

## CHAPTER 6

### PAY LEVEL SURVEY ADVISORY COMMITTEE'S COMMENTS ON HAY'S REPORT

#### 6.1 INTRODUCTION

6.1.1 In accordance with the practice adopted in the consultation process for considering the methodology for the Pay Level Survey, Hay's report, containing the initial findings of the survey, was referred to the PLSAC for comment. A report was subsequently submitted by the PLSAC on 20 January 1987 for our consideration and this Second Report of the PLSAC has been included at Appendix VII of this Report. This chapter summarizes the comments made by the PLSAC\*. Our responses, together with those of Hay, are given in Chapter 7.

#### 6.2 GENERAL METHOD OF COMPARISON

6.2.1 The Senior Non-Expatriate Officers Association doubted the accuracy of the survey findings in view of the relatively small sample size (paragraph 1.1.3 (a) of the PLSAC's report at Appendix VII refers). Regarding the survey field, the Association of Expatriate Civil Servants regretted that China Light and Power Co. Ltd. had not been included in the survey, in view of the fact that Hay had recently completed a comprehensive study on the restructuring of the company (paragraph 3.2.1 of the PLSAC's report at Appendix VII refers). The Chinese Manufacturers' Association, on the other hand, considered that the private sector companies in the survey represented the top 1% of the private enterprises in Hong Kong and it must therefore be made clear that the

\* As stated in paragraphs 1.10.2 and 1.10.3, the Police Force Council and the Senior Civil Service Council withdrew their representatives from the PLSAC. The Police Force Council has since written to us giving its views on the Pay Level Survey and its comments have been included in Chapter 9 of the PLSAC's report at Appendix VII. As mentioned in paragraph 1.10.4, the Senior Civil Service Council requested that its comments be deleted from the PLSAC's report. The Chairman of the PLSAC did not accede to this request and comments attributed to the Senior Civil Service Council and its member associations in this chapter therefore refer to the approved minutes of meetings of the PLSAC.

remuneration of civil servants was being compared with the remuneration of employees in the largest companies in Hong Kong (paragraph 11.4 of the PLSAC's report at Appendix VII refers).

6.2.2 On the analysis of Hay's findings, the Model Scale 1 Staff Consultative Council suggested that the results regarding Model Scale 1 should be analysed in the same way as for the other pay bands - i.e. by comparing with both the average and upper quartile positions in the private sector (paragraphs 1.1.4 and 6.3 of the PLSAC's report at Appendix VII refer). The Hong Kong Industrial Relations Association, on the other hand, felt that comparison between the total packages of the public and private sectors, in Chapter I of Hay's report, should be made with a common reference to the average rather than the upper quartile in the private sector. In addition, such a comparison should show the actual percentage difference between the total packages of the civil service and the private sector and should avoid terms such as "competitive" and "broadly in line" (paragraph 1.1.5 of the PLSAC's report at Appendix VII refers). The Association of Expatriate Civil Servants suggested that analysis based on the 90% decile should also be provided (paragraph 1.1.1(b) of the PLSAC's report at Appendix VII refers).

### 6.3 GENERAL COMMENTS ON THE VALUATION OF FRINGE BENEFITS

6.3.1 The Hong Kong Chinese Civil Servants' Association was of the view that the actual utilization approach should be used in the valuation of fringe benefits instead of the present assumptions adopted in the valuation - i.e. maximum notional value and maximum utilization of the benefit (paragraphs 5.2.1(a) and (g) refer). This point was made in a letter dated 29 December 1986 from the Hong Kong Chinese Civil Servants' Association.

### 6.4 RETIREMENT BENEFITS

6.4.1 The Model Scale 1 Staff Consultative Council suggested that the wastage rate of 3.84% should be used in the calculation of retirement benefits for Model Scale 1, in order to produce more accurate results. This rate was provided by the Administration, based on information gathered over the past ten years. The Hong Kong Chinese Civil Servants' Association supported this suggestion and in turn requested that separate wastage rates should be adopted for the other pay bands on the Master Pay Scale (paragraphs 7.5.1 and 7.5.2 of the PLSAC's report at Appendix VII refer).

6.4.2 The Administration, having consulted the Treasury and the Staff Planning Division of the Civil Service Branch, confirmed that it would not be possible to provide separate figures for each pay band on the Master Pay Scale, as the

only wastage rates readily available were those for the categories of pensionable and non-pensionable staff. In any case, it would not be meaningful to obtain such detailed wastage rates for different pay bands on the Master Pay Scale, as most officers passed through more than one pay band during their career in the civil service. Moreover, the retrieval of such information would require the deployment of extra staff and might take months to complete (paragraph 7.5.3 of the PLSAC's report at Appendix VII refers).

