally will otherwise be affected seriously. Hong

Kong can only thrive economically by being a knowledge economy, and it can only become such an economy by having a highly capable workforce who can interact competently with their counterparts elsewhere. Future collaboration among scholars from different parts of the world is best facilitated by the inculcation of a learning environment that is international and cross-cultural;

- (c) a formal coordinating mechanism will be considered by the institutions for this matter;

*General comments*

- (d) the value of research postgraduate studentships extends well beyond that which can be measured on a purely cost basis. The two core businesses of universities are knowledge-generation and knowledge-dissemination. Research which leads to inventions and discoveries, informs governmental policy-making, and leads to better understanding of the world we live in, and teaching which produces learned and rounded future leaders of society, benefits the community that supports such work. The drivers of the research function are academic and research staff. The nurturing and development of such staff from the stage when they are research students take time and resources and requires a long-term investment; and
- (e) research postgraduate studentships are scholarships and are not a purely financial assistance scheme to meet the individual financial needs of students, nor are they a form of employment. Any review of this matter must have regard to the nature of these studentships and the objective they are meant to serve. In this connection, the heads of the institutions have pointed out that:
  - (i) unlike students of taught masters degree programmes, many of whom have full-time employment seeking to advance their professional knowledge and skill-sets for career advancement, research postgraduate students generally seek to join academia as future research and academic staff or researchers in companies and research institutes. The majority of them are full-time students who are in early or mid-20's and expected to be financially independent (i.e. not drawing support from their families). Therefore, they need to be supported with some financial assistance so that they can devote their time and energy to engaging in full-time research pursuits and not be distracted by the need to find a means of decent livelihood. Such support comes in the form of a postgraduate studentship;
  - (ii) a studentship is however more than a means of financial support. To attract scholars of distinction to advance the bounds of learning, world-class universities around the globe set up scholarship schemes. No university can claim to be truly

world-class without quality research students, and scholarships provide the means to attract top intellectual talent;

- (iii) research students are therefore admitted based on academic attainment and commitment to further study. Some institutions have specified a minimum academic attainment requirement for the award of studentships, whilst others have not. In the latter case, it was judged that the potential for future success should be assessed by parameters in addition to academic achievements, such as their dedication, so that an overall and holistic judgement is taken in determining who should be awarded the studentship. In the former case, where a minimum degree classification has been specified for the grant of studentship, it should be clarified that the stated requirements have been steadfastly adhered to. A Second Class Honours (First Division) degree or above is a standard to be attained, but there are many situations in which an applicant can be considered to be deemed to have achieved similar standards. There are established mechanisms for considering each application on its merits. In many cases, applicants have attained a master's degree in addition to a Second Class Honours (Second Division) classification, and/or refereed publications, which point to academic competence deserving a waiver. They can be considered as good as, if not better than, an applicant with a Second Class Honours (First Division) degree. In other circumstances, waivers were granted as non-Hong Kong degrees are often not based on the local system of classification. In mapping Grade Point Average marks and grades to honours classification, borderline cases do arise which, in the judgement of the relevant committee, should be given the benefit of the doubt; and
- (iv) the teaching and research duties undertaken by research students are regarded as part of their training processes. Any duties they undertake as postgraduate studentship holders must carry educational benefits. This is part of the institutions' intention to provide research students with some basic form of training and induction to teaching which would benefit their future career development. It should be duly noted that research students are not regarded as employees of the institutions, and the postgraduate studentships paid are unrelated to the amount of educational work which is part of their training and should not be interpreted as wages.

5.31 The **Vice-Chancellor, The University of Hong Kong** has no specific comments in addition to the joint response of the heads of the institutions in paragraph 5.30 above.

5.32 The **Vice-Chancellor, The Chinese University of Hong Kong** has also said that he takes note of Audit's recommendations on the review of awarding stipends. He has also said that the CUHK will reduce the monthly stipend rate from \$13,615 to \$12,615 with effect from the academic year 2003-04.

5.33 The **President, The Hong Kong Polytechnic University** has no specific comments in addition to the joint response of the heads of the institutions in paragraph 5.30 above.

5.34 The **President, City University of Hong Kong** has also said that:

- (a) regarding paragraph 5.25(c) above, some CityU faculties have stipulated requirements on minimum academic attainments for renewal of studentships. CityU will consider setting such academic requirements for the award and renewal of studentships at the university level, and apply them to all faculties and schools;
- (b) regarding paragraph 5.25(d) above, CityU will document the basis and mechanism for setting and reviewing stipend rates, as recommended by Audit; and
- (c) regarding paragraph 5.25(e) above, CityU is currently reviewing the existing stipend rate. The factors recommended by Audit regarding the setting and reviewing of stipend rates will be taken into account.

5.35 The **President, The Hong Kong University of Science and Technology** has no specific comments beyond those in the joint response of the heads of the institutions in paragraph 5.30 above.

5.36 The **President and Vice-Chancellor, Hong Kong Baptist University** has also said that:

- (a) within the context of the joint response of the heads of the institutions in paragraph 5.30 above, the HKBU sees no difficulty with following up Audit's recommendations in paragraph 5.25 above; and
- (b) regarding Audit's recommendations in paragraph 5.26 above, the HKBU welcomes the establishment of a coordinating mechanism among the institutions for the setting and reviewing of stipend rates.

5.37 The **President, The Hong Kong Institute of Education** has not made any comments on the administration of stipends (as this PART of the report does not apply to the HKIEd).

