

CHAPTER 9

OBSERVATIONS

9.1 INTRODUCTION

9.1.1 In the course of our deliberations, certain matters have come to light regarding the findings of the Pay Level Survey on which we would like to comment. Our observations are outlined in the following paragraphs.

9.2 NOTIONAL VERSUS ACTUAL VALUE OF FRINGE BENEFITS

9.2.1 We recommended in our First Report on the Pay Level Survey (Report No. 16) that notional rather than actual values should be used in assessing the value of fringe benefits in total packages. Notional value refers to the maximum value of the benefit to which an employee is entitled, while actual value refers to the value of the benefit actually received by the employee, which may be lower than his entitlement. Whilst we noted that both approaches had their pros and cons, the notional value approach was chosen because, technically speaking, it is easier to obtain notional figures rather than actual figures and because, more importantly, actual values may change from time to time and may soon be out of date. By using notional values consistently in both the civil service and the private sector, a valid comparison can be made.

9.2.2 This is particularly true since the aim of the survey is not to show the respective actual value of fringe benefits provided in the public and private sectors which, in reality, will differ from the notional figures. Rather, the aim of the survey is to compare the general levels of pay and fringe benefits in both the public and the private sectors. Since the notional values of benefits have been used consistently in both sectors, the comparison is valid, as the excess over the actual values, if any, applies similarly to both sectors.

9.3 MAXIMUM UTILIZATION VERSUS PATTERN OF UTILIZATION

9.3.1 Whilst the principle of maximum utilization has been generally applied in the survey, the pattern of utilization has also been used in the valuation of housing benefits and medical benefits. Under the assumption of maximum utilization, all employees entitled to a benefit are assumed to enjoy the maximum value of the benefit - e.g. in respect of housing benefits for the upper/upper band of the Master Pay Scale, all eligible officers are assumed to occupy

non-departmental quarters, although some of these officers in actual fact have chosen other types of housing benefits, such as Home Purchase Allowances or Private Tenancy Allowances, which are of a lesser value. The pattern of utilization of a benefit, on the other hand, shows the respective proportion of eligible officers actually taking up the benefit - e.g. in the upper/upper band of the Master Pay Scale, some officers have chosen to occupy non-departmental quarters and some are receiving Home Purchase Allowances or Private Tenancy Allowances, while some have chosen not to take up any housing benefits at all.

9.3.2 Similarly, medical benefits for the upper/upper and upper bands of the Master Pay Scale have also been calculated with reference to the general pattern of utilization of first, second and third class hospital accommodation by civil servants, the data for which were provided by the Medical and Health Department. The middle and lower bands of the Master Pay Scale and Model Scale 1 have been assumed to receive only third class hospital accommodation and the concessionary rate, based on the Asian diet, has also been used. However, it must be noted that, in the private sector, medical benefits have been valued on the basis of maximum notional value and maximum utilization.

9.4 HOUSING BENEFITS

9.4.1 We note that housing benefits form the most significant component of the total packages for the civil service in the upper/upper band and the upper band of the Master Pay Scale. These benefits are also the major factor contributing to the total packages of the two pay bands being significantly higher than those in the private sector. Housing benefits amount to 80.9% of the total fringe benefits and 39.8% of the total packages in the upper/upper band, using the maximum utilization approach. For the upper band, the percentages are 68.6% and 26.4% respectively. Particularly for the upper/upper band, the civil service housing benefits are much higher in value than those in the private sector, the major reason being the provision of non-departmental quarters in this band.

9.4.2 As mentioned in paragraphs 5.4.1(c)(i) and (ii) and 9.3.1 above, two sets of figures have been calculated for the valuation of housing benefits in the civil service : one based on maximum utilization and the other on the pattern of utilization. However, maximum notional values have been used in both sets of valuations. We note that there is a significant drop in the value of housing benefits when the pattern of utilization approach is used, as the following table demonstrates :

Table XXIV : Housing Benefits in the Civil Service
(Per Annum)

	Maximum Utilization		Pattern of Utilization	
	\$	% of Total Packages	\$	% of Total Packages
Upper/ Upper Band	246,795	39.8	141,040	27.4
Upper Band	92,760	26.4	54,644	17.5

9.4.3 It should also be noted that, using the figures calculated in accordance with the pattern of utilization approach, the basis for comparison with the private sector is inconsistent, since the valuation of housing benefits in the private sector has been carried out in accordance with the principle of maximum utilization. In addition, we have also noted that, in the private sector, only 30 out of the 52 companies in the survey field provide any kind of housing benefits for their employees.

9.5 WORKING HOURS AND LEAVE

9.5.1 Leave has been taken into account in total packages by adjusting the total working hours against the total packages of the public and private sectors. However, by absorbing leave into total packages as "negative working hours", it has not been separately identified and valued as a fringe benefit. Whilst this is a convenient method of taking account of leave, it also has the disadvantage of being incapable of providing either a value for leave or useful data for comparison purposes.

9.6 THE WAY IN WHICH FRINGE BENEFITS ARE PROVIDED IN THE PUBLIC AND PRIVATE SECTORS

9.6.1 One of our observations concerns the difference in the way in which fringe benefits are provided in the civil service and the private sector. Predominantly, fringe benefits in the civil service are provided in kind - e.g. non-departmental quarters, medical services and dental

services. Private sector fringe benefits, on the other hand, are mainly provided by means of cash allowances, direct reimbursement or company insurance plans.

9.7 DISCIPLINED SERVICES

9.7.1 The Disciplined Services have been compared with the private sector by, firstly, deducting the amount in their pay which, presumably, compensates for the special features of their work. This amount was calculated by identifying the difference in pay between a number of jobs on the Master Pay Scale and the Disciplined Services Pay Scale with the same Hay points.

9.7.2 As regards the special features of disciplinary work, such as danger, stress, being constantly on call or restrictions to personal freedom etc., we regret that it was not possible for Hay to obtain information which would enable them to comment on these special features by reference to the way in which employees in private sector companies were paid for them. This was because there were no positions within the jobs surveyed in the private sector which embodied special factors corresponding to those in the Disciplined Services. In this respect, therefore, the results of the survey are incomplete.

9.8 TERMS OF REFERENCE

9.8.1 In the above context, and also generally, we would like to point out that, despite references to a comparison between public and private sector employees "doing comparable work" in our terms of reference as stated in our Report No. 16, the methodology for the survey is such that no attempt is made to compare work in the two sectors in the form of job analogues. However, the comparison in the survey is altogether valid, as it is made between jobs of comparable Hay points in the civil service and the private sector.