

CHAPTER 3

HOW THE COMPARISON WAS MADE

3.1. Structure of Report

3.1.1. There are five main parts to the work.

- (a) The analysis and evaluation of a sample of approximately 400 jobs within 141 ranks representative of the Master Pay Scale (including the Disciplined Services) and Model Scale 1 leading to an estimate of the range of jobs sizes within each pay band.
- (b) A similar analysis and evaluation of a sample of approximately 1,300 jobs from 52 companies in the private sector.
- (c) Collection of Base Salary, Variable Cash (Bonuses and Allowances) and Fringe Benefits data for both the Civil Service and private sector job samples and the valuation of the benefits in money terms to obtain the Total Compensation position.
- (d) Comparison of the Base Salary and Total Compensation (Base Salary + Variable Cash + Total Fringe Benefits) for jobs in the Civil Service with those for jobs of equivalent size in the private sector.
- (e) Analysis of the comparison of Total Compensation to understand the effects of taxation, individual fringe benefits and the difference in benefits for the locally-employed and expatriate employees.

3.1.2. The rest of this chapter describes briefly how the study was carried out.

3.2. Analysis and Evaluation of Civil Service Jobs

3.2.1. A sample of approximately 400 job holders within 141 ranks was chosen by the consultants and the Steering Committee to cover the main types of work done, to take special account of the heavily-populated ranks and those ranks containing a wide variety of work, to reflect the wide range of job types in the Civil Service and, above all, to ensure sufficient evaluations to provide a reliable comparison for each of the following pay bands:

Master Pay Scale 48 - 51 (including equivalent  
Disciplined Services ranks)  
Master Pay Scale 38 - 47 (including equivalent  
Disciplined Services ranks)  
Master Pay Scale 14 - 37 (including equivalent  
Disciplined Services ranks)  
Master Pay Scale 1 - 13  
Model Scale 1

3.2.2. The method of analysis was to ask the job holders to fill in a job description questionnaire (copies at Annex A) and for one of the consultants then to interview the job holders, either individually or in small groups, to verify and supplement the information in the job questionnaires. Job description questionnaires were completed in, and interviews were conducted in, Chinese or English, depending on the preference of the job holders. An observer from the Pay Survey and Research Unit was present at each of the interviews.

3.2.3. The jobs were then evaluated using the Hay Guide Chart and Profile Method (see Annex B for a full description of the method) in the way appropriate for comparing overall pay structures. The jobs were evaluated by different members of the team of Chinese and English-speaking consultants involved in the interview programme and by one of Hay's international experts in public sector evaluations. Observers from the Pay Survey and Research Unit were present at each of the evaluation sessions, but did not participate in the evaluation process. These evaluations were correlated by a Panel of Directors and Assistant Directors of Hay's Reward and Public Services Division in London during the weeks of 20 and 27 October.

3.2.4. For each job an evaluation profile and job size figure (in units) was arrived at, and a note taken of the rationale for both the evaluation and the component part of the evaluations scores. During the evaluation sessions a number of open 'checks' were carried out, including:

- \* comparisons and contrasts with evaluations for public sector reference jobs in the United Kingdom according to the nature of the jobs; and
- \* use of the organisation charts made available to us by the appropriate departments and branches.

3.3. Analysis and Evaluation of Private Sector Jobs

3.3.1. A sample of 52 companies from the private sector was used. Fifty of these were companies covered by the annual pay trend survey, but two, Hong Kong Electric and Hong Kong Telephone, were chosen jointly by the consultants and the Steering Group so that utilities which are a major employment sector were represented in the sample. All these companies fell within the criteria for inclusion in the Pay Level Survey set out in the Standing Commission's First Report on the Pay Level Survey. A full list of the companies which participated is shown at Annex C.

3.3.2. A job sample of approximately 1,300 jobs was analysed within these companies. The jobs were largely drawn from the list of job families shown at Annex D. However, where those jobs did not exist in any particular company in such a form, closest analogues were selected in conjunction with the Personnel Manager so that the full range and breadth of activities in the company could be covered. Such positions as Branch Manager, District Manager and Area Manager might be chosen for a bank. Although not in the job families list they are close analogues.

3.3.3. The methods of job analysis and job evaluation adopted for the private sector sample were essentially the same as those adopted for the Civil Service sample. Information was collected by means of job position questionnaires, supplemented with organisation charts and other published data, interviews with the Personnel Managers, Managers and job holders where necessary. Using this information job evaluation was carried out using the Hay Guide Chart and Profile Method by consultants with long experience of evaluating private sector jobs in Hong Kong and other countries. Correlation of the private sector companies was carried out by a similar process to that described for the Civil Service.

3.4. Collection and Analysis of Pay and Fringe Benefit Data

3.4.1. Base Salary, Variable Cash and Fringe Benefits data as at 31 August 1986 were collected for each private sector job evaluated. Analogous data were provide by the Treasury, the Pay Survey and Research Unit and the Government Secretariat for the Civil Service jobs. Specifically, data on the following benefits were collected:

- \* retirement benefits
- \* life insurance
- \* long-term disability
- \* medical
- \* dental
- \* housing loans
- \* company quarters
- \* rental allowances
- \* personal loans
- \* leave passages
- \* recreational travel allowances
- \* domestic servants
- \* transportation subsidies and free travel on public transport
- \* company car or car allowances
- \* utility allowances
- \* meal allowances
- \* club fees
- \* telephone allowances
- \* leave.

3.4.2. In the collection and analysis of this data we were guided by our instructions from the Standing Commission as expressed in their First Report on the Pay Level Survey. The details of the approach are as follows. The relevant paragraphs from the First Report on the Pay Level Survey are in brackets.