5.38 The **President, Lingnan University** has no additional comments.

## **Terms of reference and membership of the UJSC**

### **I. Terms of reference**

- (a) To consider and make submissions to the Government regarding:
  - (i) the general revision of the salary scales for teaching and equivalent grades of staff of the institutions, where such general revisions are proposed on such grounds as changes in the cost of living or the remuneration of persons of similar qualifications employed in comparable posts in Hong Kong or elsewhere; and
  - (ii) changes in the salary scale relativities of the teaching grades of staff of the institutions.
- (b) At its discretion, either:
  - (i) to accept or reject on behalf of the institutions any offer made by the Government to increase or vary university salary scales; or
  - (ii) to seek the instruction of the Councils of the institutions on such offer.
- (c) To send to the Council of each institution and to the UGC copies of all:
  - (i) submissions to the Government made in accordance with (a)(i) and (ii) above; and
  - (ii) government offers either accepted or rejected by the Committee on behalf of the institutions.

### **II. Membership**

Three representatives from each institution, as follows:

- (a) the Treasurer;
- (b) the Vice-chancellor or President or Director (or his representative); and
- (c) one member of staff.

### **III. Chairman**

The Treasurers of the HKU, the CUHK and the HKUST shall act as Chairman in turn, for periods of three years at a time.

### **IV. Secretary**

To be appointed by the university providing the Chairman.

**Comparison of before-tax salaries of university non-clinical  
academic staff as at December 2002 in Hong Kong and the UK  
(before adjustment for the cost of living)**

**(HK\$'000 per annum)**

	<b>Professors</b>	<b>Readers/ Senior Lecturers</b>	<b>Lecturers</b>	<b>Assistant Lecturers</b>
<b>(A) Hong Kong</b>	Minimum: 1,234	864 to 1,198	556 to 929	405 to 519
<b>(B) UK (Note)</b>	Minimum: 513	442 to 540	330 to 472	278 to 319
<b>(A) higher than (B) by:</b>	<b>141%</b>	<b>95% to 122%</b>	<b>68% to 97%</b>	<b>46% to 63%</b>

*Source: UGC's records and information provided by the HEFCE*

*Note: The salary scale was agreed through national negotiation arrangements which took place under the auspices of the UK Joint Negotiations Committee for Higher Education Staff. The figures are converted to Hong Kong dollars at £1 = HK\$12.55 (as at 31 December 2002).*



**Comparison of before-tax salaries of university non-clinical  
academic staff as at December 2002 in Hong Kong and the USA  
(before adjustment for the cost of living)**

(HK\$'000 per annum)

	Professors (Note 1)	Readers/ Senior Lecturers (Note 1)	Lecturers (Note 1)	Assistant Lecturers (Note 1)	Weighted average of all ranks
<b>(A) Hong Kong (Note 2)</b>	1,380	1,031	743	462	<b>856</b>
<b>(B) USA (Note 3)</b>	Professors (Note 1)	Associate Professors (Note 1)	Assistant Professors (Note 1)	Lecturers (Note 1)	
<b>(C) Doctoral universities</b>	699	492	416	338	<b>551</b>
<b>(D) Comprehensive universities</b>	568	451	370	288	<b>460</b>
<b>(E) Baccalaureate universities</b>	503	409	342	280	<b>409</b>

**Weighted average salaries of all ranks of academic staff (Note 1):**

**(A) higher than (C) by 55%**

**(A) higher than (D) by 86%**

**(A) higher than (E) by 109%**

*Source: UGC's records and the figures compiled by the American Association of University Professors (published in the Chronicle of Higher Education on 19 April 2002)*

*Note 1: As mentioned in paragraph 2.33 above, because of the disparities between the Hong Kong academic rank structure and that of the USA, it is not appropriate to compare the university pay of Hong Kong and the USA on a direct rank-to-rank basis.*

*Note 2: For professors, average salary = (professorial minimum salary + professorial average salary limit) ÷ 2. For readers/senior lecturers or below, average salary = (minimum salary + maximum salary) ÷ 2.*

*Note 3: The figures cover full-time faculty members of the USA public doctoral universities except those in medical schools in 2001-02. The figures are converted to Hong Kong dollars at US\$1 = HK\$7.8.*

**Comparison of before-tax salaries of university non-clinical  
academic staff as at December 2002 in Hong Kong and the UK  
(after adjustment for the cost of living)**

(HK\$'000 per annum)

	<b>Professors</b>	<b>Readers/ Senior Lecturers</b>	<b>Lecturers</b>	<b>Assistant Lecturers</b>
<b>(A) Hong Kong</b>	Minimum: 1,234	864 to 1,198	556 to 929	405 to 519
<b>(B) UK (Note)</b>	Minimum: 873	752 to 919	561 to 803	473 to 543
<b>(A) higher than (B) by:</b>	<b>41%</b>	<b>15% to 30%</b>	<b>-1% to 16%</b>	<b>-14% to -4%</b>

*Source: UGC's records, information provided by the HEFCE and the results of the Finfacts Worldwide 2002 Cost of Living Survey*

*Note: The UK salaries are adjusted by multiplying the corresponding figures in Appendix B by the cost-of-living index factor i.e.  $124.2 \div 73$  (see para. 2.34 above).*

**Comparison of before-tax salaries of university non-clinical  
academic staff as at December 2002 in Hong Kong and the USA  
(after adjustment for the cost of living)**

(HK\$'000 per annum)

	Professors (Note 1)	Readers/ Senior Lecturers (Note 1)	Lecturers (Note 1)	Assistant Lecturers (Note 1)	Weighted average of all ranks
(A) Hong Kong (Note 2)	1,380	1,031	743	462	856
(B) USA (Note 3)	Professors (Note 1)	Associate Professors (Note 1)	Assistant Professors (Note 1)	Lecturers (Note 1)	
(C) Doctoral universities	1,125	792	669	544	886
(D) Comprehensive universities	914	726	595	463	740
(E) Baccalaureate universities	809	658	550	450	658

**Weighted average salaries of all ranks of academic staff (Note 1):**

(A) lower than (C) by 3%

(A) higher than (D) by 16%

(A) higher than (E) by 30%

*Source: UGC's records, figures compiled by the American Association of University Professors (published in the Chronicle of Higher Education on 19 April 2002) and the results of the Finfacts Worldwide 2002 Cost of Living Survey*

