

## Summary of the Findings of the 1996 Fringe Benefit Survey

### General

The 1996 Fringe Benefit Survey shows the position, as at 1<sup>st</sup> April 1996, of the provision of fringe benefit for staff earning a basic salary of not more than \$980,000 a year (broadly equivalent to the non-Directorate civil service) in 75 private sector companies, spread over a wide cross section of economic sectors and employing some 130,000 persons.

2. The survey focuses on the pattern of benefit available to local employees in different salary bands and the practice in dispensing benefit. The salary bands are -

- (a) Junior Staff and Workers (both skilled and unskilled) : those earning not more than \$215,000 a year [ up to Master Pay Scale (MPS) Point 15 ];
- (b) Middle-level Staff : those earning between \$215,001 and \$500,000 a year [ above MPS Point 15 and up to MPS Point 33 ]; and
- (c) Senior Staff : those earning between \$500,001 and \$980,000 a year [ above MPS Point 33 and up to the top of the civil service "non-Directorate" pay scales ].

3. In the private sector, compensation packages are structured to suit the particular circumstances in individual companies, having regard to staff mobility. The availability or otherwise of a benefit alone is not indicative of the attractiveness of the package. Thus, in one of our surveyed companies, while general staff enjoy superannuation benefit, the same is not available to professional staff. In another company, the minimum service required for joining provident fund plan is ten years, while most companies operate such plans for their staff after probation.

4. Most benefit programmes have built-in features aimed at retaining staff. These include -

- (a) employer's contribution and vesting scale in provident fund plans increases in step with length of service ;
- (b) housing assistance normally available over a long period of an employee's career, e.g. 15 to 20 years in the case of housing loan interest subsidy and no time limit for housing / rental allowances;
- (c) leave earning rate increases in step with length of service (in four companies additional leave were granted to employees to recognise long service); and
- (d) share purchase scheme (at a discount) available to all employees in four companies.

### **Flexi Plan**

5. A common problem in the provision of fringe benefit is the difference in the value of benefit perceived by employees and the cost to the company for providing the benefit. During the year, one company addressed this problem by introducing a flexible benefit plan.

6. While the company continues to provide protection in core areas such as retirement and housing, it allows employees to tailor other benefit items to suit their personal needs, and hence increases the value of the benefit to them. Every year, the company provides a number of credits to its employees, having regard to their positions in the company and their family status. Employees can then buy different options in the following areas -

- (a) Hospital and Medical Plan
- (b) Dental Plan
- (c) Life Insurance Plan for employee and spouse
- (d) Critical Illness Insurance

- (e) Purchase of additional vacation leave
- (f) Health Care Spending Account (including coverage for parents' expenses incurred in Hong Kong)

Employees selecting more benefits than the allocated amount of credits can buy will have to pay the difference, while unused credits will be forfeited.

### **Superannuation Benefit**

7. Superannuation benefit is widely available. However, about 1,300 workers in five companies do not enjoy some or all of the superannuation benefit items.
8. Normal retirement age is 60. About half of the plans are contributory, with employees generally contributing 5% of basic salaries.
9. Most defined contribution plans start off with an employer's contribution of 5%. In about half of the plans, the rate is increased with length of service, normally to 7.5% after five years and 10% after ten years. Benefit is based on contributions from employers and employees, depending on whether employees are required to contribute, plus associated investment returns.
10. Employer's contributions in a defined benefit plan may vary over the years, depending on funding position. Benefit is expressed as a multiple of service and salary. Final salary is used in just over half of the plans. In the remaining plans, the salary is averaged over the last one to three years. Generally, senior staff enjoy a higher level of benefit than their junior colleagues. For a working life of 450 months, the median values of benefit for plans which use final month salary range from 83 months salary for Senior Staff, 75 for Middle-level Staff, 68 for Junior Staff to 67 for Workers.
11. There is a trend of companies moving from defined benefit plans to defined contribution plans, so as to pre-define their liability. This happened in three companies during the year. There are now 29 companies operating defined contribution plans and 33 defined benefit plans, with ten other companies running a combination of schemes.

