

CHAPTER 7

THE STANDING COMMISSION'S FINAL DECISIONS ON THE METHOD OF CALCULATION

7.1 INTRODUCTION

7.1.1 We have considered most carefully the views of the PLSAC, which are summarized in the previous chapter. The following paragraphs contain our responses to the PLSAC's views. As already mentioned, changes were made to the basis of the calculation of certain items in the survey which led to the re-calculation of some of the results by Hay, as detailed in the following paragraphs.

7.2 GENERAL METHOD OF COMPARISON

7.2.1 We agree that Hay's analysis of the respective positions of the five pay bands should be consistent and, therefore, accept the Model Scale 1 Staff Consultative Council's proposal that the Model Scale 1 band should be compared with both the average and the upper quartile positions in the private sector, in similar fashion to the other four pay bands.

7.2.2 On the question of the sample size for the survey, we have been advised that the survey sample of 141 ranks, which represents approximately 15% of civil service ranks, is more than adequate to ensure a statistically acceptable result, on which to judge whether public and private sector total packages are broadly comparable. In fact, these ranks cover 137,165 officers, or approximately 80% of all non-Directorate staff.

7.2.3 As regards the inclusion of China Light and Power Co. Ltd., we have decided not to invite the company to participate in the survey field because, firstly, it has been confirmed that their salary scale follows that of the Government and, secondly, since the Hong Kong Electric Co. Ltd. has already been included in the survey, the addition of another public utility company would over-represent this sector in the survey field.

7.2.4 Hay also noted, in their report, the comments of the PLSAC on the analysis of results. They have subsequently agreed to provide comparisons between the total packages of the civil service and the private sector, both in terms of the average and the upper quartile, and, in the text of their report, information on the 90% decile has also been included.

7.3 GENERAL COMMENTS ON THE VALUATION OF FRINGE BENEFITS

7.3.1 We recommended in our First Report on the Pay Level Survey (Report No. 16), that the notional value of benefits should be used as the basis for valuation. We based our recommendation on two considerations. Firstly, actual values would change very quickly in many cases, whilst notional values would provide information useful for long-term comparisons. Secondly, as long as notional values were used consistently in both the public and the private sector valuations, the comparisons made would be valid.

7.4 RETIREMENT BENEFITS

7.4.1 We agree that a more accurate wastage rate for the civil service should be used in the calculation of retirement benefits, since average figures covering the past ten years can be obtained. We have also noted the request, from some members of the PLSAC, to provide a further breakdown of the wastage rates for the four pay bands of the Master Pay Scale.

7.4.2 Having considered all the views on retirement benefits, we have decided that two wastage rates should be used in the calculation of retirement benefits in the civil service : 3.63% for the whole of the Master Pay Scale and 3.84% for Model Scale 1. We consider this the fairest and most practicable approach, given that the Treasury has confirmed that it would need several months to obtain the breakdown of wastage rates for the four pay bands of the Master Pay Scale. Furthermore, we do not think that the calculation of retirement benefits would be rendered inaccurate by using the overall wastage rate for the Master Pay Scale. Consequently, the average annual pension values of the five pay bands have been revised as follows :

		Original HK\$	Revised HK\$
Upper/Upper	MPS Pay Band	49,383	47,592
Upper	MPS Pay Band	35,793	33,640
Middle	MPS Pay Band	17,186	15,939
Lower	MPS Pay Band	8,582	8,220
Model Scale 1	Pay Band	5,667	4,998

7.5 HOUSING BENEFITS

7.5.1 After careful consideration of the views of the PLSAC on housing benefits, we agree that leased quarters should be included in the valuation of housing benefits, as about 900, out of a total of 3,199 non-departmental quarters (NDQ), were leased during August 1986. Consequently, the average annual value of a NDQ to an officer in the upper/upper pay band has been reduced from HK\$254,573 to

HK\$246,795, using the maximum utilization approach*. Taking into account the pattern of utilization*, the figure has been reduced from HK\$145,787 to HK\$141,040.

7.5.2 As regards Jones Lang Wootton's valuations of Government-owned NDQ and the different opinion of the Rating and Valuation Department, we are aware that this is a difference in professional judgement between two property valuers. Jones Lang Wootton, having been informed of the Rating and Valuation Department's views, have in fact explained the reasons to us for the difference in opinion and have stated that their original assessment should stand (Jones Lang Wootton's letter, at Annex L to Appendix VII, refers). We have accepted Jones Lang Wootton's explanation and decided that their valuations should not be changed. It is to be further noted that Hay engaged Jones Lang Wootton to value Government-owned NDQ in accordance with the methodology, which stipulated that such quarters should be assessed by independent professional property valuers (paragraph 12.7.1(i) of our Report No. 16 refers).

7.6 MEDICAL BENEFITS

7.6.1 We have noted the extensive comments by members of the PLSAC on medical benefits. After carefully considering the views of the PLSAC, we agree that the middle and lower bands of the Master Pay Scale should be assumed to receive only third class accommodation and that the concessionary rate, based on the Asian diet, should be used. Evidence from the Medical and Health Department confirms the view that most patients choose the Asian diet. As for the upper/upper and upper bands, we agree that medical benefits should be calculated with reference to the pattern of utilization of the various classes of hospital accommodation. In this connection, historical data have been provided by the Medical and Health Department which indicate that 71% of civil servants and their dependants occupy third class beds, 20% occupy second class beds and 9% occupy first class beds.