*Note 1: As mentioned in paragraph 2.33 above, because of the disparities between the Hong Kong academic rank structure and that of the USA, it is not appropriate to compare the university pay of Hong Kong and the USA on a direct rank-to-rank basis.*

*Note 2: For professors, average salary = (professorial minimum salary + professorial average salary limit) ÷ 2.  
For readers/senior lecturers or below, average salary = (minimum salary + maximum salary) ÷ 2.*

*Note 3: Taking into account the differences in the cost of living, the 2001-02 USA salaries (the 2002-03 figures were not available at the time of audit) are adjusted by multiplying the corresponding figures in Appendix C by the cost-of-living index factors i.e. 124.2 , 77.2 (see para. 2.34 above).*

**Reduction of the starting salaries of the civil service with effect from 1 April 2000**

Qualification group	Starting salary before 1 April 2000	Starting salary from 1 April 2000	Pay point	Reduction in:	
				Salary	Percentage
Grades not requiring a full School Certificate	MPS 1 \$8,625	MPS 0 \$8,125	1	\$500	5.8%
Full School Certificate Grades	MPS 3 \$9,785	MPS 2 \$9,180	1	\$605	6.2%
Higher Diploma Grades	MPS 13 \$18,140	MPS 11 \$16,095	2	\$2,045	11.3%
Diploma Grades	MPS 10 \$15,160	MPS 6 \$11,820	4	\$3,340	22.0%
School Certificate plus one year's training or Form IV plus two years' training	MPS 7 \$12,595	MPS 3 \$9,785	4	\$2,810	22.3%
Higher Certificate Grades with experience	MPS 13 \$18,140	MPS 11 \$16,095	2	\$2,045	11.3%
Craft and skill / apprenticeship Grades with experience	MPS 6 \$11,820	MPS 5 \$11,115	1	\$705	6.0%
Matriculation Grades	MPS 10 \$15,160	MPS 4 \$10,420	6	\$4,740	31.3%
Professional and Related Grades — Group I: Professional membership	MPS 27 \$35,285	MPS 22 \$28,075	5	\$7,210	<b>20.4%</b>
Professional and Related Grades — Group II: Honours Degree	MPS 27 \$35,285	MPS 22 \$28,075	5	\$7,210	<b>20.4%</b>
Degree and Related Grades	MPS 16 \$21,010	MPS 11 \$16,095	5	\$4,915	<b>23.4%</b>
Model Scale 1 Grades	MOD 1 \$9,785	MOD 0 \$8,615	1	\$1,170	12.0%
Education Grades:					
Non-graduate grades	MPS 14 — 19 \$19,055 — \$24,320	MPS 12 — 17 \$17,100 — \$22,075	2	\$1,955 — \$2,245	9.2% — 10.3%
Graduate grades	MPS 17 — 25 \$22,075 — \$32,190	MPS 12 — 20 \$17,100 — \$25,530	5	\$4,975 — \$6,660	<b>20.7%</b> — <b>22.5%</b>

Source: LegCo papers and Report of Standing Commission on Civil Service Salaries and Conditions of Service

**Examples of senior administrative staff on pay scales without upper salary limit**

1. Dean / Director of Student Affairs
2. Director (Computer Centre)
3. Director (English Centre)
4. Director (School of Professional and Continuing Education)
5. Director of Estates
6. Director of Finance / Bursar / Comptroller
7. Director of Land Development
8. Librarian
9. Registrar / Academic Registrar / Academic Secretary

*Source: The institutions' records*

*Note 1: According to CityU, five out of the nine examples quoted above are on pay scales with upper salary limits in the case of CityU.*

*Note 2: According to the HKBU, while the HKBU's President / Vice-Chancellor and Vice-Presidents are all on fixed salary points, all other senior administrative staff (who are the heads of the various administrative offices) are on either the Deputy Secretary scale or the Senior Assistant Secretary scale, and each of these scales has a minimum and a maximum.*

**The eleven statutory and public bodies covered by  
the Review of Senior Executives of Statutory and Public Bodies in 2002**

Airport Authority Hong Kong

Hong Kong Monetary Authority (Note)

Hong Kong Productivity Council

Hong Kong Science and Technology Parks Corporation

Hong Kong Tourism Board

Hong Kong Trade Development Council

Kowloon-Canton Railway Corporation

Mandatory Provident Fund Schemes Authority

Mass Transit Railway Corporation Limited

Securities and Futures Commission

Urban Renewal Authority

*Source: Relevant LegCo papers*

*Note: The review also covered two subsidiaries of the Hong Kong Monetary Authority, namely the Exchange Fund Investment Limited and the Hong Kong Mortgage Corporation Limited.*

## CityU

### Leave entitlements for different categories of staff (at different times of the offer of appointment)

Category of staff	Before 1 July 1993	From 1 July 1993 to 30 April 1999	From 1 May 1999 to 31 December 2001	On or after 1 January 2002
<b>(A) Academic and equivalent senior administrative staff</b>				
<b>(i) Academic staff</b>				
— <b>Leave entitlements</b>	Vacation leave: 91 calendar days in a 2-year tour (= 35 working days — Note 1)	Annual leave: 46 working days	No change	Annual leave: 22 / 26 working days (Note 3)
	Casual leave: 12 working days			
	<b>Total: 47 working days</b>			
— <b>Maximum leave accrued</b>	Vacation leave (in calendar day) brought forward from the previous tour of service shall lapse automatically if it is not cleared by the end of the current tour	Annual leave: 23 working days are permitted to be carried forward to the next leave year (Note 2)	No change	Annual leave: 11 / 13 working days (Note 3) are permitted to be carried forward to the next leave year (Note 2)
	Casual leave: Nil			
<b>(ii) Non-academic staff</b>				
— <b>Leave entitlements</b>	Vacation leave: 91 calendar days in a 2-year tour (= 35 working days — Note 1)	Annual leave: 46 working days	Annual leave: 30 to 40 working days, depending on the length of service	Annual leave: 22 / 26 working days (Note 3)
	Casual leave: 12 working days			
	<b>Total: 47 working days</b>			