12. Resignation benefit is generally payable after a minimum service of three to five years. Calculations are normally based on retirement formulae, with a discount in 87% of the plans. In about half of the discounted plans, full benefit is achieved after ten years' service. In defined contribution plans, this is normally achieved through a vesting scale of 10% for each year of service. In some other plans, full benefit may only be achieved after 20 to 30 years' service. In 12 companies, resignation benefit is always smaller than retirement benefit.

13. In 70% of companies, death benefit is pitched at a level higher than what would have been paid had the deceased left the company on the relevant date, mainly because of a flat ex-gratia or insurance payment on top of retirement or resignation benefit. The ex-gratia or insurance payments normally range from 24 to 36 months of final month salary, with a few companies going as high as 48 months for Senior Staff. However, the same situation is found in only 56% of disability cases.

### **Housing Benefit**

14. 41 companies (55%) provide housing benefits for local employees. In 19 of them, this benefit is available to all categories of staff.

15. Housing loan (28 companies with nine restricting the provisions to Middle-level Staff or above) is the main form of benefit. At the current standard mortgage rate of 10.25%, an employee may, on average, borrow 70 months' salary (subject to a ceiling of \$1.5 to \$3 million) and receive an interest subsidy of 4.2% over a period of 15 to 20 years. While no quotas are imposed, the availability of loan is subject to budgetary considerations.

16. 18 companies grant non-accountable cash housing allowance to Senior Staff, with 12 extending the benefit to Middle-level Staff. In six companies, employees in receipt of the allowance may also be granted a housing loan. There is no time limit on the payment, and in most cases, the allowance goes up in step with the salaries or grading of employees. The level of allowance varies widely, from \$2,000 to \$33,300 per month.

### **Medical Consultation and Hospitalization Benefits**

17. Medical consultation and hospitalization benefits are widely available, although 400 workers in two companies do not enjoy hospitalization benefit while a further 900 workers in another five companies have neither medical consultation nor hospitalization benefits.

18. 29% of companies provide free and unlimited medical consultation services. For the remaining companies, the subsidy is subject to a limit per visit or an overall ceiling for a year. The median ceiling limits are 30 visits a year at \$200 per visit for Senior Staff, \$160 for Middle-level Staff, and \$135 for Junior Staff and Workers. In about one-third of the 75 companies, employees have to contribute a minimum of 20% of the expenses.

19. In either free or subsidised services, most employees have a choice of doctors. Employees in about one-third of the companies may only seek treatment at company clinics or from a panel of appointed doctors.

20. As regards hospitalization benefit, 14% of companies provide full reimbursement to Senior and Middle-level Staff, who are normally entitled to first or second class wards in public or private hospitals. Most of them extend the free provision to Junior Staff and Workers, normally in third class wards in public hospitals.

21. The remaining companies reimburse hospitalization expenses within specified limits for individual items, or in some cases within an overall ceiling.

22. In about 80% of companies, medical consultation and hospitalization benefits are extended to dependants of Senior Staff. However, this is less common for other employees: only about 70% for Middle-level Staff, and about half for Junior Staff and Workers.

### **Dental Benefit**

23. Dental benefit is less common. 29 companies (39%) provide this benefit, with 28% restricting it to Middle-level Staff in managerial positions or

above. Just under half of the companies extend the benefit to dependants of Senior Staff, while only one-third do so for other employees.

24. Basic dental treatments are provided free in 12 companies. In the other companies, the normal reimbursable limits are \$1,000 to \$2,000 a year.

### **Annual Leave and Passage**

25. Employees in surveyed companies enjoy more favourable leave terms than are stipulated under the Employment Ordinance. Generally, the leave earning rate increases in step with length of service, with the maximum attained in ten years' time. The median rates for employees with one year's service are 12 working days for Workers and Junior Staff, 15 for Middle-level Staff and 18 for Senior Staff. For those with ten years' service, the rates are 15, 15.5, 18 and 20 respectively.