7.6.2 As regards the basis for the calculation of the insurance premia, we have noted that the factors used for the calculation of insurance premia are those adopted generally by the insurance industry for Hong Kong. We feel that as long as the same basis is used for the valuation of medical benefits in both the civil service and the private sector, the comparison is valid.

* For an explanation of these terms, please see paragraph 5.4.1(c)(i).

7.6.3 The adoption of the above revised assumptions on concessionary hospital rates for civil servants has resulted in the following reductions in the annual insurance premia : in the upper/upper and upper Master Pay Scale pay bands, from HK\$2,046 to HK\$1,463; in the middle and lower Master Pay Scale pay bands, from HK\$2,046 to HK\$316; and in the Model Scale 1 pay band, from HK\$888 to HK\$316.

7.7 DENTAL BENEFITS

7.7.1 We agree that the assumptions used for determining the insurance premium for civil service dental benefits should be brought more into line with the real situation. Having considered the length of time a civil servant might have to wait for a dental appointment, we have decided that the Administration's advice should be accepted - i.e. in respect of the civil service, a family of four persons should be assumed to have four inspections, two corrections and one emergency treatment per annum. Consequently, the dental insurance premium for all civil servants has been reduced from HK\$2,010 to HK\$1,400.

7.8 PERSONAL LOANS

7.8.1 We are sympathetic to the view that personal loans should be excluded from total packages. However, after considering Hay's advice that restrictions, although varying in degree, also exist in the private sector and, furthermore, that the same methodology for the valuation of personal loans was used for both sectors, we have decided that personal loans should be included for both the civil service and the private sector. In arriving at this conclusion, we have noted that, as at 31 August 1986, there were 20,608 outstanding advances of salary under Civil Service Regulation 618, which means that about 11.6% of the total number of civil servants were receiving this benefit. In view of the significant number of civil servants making use of this benefit and of the fact that the same methodology has been consistently applied in the public and the private sectors, we consider that it is fair to include personal loans in the calculation of total packages.

7.9 DISCIPLINED SERVICES

7.9.1 We have been advised by Hay that they could not evaluate and compare the special factors, such as stress, danger, being constantly on call, restrictions on personal freedom etc., which applied to the Disciplined Services, since such factors could not be found to the same extent in jobs surveyed in the private sector. However, certain features of the work of the Disciplined Services, such as the need for training in the use of specialized equipment and in investigative work, and the requirement for special skills in

handling potentially difficult or dangerous situations, have been taken into account in job evaluations for the Disciplined Services.

7.9.2 With regard to the request from the Police Force Council for a comparison of the base salary of the Police Force with the other Disciplined Services and with civil servants on the Master Pay Scale, we feel that, since all this information is concerned with internal relativities and, therefore, falls outside the scope of the present survey, which is strictly concerned with a comparison between the civil service and the private sector, it should not be provided.

7.10 REQUESTS FOR ADDITIONAL INFORMATION

7.10.1 We have noted that some members of the PLSAC made a number of requests for additional information to be provided in connection with the data on the survey. Most of these requests have been met and 18 supplementary notes have accordingly been produced for the PLSAC, including selected comparisons on job analogues, information on working hours, transport subsidies, assumptions used in determining various insurance premia, etc.

Private Sector Fringe Benefits

7.10.2 One of the requests concerned information on the types of fringe benefits and their respective utilization rates in the private sector companies surveyed. This was, to a large extent, met by Hay who agreed, within the bounds of confidentiality of private sector data, that computer print-outs could be provided for the perusal of members of the PLSAC in the presence of Hay consultants. A number of interested members attended this special session.

Job Evaluation Results

7.10.3 However, in certain areas, we feel that we cannot accede to requests for additional information, one of these areas being job evaluation results. We appreciate that requests for this information from some members of the PLSAC stemmed from their desire to check the accuracy of the results of the survey. However, we recommended in Report No. 16 (paragraph 5.3.1(b)) that such information should not be disclosed, on the grounds that such a disclosure would constitute a breach of confidentiality, particularly with the private sector companies, some of which have only agreed to participate in the present survey on this understanding. Moreover, the individual job scores are a matter of professional judgement on Hay's part. Hay have confirmed that this process of job evaluation has been carried out rigorously, the results being also correlated with Hay's own

international database, and, in all the circumstances, we feel that information on job evaluation results should not be released.

Expatriate Pay and Fringe Benefits

7.10.4 We have no objection, in principle, to information on expatriate pay in the private sector being made available to the Association of Expatriate Civil Servants for reference. However, since the subject of expatriate pay in the private sector is, strictly speaking, outside the scope of the survey, the Association of Expatriate Civil Servants should approach Hay direct for the requested information and meet any additional costs which may be incurred. We have instructed Hay that no information on individual salaries or that which would constitute a breach of private sector confidentiality should be provided. This has been agreed by Hay.