**Appendix I**

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(paras. 4.3, 4.5 and 4.7 refer)

<b>Category of staff</b>	<b>Before 1 July 1993</b>	<b>From 1 July 1993 to 30 April 1999</b>	<b>From 1 May 1999 to 31 December 2001</b>	<b>On or after 1 January 2002</b>
— <b>Maximum leave accrued</b>	Vacation leave (in calendar day) brought forward from the previous tour of service shall lapse automatically if it is not cleared by the end of the current tour  Casual leave: Nil	Annual leave: 23 working days are permitted to be carried forward to the next leave year (Note 2)	Annual leave: 15 to 20 working days (depending on the length of service) are permitted to be carried forward to the next leave year (Note 2)	Annual leave: 11 / 13 working days (Note 3) are permitted to be carried forward to the next leave year (Note 2)
<b>(B) General administrative and support staff</b>				
— <b>Leave entitlements</b>	Annual leave: 21 / 30 working days (Note 3)	No change	No change	Annual leave: 18 / 22 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave: 42 / 60 working days (Note 3) are permitted to be carried forward to the next leave year (Note 2)	No change	No change	Annual leave: 36 / 44 working days (Note 3) are permitted to be carried forward to the next leave year (Note 2)
<b>(C) Ancillary staff</b>				
— <b>Leave entitlements</b>	Annual leave: 14 / 21 working days (Note 3)	No change	No change	Annual leave: 14 / 18 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave: 28 / 42 working days (Note 3) are permitted to be carried forward to the next leave year (Note 2)	No change	No change	Annual leave: 28 / 36 working days (Note 3) are permitted to be carried forward to the next leave year (Note 2)

Source: CityU's records

Note 1: Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days).

Note 2: Leave year is from 1 October to the following 30 September.

Note 3: The higher rate is applicable to those staff with ten years' service or more.



## HKBU

### Leave entitlements for different categories of staff (at different times of the offer of appointment)

Category of staff	Before 1 January 2002	On or after 1 January 2002
<b>(A) Academic and equivalent senior administrative staff</b>		
<b>(i) Academic staff</b>		
— <b>Leave entitlements</b>	Annual leave: 45 calendar days (Note 1) (= 35 working days — Note 2)  University holidays: 6 working days  Casual leave: 6 working days  <b>Total: 47 working days</b>	Annual leave: 22 / 26 working days (Note 3)  University holidays: 6 working days  <b>Total: 28 / 32 working days (Note 3)</b>
— <b>Maximum leave accrued</b>	Annual leave: 91 calendar days  University holidays: Nil  Casual leave: Nil	Annual leave: 44 / 52 working days (Note 3)
<b>(ii) Non-academic staff</b>		
— <b>Leave entitlements</b>	Annual leave: 45 calendar days (Note 1) (= 35 working days — Note 2)  Casual leave: 12 working days  <b>Total: 47 working days</b>	Annual leave: 22 / 26 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave: 91 calendar days  Casual leave: Nil	Annual leave: 44 / 52 working days (Note 3)

Category of staff	Before 1 July 2001	On or after 1 July 2001
<b>(B) General administrative and support staff</b>		
— <b>Leave entitlements</b>	Annual leave: 21 / 30 working days (Note 3)	Annual leave: (i) 18 / 22 working days (Note 4) (ii) 14 / 18 working days (Note 5)
— <b>Maximum leave accrued</b>	Annual leave: Nil	Annual leave: (i) 36 / 44 working days (Note 4) (ii) 28 / 36 working days (Note 5)
<b>(C) Ancillary staff</b>		
— <b>Leave entitlements</b>	Annual leave: 14 / 21 working days (Note 3)	Annual leave: 14 / 18 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave: Nil	Annual leave: 28 / 36 working days (Note 3)

*Source: HKBU's records*

*Note 1: Academic and equivalent senior administrative staff who were appointed before 1 January 2002 were entitled to annual leave of one day for every seven days of service (i.e. 45 calendar days per year =  $365 \div (1 + 7)$ ).*

*Note 2: Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days).*

*Note 3: The higher rate is applicable to those staff with ten years' service or more.*

*Note 4: This is the annual leave entitlement for staff remunerated at or above MPS point 12. The higher rate is applicable to those staff with ten years' service or more.*

*Note 5: This is the annual leave entitlement for staff remunerated below MPS point 12. The higher rate is applicable to those staff with ten years' service or more.*

LU

Leave entitlements for different categories of staff  
(at different times of the offer of appointment)

Category of staff	Before 1 July 2001	On or after 1 July 2001
<b>(A) Academic and equivalent senior administrative staff</b>		
<b>(i) Academic staff (Lecturer and above)</b>		
— Leave entitlements	Annual leave: <b>49 working days</b>	Annual leave: 22 / 26 working days (Note 2)
— Maximum leave accrued	Annual leave: 67 working days (Note 1)	Annual leave: 44 / 52 working days (Note 2)
<b>(ii) Academic staff (Senior Language Instructor, Senior Teaching Fellow, Language Instructor, Teaching Fellow)</b>		
— Leave entitlements	Annual leave: 35 working days	Annual leave: 22 / 26 working days (Note 2)
— Maximum leave accrued	Annual leave: 67 working days (Note 1)	Annual leave: 44 / 52 working days (Note 2)
<b>(iii) Academic staff (Assistant Language Instructor, Assistant Teaching Fellow)</b>		
— Leave entitlements	Annual leave: 27 working days	Annual leave: 18 / 22 working days (Note 2)
— Maximum leave accrued	Annual leave: 67 working days (Note 1)	Annual leave: 36 / 44 working days (Note 2)
<b>(iv) Non-academic staff (President, Vice-President, Associate Vice-President, Comptroller and Registrar)</b>		
— Leave entitlements	Annual leave: <b>49 working days</b>	Annual leave: 22 / 26 working days (Note 2)
— Maximum leave accrued	Annual leave: 67 working days	Annual leave: 44 / 52 working days (Note 2)