26. Leave passage is not common. Only 15 companies (20%) provide this benefit for Senior Staff, or senior members in that staff category. In most cases, the value of the annualised benefit per person is around \$12,000 to \$14,000, with the benefit extended to spouse and dependant children. In a few companies, the value ranges between \$5,000 and \$10,000.

27. Seven of the 15 companies also extend the benefit to Middle-level Staff. The value per person normally ranges between \$3,000 and \$8,000. Spouse is covered in only one company, while spouse and dependant children are covered in two others.

### **Sick Leave**

28. 79% of companies provide better sick leave provisions than the statutory requirement. These companies grant full-pay sick leave with median values of 72 days after completion of one year's service, 90 days after five years' and 120 days after ten years'.

**Maternity Leave**

29. 40 companies (78%) follow the statutory requirements. The remaining 35 companies provide better provisions, granting maternity leave with full pay in most cases. 17 companies set no limit on the number of children while the 40-week statutory service requirement is relaxed in eight companies.

**Special Leave**

30. Special leaves like marriage leave is granted in 54 companies, compassionate leave in 49 companies, paternity leave in five companies and additional leave to recognise long service is granted in four companies.

**Children's Education Benefit**

31. Children's education benefit is not common, only 12 companies (16%) provide this benefit. Of these, nine provide an allowance for general application, mainly covering local Anglo-Chinese schools. The annual rates are \$220 - \$3,000 for education from kindergarten to secondary school, and \$1,600 - \$8,000 for post-secondary education.

32. For education at international schools in Hong Kong or overseas, assistance is available to local employees (mainly Senior Staff) in eight companies. Fees are normally reimbursed at 75%, subject to an annual ceiling of \$11,000 to \$44,600. Three companies also provide passages for overseas education.

**Tax Efficiency Programme**

33. 13 companies operate tax efficiency programmes in respect of housing or leave passage. Employees are allowed to designate a portion of salaries as allowances for rental reimbursement or holiday travel.

**Expatriate Staff**

34. 32 companies disclose information on benefits provided to expatriate staff. They enjoy better benefits than local staff mainly in three respects: housing, leave and children's education.

Appendix L (Cont'd)

35. Housing benefit is widely available in 28 companies. 16 companies provide non-operational quarters in sizes of 100 m<sup>2</sup> to 250 m<sup>2</sup>, which are normally furnished, with carparking spaces and utility charges paid for by the companies. 13 companies (including five with quarters provision) grant rental reimbursement or non-accountable cash housing allowance, ranging from \$7,000 to \$50,000 a month. There is no time limit on the payment, which goes up in steps according to the salary or grading of the employees. Rates are normally reimbursable and no rental contribution is required of employees.

36. In eight companies, employees occupying quarters or receiving an allowance may also be granted a housing loan. Four other companies operate housing loan as the only form of housing benefit for expatriate staff.

37. The median annual leave earning rate is 26 days. Of the 32 companies disclosing details, 26 have identifiable passage benefit. The value of the benefit per person normally ranges between \$12,000 and \$30,000, with coverage extended to spouse and dependant children.

38. 19 out of 32 companies (59%) provide assistance for children's education at international schools in Hong Kong or overseas. Two-thirds of them reimburse in full the fees charged, with some setting the ceiling at the English Schools Foundation (SEF) levels (\$37,100 for primary education and \$61,500 for secondary education). For partial reimbursement, the general level is above 75% of the ESF rates. Six companies pay a higher allowance for overseas education. Three of these six companies, plus a further three, provide additional assistance on passage over the normal entitlement.

**Working Hours**

39. Office staff normally work 39-39.5 hours, exclusive of meal breaks, over a 5-day week or on alternate saturday off system. Most of them come in for duty between 8:30 am and 5:15 pm. A quarter of office staff work flexible/staggered hours.



40. In contrast, operational staff, (comprising workers, field staff, sales staff and most employees in the hospitality industry) normally work 45 hours, exclusive of meal breaks, over a 6-day or 5 1/2-day week. Some 60% are required to work shifts. The normal working hours are between 8:00 am and 6:00 pm.