## 6.5 HOUSING BENEFITS

6.5.1 The Association of Expatriate Civil Servants strongly suspected that the rental value of Government-owned quarters, as assessed by Jones Lang Wootton, was too high. The same view was shared by the Senior Non-Expatriate Officers Association (paragraph 7.2.1 of the PLSAC's report at Appendix VII refers). In response to the Association of Expatriate Civil Servants' request that comments of the Rating and Valuation Department be sought on Jones Lang Wootton's valuation, the Administration provided comments by the Department which, in general, pointed out that Jones Lang Wootton's valuation was 17% to 25% higher than the Department's own valuation, depending on the grade of quarters (paragraph 7.2.3 of the PLSAC's report at Appendix VII refers). The Department's views were referred to Jones Lang Wootton for comment and, after consideration, the firm concluded that they would maintain their original valuation (Annex L of the PLSAC's report at Appendix VII refers).

6.5.2 The Hong Kong Institute of Personnel Management pointed out that the Rating and Valuation Department was a Government department and, therefore, part of the civil service. To adopt the valuation of the Rating and Valuation Department would deviate from the original proposed methodology, which stated that the valuation of non-departmental quarters should be undertaken by an independent professional property valuer. The Administration, however, indicated that, whilst the Rating and Valuation Department was a Government department, it was staffed by professional valuers, whose job it was to exercise professional judgement on behalf of the Government in all rating and valuation matters affecting both members of the public and civil servants (paragraph 7.2.4 of the PLSAC's report at Appendix VII refers).

6.5.3 The Senior Non-Expatriate Officers Association pointed out that the methodology for the valuation of housing benefits failed to take into account, for example, the possibility that some officers might, if given the choice, choose to live in non-departmental quarters at a lower value than their entitlement and add the difference to their take-home pay. Both the Senior Non-Expatriate Officers Association and the Association of Expatriate Civil Servants

pointed out that PTA should be calculated on the basis of actual amounts and not maximum notional value. This was because PTA was administered in such a way that only rarely could an officer obtain the maximum allowance to which he was entitled. Under this system, the officer was responsible for negotiating with the landlord the rental for the housing unit under lease. The agreed rental would then be vetted by the Rating and Valuation Department and, in the event that the agreed rental and the assessment of the Department differed, the allowance would only amount to the lower of the two figures (paragraphs 7.2.2(a) and (c) of the PLSAC's report at Appendix VII refer).

6.5.4 The Senior Non-Expatriate Officers Association also proposed that leased quarters be included in the valuation of non-departmental quarters (paragraph 7.2.2(b) of the PLSAC's report at Appendix VII refers).

## 6.6 MEDICAL BENEFITS

6.6.1 Members of the PLSAC commented extensively on the assumptions adopted in calculating the insurance premia applicable to medical benefits. The Model Scale 1 Staff Consultative Council pointed out that the assumptions made by the insurance company in valuing medical benefits, such as the location of Hong Kong in a typhoon-area, its dense population with many people living in high rise buildings, its situation in a cholera zone and the high number of females of child-bearing age who might suffer pregnancy complications or be subjected to long periods of hospitalization, etc., were all over-exaggerated. This view was shared by the Hong Kong Chinese Civil Servants' Association, which also pointed out that the assumption that third class hospital accommodation would be used should also apply to civil servants in the middle and lower bands of the Master Pay Scale. The Association made this suggestion on the grounds that it was very difficult for these civil servants to gain admission to first or second class hospital accommodation, because, in actual practice, a "limit" was adopted in Government hospitals to admit only certain ranks of officers to first or second class hospital accommodation (paragraphs 7.3.1(a) and 7.3.2 of the PLSAC's report at Appendix VII refer).

6.6.2 The Hong Kong Chinese Civil Servants' Association also felt that the assumption that patients would choose a European diet rather than an Asian diet was totally incorrect since most patients, in fact, chose the Asian diet. (Different rates are charged for third class hospital accommodation depending on the diet chosen, the highest being the rate for the European diet. A flat rate is charged for the other classes of hospital beds). This view was supported by the Hong Kong General Chamber of Commerce, the Employers' Federation of Hong Kong, the Senior Non-Expatriate Officers

Association and the Model Scale 1 Staff Consultative Council (paragraph 7.3.1(b) of the PLSAC's report at Appendix VII refers).

