

8.2.3 In accordance with the agreed methodology (paragraphs 5.4.1 (c) (i) and (ii) above refer), Hay evaluated housing benefits in the upper/upper and upper bands of the civil service in two ways. Both sets of findings are given in Table II and presented in Charts D and F. They are designated CS1 and CS2, as follows :

- (a) CS1 : Housing benefits for the upper/upper and upper bands of the civil service valued on the basis of maximum notional value and maximum utilization; and
- (b) CS2 : Housing benefits for the upper/upper and upper bands of the civil service valued on the basis of maximum notional value and the pattern of utilization.

It should be emphasized that, in regard to (b) above, the figures for the civil service and those for the private sector in Table II are not fully comparable, as private sector evaluations have been carried out on the basis of maximum notional value and maximum utilization.

8.3 PRESENTATION OF HAY'S FINDINGS ON BASE SALARIES IN TABULAR FORM

8.3.1 Table I shows the amounts of base salary, in dollar terms, which are paid in the civil service and in companies at the upper quartile and average positions in the private sector. The table also shows, in the two right-hand columns, the civil service figures in terms of the percentage difference which they represent over the private sector. This information is given for the lowest, average and highest job points within each of the five pay bands.

8.3.2 Arising from their comparison of base salaries in the public and private sectors, Hay noted the following major characteristics :

- (a) The base salary practice* in the upper/upper band of the civil service exceeds average private sector salaries at all job sizes and straddles the upper quartile for the private sector;
- (b) The same observations can be made for the upper band of the civil service;

* Practice is defined as the line of "best fit" or central tendency that represents the relationship between job size and pay, for a set of related positions.

Table I

Base Salary Comparison

Band	Hay Points Range	Civil Service Base Salary (Per Annum) HK\$, 000	Private Sector Base Salary (Per Annum) HK\$, 000		Difference Civil Service over Private Sector	
			Upper Quartile	Average	Upper Quartile %	Average %
Upper/Upper	Lowest	299.0	269.0	207.0	+11	+44
	Average	314.4	320.9	244.5	-2	+29
	Highest	324.8	356.0	269.9	-9	+20
Upper	Lowest	153.1	104.3	86.9	+47	+76
	Average	215.3	198.2	155.7	+9	+38
	Highest	264.4	280.5	215.3	-6	+23
Middle	Lowest	59.5	53.6	45.9	+11	+30
	Average	97.0	84.7	72.0	+15	+35
	Highest	183.5	180.0	142.5	+2	+29
Lower	Lowest	40.2	36.5	30.6	+10	+31
	Average	51.6	48.1	40.8	+7	+27
	Highest	58.9	56.1	48.13	+5	+22
Model Scale 1	Lowest	37.4	45.5	37.3	-18	0
	Average	45.1	50.8	45.5	-11	-1
	Highest	59.7	62.8	58.7	-5	+2

- (c) The base salary practice in the middle band of the civil service lies just above the upper quartile for the private sector over the whole range of job sizes;
- (d) Likewise, for the lower band of the civil service, the base salary practice lies just above the upper quartile for the private sector; and
- (e) For civil service Model Scale 1 staff, the base salary practice approximates the average and lies below the upper quartile for the private sector.

8.3.3 The results are shown in detail, together with the relevant charts, in Chapter VI of Hay's report at Appendix VIII.

8.3.4 In paragraph 4.8.4, we stated that, in response to a request made by the Association of Expatriate Civil Servants, Hay agreed to furnish details of the average percentage difference between local and expatriate salaries in those private sector companies which actually employed expatriates. Hay's findings indicate that, whilst not all private sector companies pay their expatriate staff more than their local staff for jobs of the same size, this is nevertheless generally the case. In the upper/upper band, on average, expatriate salaries exceed local salaries by about 20% and, in the upper band, the figure is approximately 30%.