- (a) We used average rather than median pay and benefits figures for comparison purposes (paragraph 6.3.1(a)).
- (b) We did not weight the private sector pay results to reflect the relative sizes of the various economic sectors in Hong Kong (paragraph 6.3.1(b)).
- (c) We examined the differences in pay structures between the Disciplined Services ranks and the Master Pay Scale by looking at the difference in pay between the median job size of the sample of Disciplined Services jobs and the same job size for the Master Pay Scale (paragraph 7.3.1) and the differences in working hours.

- (d) We calculated the values of fringe benefits on the basis of notional maximum value to employees rather than actual utilisation (paragraphs 8.2.8 and 8.7.5). The exceptions to this were in the case of medical benefits (described below), and for housing benefits where there was a partial departure from the concept (see below).
- (e) We took into account only local terms of service (paragraph 8.3.5).
- (f) Where the terms offered to male and female staff differed, we used the package for male staff (paragraph 8.4.4).
- (g) We took account of family circumstances by assuming a family with a single breadwinner consisting of a married couple with two children of secondary school age (paragraph 8.5.6).
- (h) We assessed the value of fringe benefits on the basis of the cost to an employee of replacing a benefit provided by his employer (paragraph 8.6.4).
- (i) We included all fringe benefits which could be valued with the exception of those which are provided at the employer's discretion, those the utilisation rates of which are very low and those the value of which is impossible to ascertain and/or for which the data are difficult to capture (paragraphs 8.6.5 and 8.7.4).
- (j) We excluded fringe benefits where employers impose regulations so restrictive that the benefit could not be realistically regarded as an entitlement (paragraph 8.7.4).
- (k) We excluded fringe benefits provided for operational reasons (paragraph 8.8.4).
- (l) We took into account the effects of taxation on fringe benefits using the method recommended (paragraph 8.9.4).
- (m) We calculated the values separately of the different fringe benefits (paragraph 8.10.4).
- (n) For each fringe benefit, we used the methods of data collection and of valuation proposed (paragraph 9.5.1).

- (o) We followed all the recommendations for individual fringe benefits set out in Chapter 11 - 20 of the First Report on the Pay Level Survey with the following refinements:
- (i) for housing benefits we found that a large proportion of Civil Servants had chosen not to take the benefit with the maximum notional value (Non-departmental quarters in the case of the Upper/Upper Band; Home Purchase Allowance in the case of the Upper Band). In accordance with the Acting Governor's letter of 14 August 1986 we also calculated housing benefits on the basis of the pattern of actual utilisation but using the maximum notional value for each benefit. (The rationale for this is explained in more detail in the appropriate section of the Results);
  - (ii) for medical benefits it was argued that in practice the theoretical entitlement to hospitalisation at first class standard was not available to all Civil Servants because of the availability of hospital beds of the appropriate type. The Steering Group decided and we agreed that the actual utilisation of hospital beds of different standards (based upon historical data) was therefore the best available proxy for the maximum notional value of this benefit to Civil Servants and we therefore calculated this benefit on the basis of actual utilisation;
  - (iii) the value of leave passages in the private sector were calculated on the assumption that the United Kingdom was the country in which leave was being taken unless it was stated to the contrary;
  - (iv) the Steering Group took the view that in some jobs in both the Civil Service and private sector overtime was essential but not formally compulsory and that it would be appropriate to take this into account in adjusting for hours of work. We agreed and therefore adjusted for hours of work using the following formula:

Private company Base Salary/Total Cash/Total Compensation	X	Civil Service notional hours of work + Civil Service essential overtime hours (if any) ----- Private company's notional hours of work + Private company's essential overtime hours (if any)
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= Adjusted private company Base Salary/Total Cash/Total  
Compensation

This differs from the original methodology by replacing  
"compulsory" with "essential".

(v) where cars are provided in the private sector  
for work purposes but are also available to  
the employee for personal use out of working  
hours the value of this benefit was included.

3.4.3. The details of our assumptions of insurance premia used  
in calculating the value of the death and disability,  
medical and dental benefits as approved by our insurance  
advisor, Union Insurance Society of Canton Limited are  
at Annex E.

3.4.4. The details of our estimates of the actual values of  
individual Non-departmental Quarters in the Civil  
Service and of Company Flats provided in the private  
sector, approved by our property evaluator, Jones Lang  
Wootton, are at Annex F.

3.4.5. On the basis of this methodology, the remaining chapters  
of this Report present and discuss the following data:

- \* the private sector practice for Base Salary and  
Total Compensation;
- \* the comparison of the total Civil Service practice  
with both of these private sector practices;

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- \* the comparison of the practices for each of the Civil Service pay bands:

Master Pay Scale 48 - 51 (including equivalent  
(Upper/Upper) Disciplined Services  
ranks)

Master Pay Scale 38 - 47 (including equivalent  
(Upper) Disciplined Services  
ranks)

Master Pay Scale 14 - 37 (including equivalent  
(Middle) Disciplined Services  
ranks)

Master Pay Scale 1 - 13  
(Lower)

Model Scale 1

with each of the private sector practices;

- \* the analysis of each of the major individual fringe benefits in both the Civil Service and the private sector;
- \* the differences between Disciplined Services and Master Pay Scale for Base Salary and Total Compensation;
- \* the effects of taxation on the total package in both the Civil Service and the public sector sample; and
- \* the effects of expatriate status on the total fringe benefits package in the private sector, as compared with the locally-employed private sector and the Civil Service.