6.6.3 Concerning the concessionary hospital rates for the civil service, the Model Scale 1 Staff Consultative Council pointed out that the hospital charges assumed by Hay were not in line with the existing public rates. The Council proposed that the insurance premia for medical benefits in the civil service be valued on the basis of \$5 per day, since the third class hospital charge for civil servants was \$15 per day and that for the public was \$20 per day at current rates (paragraph 7.3.2 of the PLSAC's report at Appendix VII refers). The Administration clarified that, although the public rate for hospital maintenance fees had been adjusted to \$20 per day as from 1 August 1986, the civil service concessionary rate was not adjusted to \$15 per day until 1 September 1986. Since the Pay Level Survey, having been conducted at 31 August 1986, fell within this one-month period, the Administration recommended that the civil service benefit of \$5 per day effective from 1 September 1986 should be used (paragraph 7.3.4 of the PLSAC's report at Appendix VII refers).

## 6.7 DENTAL BENEFITS

6.7.1 The Hong Kong Chinese Civil Servants' Association was of the view that the original assumption used for determining the insurance premium for dental benefits for the civil service, viz. four inspections, four corrections and two emergency visits per annum for each family, was not realistic, as the waiting period for an inspection at Government dental clinics could be as long as 18 months. The Model Scale 1 Staff Consultative Council held a similar view and suggested that consideration should be given to the utilization of this benefit in determining the insurance premium since, in its view, no more than 30% of civil servants actually made use of Government dental services. The Council therefore suggested that the following assumption be used in the valuation of dental benefits in respect of the civil service : a civil servant's family should be assumed to have two inspections, one correction and one emergency visit per annum (paragraphs 7.4.1 and 7.4.2 of the PLSAC's report at Appendix VII refer).

6.7.2 The Administration, on the other hand, advised that it would be fair to adopt an assumption of four inspections, two corrections and one emergency treatment for a family of four persons per annum (paragraph 7.4.3 of the PLSAC's report at Appendix VII refers).

## 6.8 PERSONAL LOANS

6.8.1 The Hong Kong Chinese Civil Servants' Association considered the criteria governing applications for advances of salary under Civil Service Regulation 618 restrictive and, therefore, the calculation of personal loans on an annual basis, in its view, had the effect of over-estimating the value of the benefit. This view was shared by the Senior Non-Expatriate Officers Association and the Model Scale 1 Staff Consultative Council, which also pointed to the fact that this benefit had not been extended to Model Scale 1 staff with less than five years' service until 22 September 1986, which was after the cut-off date for the survey. Before this date, about 40% of the total strength of Model Scale 1 civil servants had not been eligible for this benefit. The Council therefore felt that it was inappropriate to include personal loans in the calculation of civil service total packages. Even if personal loans were to be included for Model Scale 1, it should be done on the basis of actual utilization patterns, in a similar way to the approach used in valuing housing benefits - i.e. the maximum notional value multiplied by the rate of utilization (paragraphs 7.6.1 and 7.6.2 of the PLSAC's report at Appendix VII refer).

6.8.2 The Administration supported the view that it would be desirable for us to consider excluding personal loans from the calculation of total packages, having regard to the restrictive conditions governing application for salary advances in the civil service and the relatively low utilization of the benefit (paragraph 7.6.3 of the PLSAC's report at Appendix VII refers).

## 6.9 OTHER BENEFITS

6.9.1 Regarding other fringe benefits, such as death and disability benefits, leave passages, leave and working hours, job-related allowances and various miscellaneous benefits, members of the PLSAC had no particular comments.

## 6.10 DISCIPLINED SERVICES

6.10.1 As mentioned earlier, the Police Force Council submitted its comments in writing following its withdrawal from the PLSAC (Annex C to Appendix VII refers). The Council's main criticism was that the survey had failed to take into account the unique nature of police work, thereby rendering the findings distortive. Generally speaking, the Council held the view that the findings were based upon an over-generalization, since Hay did not compare specific posts in the private sector with specific posts in Government.

6.10.2 The Council also requested that more information should be provided. Specifically, the Council requested that a base salary graph should be prepared, comparing the Police Force with the other Disciplined Services and civil servants on the Master Pay Scale (paragraph 9.2.1 of the PLSAC's report at Appendix VII refers).