8.4 PRESENTATION OF HAY'S FINDINGS ON TOTAL PACKAGES IN TABULAR FORM

8.4.1 Hay's overall findings from their comparison of total packages (referred to as "total compensation" in their report) in the public and private sectors are summarized in Table II. The procedure for carrying out the comparison of total packages in each of the five pay bands in the civil service with those at corresponding levels in the private sector is described in paragraphs 4.4.1 to 4.6.2.

8.4.2 Housing benefits for the middle and lower bands of the civil service were excluded from the survey on the grounds of low utilization. Housing benefits were not included for the Model Scale 1 band, as this band was not entitled to make use of them.

8.4.3 We would like to point out in this regard that our initial instructions to Hay required them to evaluate all non-departmental quarters (NDQ) on the assumption that B grade quarters would be used. However, it was pointed out by the Association of Expatriate Civil Servants that, due to an insufficient number of B grade NDQ being available, many

Table II

Total Package Comparison

Band	Hay Points Range	Civil Service Total Packages (Per Annum) HK\$,000	Private Sector Total Packages (Per Annum) HK\$,000		Difference Civil Service over Private Sector	
			Upper Quartile	Average	Upper Quartile %	Average %
Upper/Upper	Lowest Average Highest	CS1/CS2* 567.5/472.7 599.7/503.2 621.6/524.0	342.2 403.9 447.1	274.7 330.4 362.5	CS1/CS2* +66/+38 +48/+25 +39/+17	CS1/CS2* +107/+72 +82/+52 +71/+45
Upper	Lowest Average Highest	226.0/214.2 341.5/309.0 432.7/383.9	139.2 259.4 325.3	115.9 208.7 286.3	+62/+54 +32/+19 +33/+18	+95/+85 +64/+48 +51/+34
Middle	Lowest Average Highest	CS# 69.0 117.4 229.2	71.0 112.9 237.8	59.4 94.1 187.7	CS# -3 +4 -4	CS# +16 +25 +22
Lower	Lowest Average Highest	51.2 64.9 73.6	49.5 63.5 73.8	40.1 52.8 62.2	+3 +2 0	+28 +23 +18
Model Scale 1	Lowest Average Highest	46.6 55.1 70.4	52.8 62.5 81.6	47.2 56.4 71.3	-12 -12 -14	-1 -2 -1

* See paragraph 8.2.3

See paragraph 8.4.2

civil servants were, in fact, unable to occupy this grade of quarters. This was confirmed by the Administration, and Hay felt that it would be fairer to base their calculation of the value of NDQ on the pattern of occupation of the various grades of NDQ which were available. We agreed to this approach and Hay were accordingly instructed to evaluate NDQ in this manner.

8.4.4 Table II indicates the following characteristics :

- (a) For the upper/upper pay band, the civil service total package range is, at all job sizes, well above the upper quartile practice in the private sector, both on the basis of maximum notional value and maximum utilization of housing benefits (CS1) and on the basis of maximum notional value and the pattern of utilization of such benefits (CS2);
- (b) The results for the upper band of the civil service are very similar to those for the upper/upper band (see sub-paragraph (a) above);
- (c) For the middle band, at all job sizes, average total packages in the civil service lie just above the upper quartile practice in the private sector. In this pay band, therefore, the relationship between total packages in the civil service and private sector is similar to that between base salaries in the two sectors. This is in marked contrast to the situation prevailing in the upper and upper/upper bands, where the difference between public and private sector total packages is much wider than that between base salaries in the two sectors;
- (d) For the lower band, civil service average total packages approximate those found in the upper quartile of private sector companies and the difference between total packages in the two sectors is somewhat larger than that between base salaries;
- (e) As with base salary, total packages for Model Scale 1 civil servants fall below the upper quartile and slightly below the average total packages in the private sector;
- (f) The major reason for the large gap between private sector and civil service total packages in the upper and upper/upper bands is that local staff at these levels in the civil service enjoy much larger fringe benefit packages, although base salaries for these pay bands in the civil service are also quite high compared with the private sector;