Category of staff	Before 1 July 2001	On or after 1 July 2001
<b>(v) Non-academic staff (Other than those in (A)(iv) above)</b>		
— <b>Leave entitlements</b>	Annual leave: <b>35 working days</b>	Annual leave: 22 / 26 working days (Note 2)
— <b>Maximum leave accrued</b>	Annual leave: 67 working days	Annual leave: 44 / 52 working days (Note 2)
<b>(B) General administrative and support staff</b>		
<b>(i) Executive, research and equivalent staff</b>		
— <b>Leave entitlements</b>	Annual leave: 28 working days	Annual leave: 18 / 22 working days (Note 2)
— <b>Maximum leave accrued</b>	Annual leave: 67 working days	Annual leave: 36 / 44 working days (Note 2)
<b>(ii) Junior research, technical and support staff</b>		
— <b>Leave entitlements</b>	Annual leave: 21 working days	Annual leave: 18 / 22 working days (Note 2)
— <b>Maximum leave accrued</b>	Annual leave: 67 working days	Annual leave: 36 / 44 working days (Note 2)
<b>(C) Ancillary staff</b>		
— <b>Leave entitlements</b>	Annual leave: 14 working days	Annual leave: 14 / 18 working days (Note 2)
— <b>Maximum leave accrued</b>	Annual leave: 67 working days	Annual leave: 28 / 36 working days (Note 2)

Source: LU's records

Note 1: Academic staff whose study leave plan had been approved by the Research & Postgraduate Studies Committee might apply for approval from the President to accumulate his unused leave beyond the maximum limit for study purposes. Any unused annual leave beyond the maximum limit accumulated for such a purpose will be forfeited without compensation.

Note 2: The higher rate is applicable to those staff with ten years' service or more.

## CUHK

### Leave entitlements for different categories of staff (at different times of the offer of appointment)

Category of staff	Before 1.1.1990	From 1.1.1990 to 30.4.1997	From 1.1.1990 to 31.12.1997	From 1.5.1997 to 31.12.2001	From 1.1.1998 to 31.12.2001	On or after 1.1.2002
(A) Academic and equivalent senior administrative staff						
(i) Non-clinical teachers						
— Leave entitlements	Long leave: 52 calendar days (Note 1) (= 41 working days — Note 2)  Vacation leave / Annual leave: 14 working days  <b>Total: 55 working days</b>	—	Long leave: 52 calendar days (Note 1) (= 41 working days) (Note 2)  Annual leave: 14 working days  <b>Total: 55 working days</b>	—	Long leave: 52 calendar days (Note 1) (= 41 working days — Note 2)  Annual leave: 14 working days  <b>Total: 55 working days</b>	Annual leave: 22 / 26 working days (Note 3)
— Maximum leave accrued	Long leave: 360 calendar days (Note 4)  Vacation leave / Annual leave: Nil	—	Long leave: Nil (Note 5)  Annual leave: Nil	—	Long leave: 180 calendar days (Note 6)  Annual leave: Nil	Annual leave: 34 / 42 working days (Note 3)
(ii) Clinical teachers						
— Leave entitlements	Long leave: 52 calendar days (Note 1) (= 41 working days — Note 2)  Vacation leave / Annual leave: 14 working days  Total: 55 working days	—	Long leave: 52 calendar days (Note 1) (= 41 working days) (Note 2)  Annual leave: 14 working days  Total: 55 working days	—	Long leave: 52 calendar days (Note 1) (= 41 working days — Note 2)  Annual leave: 14 working days  Total: 55 working days	Annual leave: 22 / 26 working days (Note 3)

**Appendix L**

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(paras. 4.3, 4.5, 4.7  
and 4.24(b) refer)

Category of staff	Before 1.1.1990	From 1.1.1990 to 30.4.1997	From 1.1.1990 to 31.12.1997	From 1.5.1997 to 31.12.2001	From 1.1.1998 to 31.12.2001	On or after 1.1.2002
— <b>Maximum leave accrued</b>	Long leave: 360 calendar days (Note 4)  Vacation leave / Annual leave: Nil	—	Long leave: Nil (Note 5)  Annual leave: Nil	—	Long leave: 180 calendar days (Note 6)  Annual leave: Nil	Annual leave: 34 / 42 working days (Note 3)
<b>(iii) Clinical teachers under HA terms</b>						
— <b>Leave entitlements</b>	Annual leave: 21 / 28 working days (Note 3)	—	No change	—	No change	No change
— <b>Maximum leave accrued</b>	Annual leave: 32 / 46 working days (Note 3)	—	No change	—	No change	No change
<b>(iv) Non-teachers</b>						
— <b>Leave entitlements</b>	Long leave: 52 calendar days (Note 1) (= 41 working days — Note 2)  Annual leave: 14 working days  <b>Total: 55 working days</b>	Long leave: 52 calendar days (Note 1) (= 41 working days) (Note 2)  Annual leave: 14 working days  <b>Total: 55 working days</b>	—	Annual leave: 36 to 44 working days, depending on length of service	—	Annual leave: 22 / 26 working days (Note 3)
— <b>Maximum leave accrued</b>	Long leave: 360 calendar days (Note 4)  Annual leave: Nil	Long leave: Nil (Note 5)  Annual leave: Nil	—	Annual leave: 26 to 78 working days, depending on length of service	—	Annual leave: 34 / 42 working days (Note 3)

Category of staff	Before 1.12.1998	From 1.12.1998 to 31.12.2001	On or after 1.1.2002
<b>(B) General administrative and support staff</b>			
— <b>Leave entitlements</b>	Annual leave: 21 / 30 working days (Note 7)	Annual leave: 21 / 30 working days (Note 3)	Annual leave: 18 / 22 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave: 42 / 60 working days (Note 7)	Annual leave: 11 to 50 working days, depending on length of service	Annual leave: 26 / 34 working days (Note 3)
<b>(C) Ancillary staff</b>			
— <b>Leave entitlements</b>	Annual leave: 14 / 21 working days (Note 7)	Annual leave: 14 / 21 working days (Note 3)	Annual leave: 14 / 18 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave: 28 / 42 working days (Note 7)	Annual leave: 4 to 32 working days, depending on length of service	Annual leave: 18 / 26 working days (Note 3)

Source: CUHK's records

Note 1: Long leave is earned at the rate of one day's leave per six days' service (i.e. 52 calendar days per year =  $365 \div (1 + 6)$ ).