6.10.3 After the PLSAC report had been submitted to us on 20 January 1987, the Council further wrote on 27 January 1987 and commented on the following points :

(a) Job Comparison :

Bearing in mind the aim of the survey, which was to ensure that "remuneration was broadly in line with employees in the private sector undertaking comparable work", the Police Force Council had yet to see the aim of the survey achieved in respect of the Force as obviously the work of police officers had not been and could not be broadly compared with comparable work in the private sector. This seemed to be borne out by paragraph 10.2.1 in Chapter X in Hay's report; and

(b) Special Nature of Jobs in the Disciplined Services :

When the methodology concerned with the Disciplined Services was explained to members of the PLSAC, at no time was it indicated that the nature of work would not be taken into account when evaluating jobs, and as a consequence, considerable time was spent by representatives of the Police Force Council detailing to Hay this particular aspect. Yet paragraph 10.2.1 of Chapter X in Hay's report clearly stated that there were no private sector positions from which to obtain this data and that, as a consequence, Hay were not able to comment meaningfully on the private sector practice for rewarding staff for these job features. It was therefore difficult to interpret this as other than an indication that, as far as the Disciplined Services were concerned, the survey had no validity, since one could not have a survey without data.

## 6.11 REQUESTS FOR ADDITIONAL INFORMATION

### Private Sector Fringe Benefits

6.11.1 The Senior Civil Service Council requested that a detailed breakdown of the types of fringe benefits in the private sector and their rates of utilization should be provided for each of the private companies in the survey. The Hong Kong Chinese Civil Servants' Association further

suggested that the information should be presented in such detail as the annual Fringe Benefit Survey prepared by the Pay Survey and Research Unit. This view was shared by the Model Scale 1 Staff Consultative Council (paragraphs 4.2.1, 4.2.3 and 4.2.8 of the PLSAC's report at Appendix VII refer).

#### Job Evaluation Results

6.11.2 The Senior Civil Service Council and the Model Scale 1 Staff Consultative Council strongly requested that the individual evaluation results of all the jobs surveyed in both the civil service and the private sector should be provided, so that the Staff Side could verify the results. When members of the PLSAC were reminded that the methodology endorsed by the Government had established that such information could not be provided on the grounds of confidentiality, the Staff Side representatives expressed strong dissatisfaction. The Hong Kong Chinese Civil Servants' Association and the Model Scale 1 Staff Consultative Council requested that job evaluation results in respect of the civil service should be provided, even if Hay were not able to provide results in respect of the private sector. They stressed that, without this information, they could not report back to their members and, therefore, could not verify the results of the survey. The Model Scale 1 Staff Consultative Council also considered that there would not be any breach of confidentiality with the private sector companies if civil service job evaluation results only were disclosed; whether members would be able to understand them was another question and this should not be used as an excuse to deprive members of their right to such information (paragraphs 4.2.1 to 4.2.3, 4.2.8, 5.2.1 and 5.2.2 of the PLSAC's report at Appendix VII refer).

6.11.3 Although the Employers' Federation of Hong Kong was sympathetic to the request from Staff Side representatives, the Federation doubted whether members of the PLSAC could verify Hay's findings, since only Hay consultants had the expertise and qualifications to verify the results (paragraph 5.2.3 of the PLSAC's report at Appendix VII refers). The Hong Kong Institute of Personnel Management also felt that, even if such results were disclosed, members would not be able to understand and interpret the information. Both the Institute and the Hong Kong General Chamber of Commerce were of the opinion that it was not a common practice in the private sector to disclose job evaluation results (paragraphs 4.2.4 and 4.2.5 of the PLSAC's report at Appendix VII refer).

#### Expatriate Pay and Fringe Benefits

6.11.4 The Association of Expatriate Civil Servants requested that Hay's report should include information which set out expatriate pay and fringe benefits separately (paragraph 1.1.1(a) of the PLSAC's report at Appendix VII



refers). The Association extended its request, after the presentation of Hay's initial report to the PLSAC, to include a specific set of data on expatriate pay and fringe benefits for the private sector equivalents of the upper/upper and upper pay bands (Annex F to Appendix VII refers).

## 6.12 CONCLUSION

6.12.1 The paragraphs in this chapter refer to the major comments made by members of the PLSAC regarding the findings of the Pay Level Survey and do not cover all the points included in the Second Report of the Pay Level Survey Advisory Committee on the Pay Level Survey (at Appendix VII) which contains the full details. We have considered the report of the PLSAC and have found its advice useful and helpful, as borne out by the significant number of changes in the calculation of the Pay Level Survey findings which were made as a result of this advice, and which are described in the next chapter.