- (g) The principal difference between fringe benefits in the civil service and the private sector is the higher value of housing benefits available to civil servants and, to a much lesser extent, the higher value of civil service retirement and disability benefits. The difference in value between housing benefits in the two sectors is, however, much less marked, although still considerable, if one evaluates these benefits, for the civil service, on the basis of the pattern of utilization rather than maximum utilization, whilst maintaining the basis of maximum utilization for the private sector (see paragraph 8.2.3 for details). It was not possible, in the time available, to obtain information on the pattern of utilization of housing benefits in the private sector;
- (h) A considerable number of private sector companies offer their local employees a wide range of fringe benefits not available to civil servants, either at all or to the same extent;
- (i) Both local and expatriate civil servants in the upper and upper/upper bands enjoy a similar range of benefits, unlike the private sector. The pattern of civil service benefits in these bands more closely resembles that of expatriates in the private sector; and
- (j) Civil servants in the Model Scale 1 band are offered fewer fringe benefits than civil servants on the Master Pay Scale or equivalent.

A full explanation of these observations can be found in Chapters 1 and 6 of Hay's report at Appendix VIII.

8.5 PRESENTATION OF HAY'S FINDINGS ON INDIVIDUAL FRINGE BENEFITS IN TABULAR FORM

8.5.1 A summary of the methodology used by Hay to compare fringe benefits in the civil service with those in the private sector is given in Chapter 5.

8.5.2 Hay first calculated the average levels of fringe benefits offered in all the private sector jobs surveyed within each of the equivalents of the five pay bands. These averages therefore included the figures, both for the companies which did not offer the benefit in question, as well as for the companies which did.

8.5.3 The results of this research are shown in the five tables below (Tables III to VII). As with Table II, two sets of figures are given for the civil service, representing the different results obtained by employing the two approaches to

the valuation of housing benefits, designated CS1 and CS2 (paragraph 8.2.3 refers), whereas only one set of figures is given for the private sector, based on maximum notional value and maximum utilization; CS2 figures cannot accordingly be directly compared with the private sector. The figures shown are the average values of each benefit across the whole sample of 52 companies and include both those companies which provide the benefit in question and those which do not.

8.5.4 It should be noted that the figures in Tables III to VII are not directly comparable with those in Tables I and II, because :

- a) In the private sector, the companies lying at or near the average line on the base salary charts may not necessarily be the same companies as those lying at or near the average line on the total compensation charts; and
- b) In the civil service, jobs of average size may not necessarily attract the same levels of salary or fringe benefits. Furthermore, in constructing the chart upon which Tables I and II are based, the values of total packages in the civil service were adjusted to take account of the differences in taxation between the public and private sectors.

8.5.5 Tables III to VII are arranged as follows :

- Table III : Salary and Fringe Benefit Analysis as a Percentage of Total Compensation in the Upper/Upper Band;
- Table IV : Salary and Fringe Benefit Analysis as a Percentage of Total Compensation in the Upper Band;
- Table V : Salary and Fringe Benefit Analysis as a Percentage of Total Compensation in the Middle Band;
- Table VI : Salary and Fringe Benefit Analysis as a Percentage of Total Compensation in the Lower Band; and
- Table VII : Salary and Fringe Benefit Analysis as a Percentage of Total Compensation in the Model Scale 1 Band.

Table III : Upper/Upper Band

Salary and Fringe Benefit Analysis as a Percentage of Total Compensation

	Private Sector Average %	Civil Service Average (CS1) %	Civil Service Average (CS2) %
Base Salary	77.1	50.7	61.1
Job Related Allowances	2.7	0.1	0.2
Sub-Total	<u>79.8</u>	<u>50.8</u>	<u>61.3</u>
Housing	7.3	39.8	27.4
Medical	1.1	0.2	0.3
Dental	0.1	0.2	0.3
Pension/Gratuity	6.6	7.7	9.2
Life Assurance	0.7	0.6	0.7
Long Term Disability	0.3	0.6	0.7
Company Cars	1.1	-	-
Car Allowances	0.5	-	-
Transport Allowances	0.2	-	-
Leave Passages	1.3	-	-
Residential Telephones	0.1	-	-
Club Fees	0.4	-	-
Meal Allowances	-	-	-
Utilities	0.4	-	-
Recreation Allowances	0.1	-	-
Personal Loans	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>
	100.1	100.0	100.1

