



CIVIL SERVICE PRACTICE
 COMPARED WITH
 COMPOSITE PRACTICE OF
 52 COMPANIES

FRINGE BENEFITS

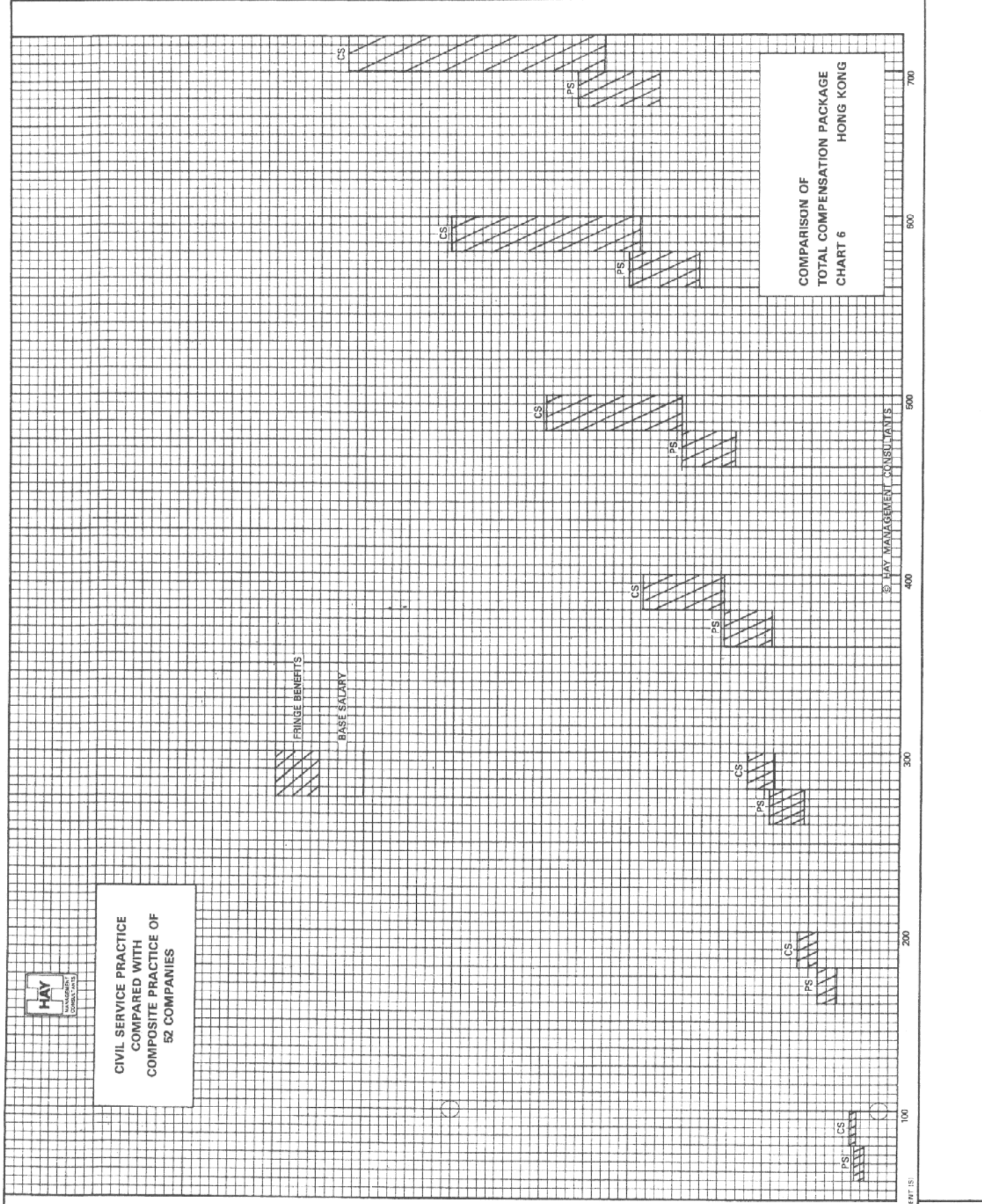
BASE SALARY

COMPARISON OF
 TOTAL COMPENSATION PACKAGE
 CHART 6
 HONG KONG

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HK\$000S

UNITS OF
 JOB CONTENT IS:



5.4. Benefit Analysis

- 5.4.1. Chart 6 shows the data for the average practices for both the Civil Service and the private sector in the form of a histogram. The histogram shows for selected job sizes the make up of the Total Compensation Package from the Base Salary and Total Fringe Benefits components.
- 5.4.2. Tables 1 and 2 following represent the same information in tabular form.
- 5.4.3. Inspection of the chart and the tables show that whereas the proportions of Total Compensation that are Base Salary and Fringe Benefits remain fairly constant (approximately 75% Base Salary and 25% Fringe Benefits) this is not the case in the Civil Service. At 100 Hay point in the Civil Service the proportions are approximately 87% Base Salary and 13% Fringe Benefits whereas at 600 Hay points they are 57% and 43% respectively.

TABLE 1

PRIVATE SECTOR - ANALYSIS OF TOTAL COMPENSATION

<u>Job Units</u>	<u>Fringe Benefits + Variable Cash/% of Total Comp</u>	<u>Base Salary/% of Total Comp</u>
100	\$ 11,170 22.9	\$ 37,580 77.1
200	20,670 23.1	68,860 76.9
300	39,650 27.2	105,950 72.8
400	50,670 26.0	144,030 74.0
500	59,250 24.2	185,710 75.8
600	75,870 25.0	227,380 75.0
700	92,480 25.6	269,060 74.4

2/4

TABLE 2

CIVIL SERVICE ANALYSIS OF TOTAL COMPENSATION - MAXIMUM NOTIONAL UTILISATION OF HOUSING BENEFITS

<u>Job Units</u>	<u>Fringe Benefits + Variable Cash/% of Total Comp</u>		<u>Base Salary/% of Total Comp</u>	
	\$	%	\$	%
100	6,840	12.9	45,880	87.1
200	20,520	18.2	92,070	79.1
300	34,210	19.8	138,250	77.1
400	87,310	30.7	197,250	66.3
500	152,940	38.5	243,720	58.3
600	218,570	43.0	290,190	53.8
700	284,200	45.8	336,660	51.0

5/5

5.5 Effects of Taxation

5.5.1. The private sector practice as mentioned previously provides for a far wider range of benefits than does the Civil Service. Many of these benefits do not attract tax or attract tax at a reduced level. (See Annex K)

5.5.2. The table below shows the figures which represent the average percentage effect of the tax adjustment for the jobs within the Survey sample falling within the appropriate Civil Service Pay Bands or the private sector equivalents. The percentages are of the Total Compensation packages, before adjustment for taxation. Civil Service (1) and (2) represent the total packages calculated on the basis of maximum notional values and of the value having regard for the actual utilisation pattern of Housing Benefits respectively:

<u>Pay Bands</u>	Private Sector <u>Average</u>	Civil <u>Service 1</u>	Civil <u>Service 2</u>
Upper/Upper MPS	5.26	2.16	2.53
Upper MPS	4.93	3.27	3.57
Middle MPS	3.13	2.45	2.45
Lower MPS/ Model Scale 1	1.43	0.09	0.09

5.5.3. The effect of the differing approach to benefits between the Civil Service and the private sector means that on average the private sector practice is more tax effective. For example if we take the Master Pay Scale Upper/Upper Band, for every \$100 earned in total compensation in the private sector when grossed for tax is equivalent to \$105.26. Whereas in the Civil Service it is equivalent to only \$102.16 (CS1) or \$102.53 (CS2). In other words on average the private sector employee is approximately \$2.75 to \$3.00 better off per \$100 of total compensation than the Civil Servant at this level.

5.5.4. Similar results are obtained for each of the pay bands in the Survey. The effect of this difference is therefore to reduce the value of the Civil Service Total Compensation package as follows:

Upper/Upper Pay Band	(CS1)	3.00%
	(CS2)	2.60%
Upper Pay Band	(CS1)	1.60%
	(CS2)	1.30%
Middle Band		0.66%
Lower Band		0.52%
MOD Scale 1		0.52%