Note 2: Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days).

Note 3: The higher rate is applicable to those staff with ten years' service or more.

Note 4: The maximum accumulation of long leave shall not exceed 12 months. For the purpose of calculation of maximum accumulation of long leave, 30 calendar days will be reckoned as one month. Therefore, the maximum accumulation is 360 calendar days.

Note 5: A payment in lieu of any accumulated long leave will be granted up to a maximum of one month on 30 June each year. On 15 September, any long leave accumulated as at 30 June in the immediately preceding calendar year but not taken or compensated for by payment in lieu will be forfeited without compensation.

Note 6: The maximum accumulation of long leave shall not exceed six months. For the purpose of calculation of maximum accumulation of long leave, 30 calendar days will be reckoned as one month. Therefore, the maximum accumulation is 180 calendar days.

Note 7: The higher rate is applicable to those staff with ten or more complete leave years service. The leave year shall be from 1 August to 31 July.

## HKIEd

### Leave entitlements for different categories of staff (at different times of the offer of appointment)

Category of staff	Before 1 April 2002	On or after 1 April 2002
<b>(A) Academic and equivalent senior administrative staff</b>		
<b>(i) Academic staff (MPS point 25 to DPS point D1) and senior staff members in the management (above D1)</b>		
— <b>Leave entitlements</b>	Vacation leave: 45.5 calendar days (Note 1) (= <b>36 working days</b> — Note 2)	Annual leave: 22 / 26 working days (Note 4)
— <b>Maximum leave accrued</b>	Vacation leave: 90 calendar days + sinking balance (Note 3)	Annual leave: 44 / 52 working days (Note 4)
<b>(ii) Other senior administrative staff (MPS point 34 to DPS point D1)</b>		
— <b>Leave entitlements</b>	Vacation leave: 30 / 40 calendar days (Note 4) (= <b>22 / 28 working days</b> ) (Note 5)	Annual leave: 22 / 26 working days (Note 4)
— <b>Maximum leave accrued</b>	Vacation leave: 90 calendar days + sinking balance (Note 3)	Annual leave: 44 / 52 working days (Note 4)
<b>(B) General administrative and support staff (MPS point 0 to 33)</b>		
— <b>Leave entitlements</b>	Vacation leave: (i) 30 / 40 calendar days (Note 6) (= 22 / 28 working days) (Note 5) (ii) 21 / 30 calendar days (Note 8) (= 15.5 / 22 working days) (Note 7)	Annual leave: 18 / 22 working days (Note 4)
— <b>Maximum leave accrued</b>	Vacation leave: 90 calendar days + sinking balance (Note 3)	Annual leave: 36 / 44 working days (Note 4)



Category of staff	Before 1 April 2002	On or after 1 April 2002
(C) Ancillary staff		
— Leave entitlements	Vacation leave: 14 / 21 calendar days (Note 4) (= 10.5 / 15.5 working days) (Note 9)	Annual leave: 14 / 18 working days (Note 4)
— Maximum leave accrued	Vacation leave: 90 calendar days + sinking balance (Note 3)	Annual leave: 28 / 36 working days (Note 4)

Source: HKIEd's records

Note 1: Academic and senior administrative staff remunerated above DPS point 1 and who were appointed before 1 April 2002 were entitled to vacation leave of one day for every seven days of service (i.e. 45.5 calendar days per year =  $365 \div (1 + 7)$ ).

Note 2: Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days).

Note 3: For staff members who had already accumulated vacation leave of more than 90 days as at 30 November 1998, the part of vacation leave that exceeded 90 days was put into a sinking balance.

Note 4: The higher rate is applicable to those staff with ten years' service or more.

Note 5: These staff members are entitled to vacation leave of 30 or 40 calendar days (Note 4) assuming that no leave is taken throughout the service year. If all the leave entitlements are taken within the year, the leave entitlements will be reduced to 28 or 36 calendar days [ $28 = 365 \div (1 + (365 \div 30))$ ,  $36 = 365 \div (1 + (365 \div 40))$ ]. Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days). Therefore, the leave entitlements are 22 or 28 working days ( $22 = 28 \times 5.5 \div 7$ ,  $28 = 36 \times 5.5 \div 7$ ).

Note 6: Days of annual leave entitled by staff with salary remunerated from MPS point 25 to 33. The higher rate is applicable to those staff with ten years' service or more.

Note 7: These staff members are entitled to vacation leave of 21 or 30 calendar days (Note 4) assuming that no leave is taken throughout the service year. If all the leave entitlements are taken within the year, the leave entitlements will be reduced to 20 or 28 calendar days [ $20 = 365 \div (1 + (365 \div 21))$ ,  $28 = 365 \div (1 + (365 \div 30))$ ]. Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days). Therefore, the leave entitlements are 15.5 or 22 working days ( $15.5 = 20 \times 5.5 \div 7$ ,  $22 = 28 \times 5.5 \div 7$ ).

Note 8: Days of annual leave entitled by staff with salary remunerated below MPS point 25. The higher rate is applicable to those staff with ten years' service or more.