Table IV : Upper Band

Salary and Fringe Benefit Analysis as a Percentage of
Total Compensation

	Private Sector Average %	Civil Service Average (CS1) %	Civil Service Average (CS2) %
Base Salary	79.3	61.3	68.7
Job Related Allowances	1.8	0.3	0.3
Sub-Total	<u>81.1</u>	<u>61.6</u>	<u>69.0</u>
Housing	5.9	26.4	17.5
Medical	1.6	0.4	0.5
Dental	0.1	0.4	0.4
Pension/Gratuity	7.2	9.6	10.7
Life Assurance	0.6	0.7	0.8
Long Term Disability	0.4	0.8	0.9
Company Cars	0.5	-	-
Car Allowances	0.7	-	-
Transport Allowances	0.2	-	-
Leave Passages	0.9	-	-
Residential Telephones	-	-	-
Club Fees	-	-	-
Meal Allowances	0.1	-	-
Utilities	0.4	-	-
Recreation Allowances	0.1	-	-
Personal Loans	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>
	100.0	100.0	99.9

Table V : Middle Band

Salary and Fringe Benefit Analysis as a Percentage of
Total Compensation

	Private Sector Average %	Civil Service Average (CS) %
Base Salary	82.4	82.0
Job Related Allowances	2.2	0.7
Sub-Total	<u>84.6</u>	<u>82.7</u>
Housing	3.7	-
Medical	3.1	0.3
Dental	0.3	1.2
Pension/Gratuity	6.2	13.4
Life Assurance	0.6	1.1
Long Term Disability	0.3	1.1
Company Cars	-	-
Car Allowances	-	-
Transport Allowances	0.5	-
Leave Passages	0.1	-
Residential Telephones	-	-
Club Fees	-	-
Meal Allowances	0.2	-
Utilities	0.2	-
Recreation Allowances	-	-
Personal Loans	<u>0.2</u>	<u>0.3</u>
	100.0	100.1

Table VI : Lower Band

Salary and Fringe Benefit Analysis as a Percentage of
Total Compensation

	Private Sector Average %	Civil Service Average (CS) %
Base Salary	78.3	79.8
Job Related Allowances	1.8	2.4
Sub-Total	<u>80.1</u>	<u>82.2</u>
Housing	4.4	-
Medical	5.1	0.5
Dental	0.4	2.2
Pension/Gratuity	7.2	12.7
Life Assurance	0.8	1.0
Long Term Disability	0.4	0.9
Company Cars	-	-
Car Allowances	-	-
Transport Allowances	0.9	-
Leave Passages	-	-
Residential Telephones	-	-
Club Fees	-	-
Meal Allowances	0.4	-
Utilities	0.2	-
Recreation Allowances	-	-
Personal Loans	<u>0.2</u>	<u>0.6</u>
	100.1	100.1

Table VII : Model Scale 1 Band

Salary and Fringe Benefit Analysis as a Percentage of
Total Compensation

	Private Sector Average %	Civil Service Average (CS) %
Base Salary	86.3	82.3
Job Related Allowances	1.7	4.7
Sub-Total	<u>88.0</u>	<u>87.0</u>
Housing	3.6	-
Medical	1.6	0.6
Dental	-	2.6
Pension/Gratuity	4.4	9.1
Life Assurance	0.6	-
Long Term Disability	0.4	-
Company Cars	-	-
Car Allowances	-	-
Transport Allowances	0.6	-
Leave Passages	-	-
Residential Telephones	-	-
Club Fees	-	-
Meal Allowances	0.4	-
Utilities	0.2	-
Recreation Allowances	-	-
Personal Loans	<u>0.1</u>	<u>0.6</u>
	99.9	99.9

81