Note 9: These staff members are entitled to vacation leave of 14 or 21 calendar days (Note 4) assuming that no leave is taken throughout the service year. If all the leave entitlements are taken within the year, the leave entitlements will be reduced to 13.5 or 20 calendar days [ $13.5 = 365 \div (1 + (365 \div 14))$ ,  $20 = 365 \div (1 + (365 \div 21))$ ]. Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days). Therefore, the leave entitlements are 10.5 or 15.5 working days ( $10.5 = 13.5 \times 5.5 \div 7$ ,  $15.5 = 20 \times 5.5 \div 7$ ).

## PolyU

### Leave entitlements for different categories of staff (at different times of the offer of appointment)

Category of staff	Before 1.7.1995	From 1.7.1995 to 31.8.1998	From 1.9.1998 to 21.6.2001	On or after 22.6.2001
<b>(A) Academic and equivalent senior administrative staff</b>				
<b>(i) Academic staff</b>				
— <b>Leave entitlements</b>	Vacation leave: 45 calendar days (Note 1) (= 35 working days — Note 2)	Vacation leave: 34 working days  PolyU holidays: 12 working days	Vacation leave: 34 working days  Casual leave: 12 working days	Annual leave: 22 / 26 working days (Note 3)
	PolyU holidays: 12 working days	Total: 46 working days	Total: 46 working days	
	<b>Total: 47 working days</b>			
— <b>Maximum leave accrued</b>	Vacation leave (in calendar day) brought forward from the previous tour of service shall lapse automatically if it is not cleared by the end of the current tour	Vacation leave: 68 working days  PolyU holidays: Nil	Vacation leave: 68 working days  Casual leave: Nil	Annual leave: 44 / 52 working days (Note 3)
	PolyU holidays: Nil			
<b>(ii) Non-academic staff</b>				
— <b>Leave entitlements</b>	Vacation leave: 45 calendar days (Note 1) (= 35 working days — Note 2)	Vacation leave: 34 working days  Casual leave: 12 working days	No change	Annual leave: 22 / 26 working days (Note 3)
	Casual leave: 12 working days	Total: 46 working days		
	<b>Total: 47 working days</b>			

Category of staff	Before 1.7.1995	From 1.7.1995 to 31.8.1998	From 1.9.1998 to 21.6.2001	On or after 22.6.2001
— <b>Maximum leave accrued</b>	Vacation leave (in calendar day) brought forward from the previous tour of service shall lapse automatically if it is not cleared by the end of the current tour  Casual leave: Nil	Vacation leave: 68 working days  Casual leave: Nil	No change	Annual leave: 44 / 52 working days (Note 3)
<b>(B) General administrative and support staff</b>				
— <b>Leave entitlements</b>	Annual leave: 21 / 30 working days (Note 3)	No change	No change	Annual leave: 18 / 22 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave: 42 / 60 working days (Note 3)	No change	No change	Annual leave: 36 / 44 working days (Note 3)
<b>(C) Ancillary staff</b>				
— <b>Leave entitlements</b>	Annual leave: 14 / 21 working days (Note 3)	No change	No change	Annual leave: 14 / 18 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave: 28 / 42 working days (Note 3)	No change	No change	Annual leave: 28 / 36 working days (Note 3)

Source: PolyU's records

Note 1: Academic and equivalent senior administrative staff who were appointed before 1 July 1995 were entitled to one day's leave for every seven days' leave-earning service (i.e. 45 calendar days per year =  $365 \div (1 + 7)$ ).

Note 2: Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days).

Note 3: The higher rate is applicable to those staff with ten years' service or more.

## HKUST

### Leave entitlements for different categories of staff (at different times of the offer of appointment)

Category of staff	Before 1 September 2001	On or after 1 September 2001
(A) Academic and equivalent senior administrative staff		
— Leave entitlements	Annual leave: 42 calendar days (Note 1) (= 33 working days) (Note 2)  Short leave: 12 working days  <b>Total: 45 working days</b>	Annual leave: 22 / 26 working days (Note 3)
— Maximum leave accrued	Annual leave:  Before 1 September 2001: For appointees on substantive terms: 182 calendar days  For each complete year of service for appointees employed on contract terms: 14 calendar days  On or after 1 September 2001: 14 calendar days (Note 4)  Short leave: Nil	Annual leave: 14 working days (Note 4)

<b>Category of staff</b>	<b>Before 1 September 2001</b>	<b>On or after 1 September 2001</b>
<b>(B) General administrative and support staff</b>		
— <b>Leave entitlements</b>	Annual leave: 21 / 30 working days (Note 3)	Annual leave: 18 / 22 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave:  Before 1 September 2001: 42 / 60 working days (Note 3)  On or after 1 September 2001: 14 working days (Note 4)	Annual leave: 14 working days (Note 4)
<b>(C) Ancillary staff</b>		
— <b>Leave entitlements</b>	Annual leave: 14 / 21 working days (Note 3)	Annual leave: 14 / 18 working days (Note 3)
— <b>Maximum leave accrued</b>	Annual leave:  Before 1 September 2001: 28 / 42 working days (Note 3)  On or after 1 September 2001: 14 working days (Note 4)	Annual leave: 14 working days (Note 4)

*Source: HKUST's records*

*Note 1: Academic and equivalent senior administrative staff who were appointed before 1 September 2001 were entitled to six calendar weeks (i.e. 42 calendar days per year) of annual leave per complete year of service or on a pro-rata basis for the months served.*

*Note 2: Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days).*

*Note 3: The higher rate is applicable to those staff with ten years' service or more.*

*Note 4: According to the new regulations of the HKUST on accumulation of annual leave which took effect from 1 September 2001, a maximum of 14 days may be deferred to be taken in the next following leave year.*

## HKU

### Leave entitlements for different categories of staff (at different times of the offer of appointment)

Category of staff	Before 25 April 1996	From 25 April 1996 to 31 December 2001	On or after 1 January 2002
<b>(A) Academic and equivalent senior administrative staff</b>			
<b>(i) Non-clinical teachers</b>			
— <b>Leave entitlements</b>	Long leave: 52 calendar days (Note 1) (= 41 working days) (Note 2)  Designated vacations: 62 working days (Note 3)  <b>Total: 62 working days</b> (Note 4)	Annual leave: 44 working days	Annual leave: 22 / 26 working days (Note 5)
— <b>Maximum leave accrued</b>	365 calendar days	Annual leave: 78 working days	Annual leave: 34 / 42 working days (Note 5)
<b>(ii) Clinical teachers</b>			
— <b>Leave entitlements</b>	Long leave: 52 calendar days (Note 1) (= 41 working days) (Note 2)  Annual leave: 7 working days  Total: 48 working days	Annual leave: 44 working days	Annual leave: 22 / 26 working days (Note 5)
— <b>Maximum leave accrued</b>	365 calendar days	Annual leave: 78 working days	Annual leave: 34 / 42 working days (Note 5)
<b>(iii) Clinical teachers under HA terms</b>			
— <b>Leave entitlements</b>	Annual leave: 21 / 28 working days (Note 5)	No change	No change
— <b>Maximum leave accrued</b>	Annual leave: 32 / 46 working days (Note 5)	No change	No change

Category of staff	Before 1 March 1995	From 1 March 1995 to 31 December 2001	On or after 1 January 2002
<b>(iv) Non-teachers</b>			
— <b>Leave entitlements</b>	Long leave: 52 calendar days (Note 1) (= 41 working days) (Note 2)  Annual leave: 14 working days  <b>Total: 55 working days</b>	Annual leave: 22 to 44 working days, depending on salary and length of service	Annual leave: 22 / 26 working days (Note 5)
— <b>Maximum leave accrued</b>	Long leave: 365 calendar days  Annual leave: 28 working days	Annual leave: 34 to 78 working days, depending on salary and length of service	Annual leave: 34 / 42 working days (Note 5)
<b>(B) General administrative and support staff</b>			
— <b>Leave entitlements</b>	Annual leave: 21 / 30 working days (Note 5)	Annual leave: 22 to 44 working days, depending on salary and length of service	Annual leave: 18 / 22 working days (Note 5)
— <b>Maximum leave accrued</b>	Annual leave: 42 / 60 working days (Note 5)	Annual leave: 34 to 78 working days, depending on salary and length of service	Annual leave: 26 / 34 working days (Note 5)
<b>(C) Ancillary staff</b>			
— <b>Leave entitlements</b>	Annual leave: 14 / 21 working days (Note 5)	No change	Annual leave: 14 / 18 working days (Note 5)
— <b>Maximum leave accrued</b>	Annual leave: 28 / 42 working days (Note 5)	No change	Annual leave: 18 / 26 working days (Note 5)

Source: HKU's records

Note 1: Long leave is earned at the rate of one day's leave per six days' service (i.e. 52 calendar days per year =  $365 \div (1 + 6)$ ).

Note 2: Calendar days are converted into working days by applying the factor of 0.786 (i.e. 5.5 working days per 7 calendar days).

Note 3: The designated vacations, as set out in the HKU Staff Manual are 20 December to 1 January, 23 April to 30 April, and 1 July to 31 August. There are 62 working days covered by these vacations in 2002.

Note 4: The staff are required to include July and August (which are included in the designated vacations) in the long leave they take, unless special waiver of the requirement is given. Hence, they are entitled to 62 working days of leave.

Note 5: The higher rate is applicable to those staff with ten years' service or more.

**Estimated savings in stipend expenditure in 2001-02 if the stipend rates had been reduced in accordance with the drop in the CPI since 1997-98**

Institution	Number of stipend recipients in 2001-02	Monthly stipend rate in 1997-98	CPI adjusted monthly stipend rate for 2001-02 (Note)	Average monthly stipend rate in 2001-02	Estimated savings in stipend expenditure in 2001-02
	(a)	(b)	(c) = (b) × (100 - 12.3)%	(d)	(e) = [(d) - (c)] ÷ 12
		(\$)	(\$)	(\$)	(\$ million)
CUHK	1,246	12,840	11,261	13,615	35
HKUST	842	14,840	13,015	14,728	17
HKU	1,056	14,750	12,936	13,800	11
PolyU	382	16,165	14,177	16,448	10
CityU	397	14,750	12,936	14,508	7
HKBU	146	14,750	12,936	13,964	2
LU	24	13,510	11,848	10,154	0
<b>Total</b>	<b><u>4,093</u></b>				<b><u>82</u></b>

Source: UGC's records and information provided by the UGC-funded institutions

Note: The CPI adjusted monthly stipend rate for 2001-02 is calculated by adjusting the stipend rate in 1997-98 by the accumulative decrease in the CPI during the period 1997-98 to 2001-02 (i.e. 12.3% — see para. 5.20 above).



**Acronyms and abbreviations**

ADAS	Assistant Director of Accounting Services
A\$	Australian dollars
CAD\$	Canadian dollars
CityU	City University of Hong Kong
CPI	Consumer Price Index
CSB	Civil Service Bureau
CTA	Chief Treasury Accountant
CUHK	Chinese University of Hong Kong
DAS	Director of Accounting Services
DPS	Directorate Pay Scale
FC	Finance Committee
FSTB	Financial Services and the Treasury Bureau
FTE	Full time equivalent
HA	Hospital Authority
HEFCE	Higher Education Funding Council for England
HKBU	Hong Kong Baptist University
HKIED	Hong Kong Institute of Education
HKU	University of Hong Kong
HKUST	Hong Kong University of Science and Technology
LegCo	Legislative Council
LU	Lingnan University
MOD 1	Model Scale 1
MPhil	Master of Philosophy
MPS	Master Pay Scale
PhD	Doctor of Philosophy
PolyU	Hong Kong Polytechnic University
SEM	Secretary for Education and Manpower
STA	Senior Treasury Accountant
UGC	University Grants Committee
UJSC	Universities Joint Salaries Committee
£	United Kingdom Pounds