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# Report on Pay Comparison Study

**HayGroup**



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## 1. Introduction

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- 1.1 This report starts with a general introduction of project background and methodology in Section 2 and 3, followed with a recap of job evaluations in Section 4, and a description of how the survey was conducted in Section 5 and 6, invitation of participants and the survey itself.
- 1.2 The main findings, analyses are presented in Section 7, 8 and 9, starting with cash remuneration and ending with benefits. Section 10 contains HayGroup Consultants' views and recommendations, including some relevant references to private sector practices in remuneration management.
- 1.3 In accordance with the project requirements, HayGroup had kept constant communication and consultation with representatives of the Standing Committee on Directorate Salaries and Conditions of Service (the Directorate Committee) to ensure compliance with pre-determined survey parameters (e.g. number of participants and their representativeness etc.)
- 1.4 This report aims to provide valid references to the Directorate Committee in its deliberations on the civil service directorate Grade Structure Review.

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## 2. Background of Study

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- 2.1 HayGroup (Hay) has been commissioned by the Government of the HKSAR through the Directorate Committee to conduct a pay comparison study to facilitate its review on the pay and structure of the civil service directorate grades.
- 2.2 The objective of the study is to determine whether the present pay of directorate officers in the civil service is broadly comparable to that of their counterparts in the private sector.
- 2.3 The scope of work covered the following areas:
- The design of the pay comparison methodology
  - The conduct of the pay comparison study
  - The comparison of directorate and private sector pay
- 2.4 The study looked at a comprehensive comparison of cash pay between the private sector and the civil service directorate, considering:
- Base pay which consists of basic salary
  - Total cash, which consists of base pay, any performance related or other non-guaranteed annual payments and other cash payments (including cash allowances)

Other non-cash elements including fringe benefits and long term incentives were also studied in terms of their prevalence and typical policies.

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## 3. Overview of Methodology

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- 3.1 The methodology for this study can be described briefly as follows:
- Application of a consistent and robust job measurement system to determine the range of “values” or “job sizes” of directorate ranks associated with points on the directorate pay scale.
  - Conduct a survey of appropriately selected private sector comparison organizations to determine the pay of private sector counterparts falling into a similar range of job sizes.
- 3.2 Using the HayGroup Guide Chart® methodology, the job size of the different ranks on the directorate scale has been determined. This methodology is widely applied to public and private sector organizations around the world as well as in Hong Kong. It is a common human resources management tool in the national Civil Services of New Zealand, Singapore, United Kingdom and Canada. See Annex 1 for summary of methodology.
- 3.3 To ensure that the private sector comparisons are robust and representative, a ‘broad band’ approach has been adopted. In the broadband approach, the job evaluation methodology has been used as the anchor to determine a range of job sizes measured as a range of “Hay Points” for ranks on successive points on the directorate pay scale.
- 3.4 Using the above anchors, pay data obtained in the private sector pay survey are aggregated over a similar range of Hay Points for each of these bands and the results are reflected according to the respective pay scales.

The project team undertook the following critical steps to complete the study:

- Selection and evaluation of directorate ranks.
  - This involved the selection of representative benchmark ranks based on the agreed criteria.
  - Independent evaluation of these ranks were conducted by HayGroup and reviewed by the Directorate Committee.
- Selection and invitation of private sector comparison organizations.
  - This involved the selection of private sector organizations based on the agreed criteria.

- An invitation was sent to the CEO and/or human resource director to participate in the study.
  - Hay then followed up to validate that the organization met the criteria and to secure the organization's participation.
  - Relevant data collection materials were then distributed to the organization.
- Conduct of Pay Comparison Study
    - Hay reviewed the participating organizations and job information to select relevant positions to determine the appropriate level consistent with the Directorate broad bands.
    - Hay then verified the details of the information in terms of salary, allowance and variable pay data for the identified positions.
    - In addition, Hay also collected fringe benefit policies for prevalence analyses.
  - Analyses and Comparisons
    - Using the data collected, Hay calculated the pay level statistics for the survey.
    - Hay compared it to the respective directorate pay scale based on the different analyses required.
    - Using the findings, Hay then provided recommendations including proposed measures and pay market positioning of Civil Service Directorate to review and address issues relating to the directorate pay.
- 3.5 During the study, the Directorate Committee formed a focus group comprising 28 directorate officers and conducted two discussion sessions. The focus group was briefed on the methodology and key developments and members' views were taken into account in conducting the study.
- 3.6 This report aims to cover the study in terms of the overall findings of the pay survey, sets out key concerns and broad recommendations for the Directorate Committee's consideration in the context of the directorate Grade Structure Review.

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## 4. Selection and Evaluation of Directorate Ranks

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- 4.1 In order to select and evaluate a representative group of positions at the directorate ranks, it is important that Hay establish an understanding of the kind of roles and characteristics of the positions. An observation made is that the various grades/ranks in the directorate pay scale are diverse, and their characteristics are considerably different as compared to the private sector positions. Of more than 1 200 directorate positions:
- 30% are in administrative and executive grades
  - 30% are works department professionals
  - 20% are lawyers, accountants and medical doctors
  - 20% are other specialist roles
- 4.2 The HayGroup Guide Chart® job evaluation method provides an objective and consistent tool in the assessment of levels of responsibilities for these diverse civil service jobs. The Hay Points established further provide a basis for external comparisons, while balancing the unique aspects of both the civil service and private sector jobs. As the intention is to make broadband comparisons, it is not necessary to evaluate each and every civil service rank and position within each rank. It is sufficient to analyze a diverse benchmark sample of ranks at each level of the directorate pay scale to ensure that the range of Hay points associated with each broad band is sound and reasonable.
- 4.3 Benchmark directorate ranks have been selected according to the following criteria:
- A representation of at least 65% of the directorate establishment
  - Inclusion at a minimum of ranks with the largest establishment at each point of the directorate scale
  - Inclusion of related ranks at other levels on directorate pay scale for those ranks selected according to the criterion above
  - Other ranks at each level in the directorate pay scale to round out the representation of all four categories of directorate ranks as described in 4.1.

- 4.4 As the basis of comparison between private sector and civil service directorate is on broad bands defined by job size, not specific position-by-position comparisons, there is no need to limit the benchmark selections to ranks that have private sector counterparts. There were a total of 60 selected benchmark ranks covering 837 positions. These represented about 69% of the total establishment of the directorate. Annex 2 contains the list of benchmark ranks that have been selected, along with the number of positions selected in each rank.
- 4.5 As many of the ranks have multiple positions and specific positions with slightly different accountabilities, the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service liaised with relevant Bureaux and departments in the selection of representative positions within each rank and obtained job documentation from the officers holding these selected positions subject to the review of their superiors. A total of 111 benchmark jobs covering all civil service directorate levels (D1 to D8) were selected with the help of the Bureaux and departments and these positions were evaluated by Hay. The updated job documentation, including organization charts, resource dimensions (expenditure and staffing for example), and other background information as provided by the officer, have been used in applying the HayGroup Guide Chart® method. In conducting the assessment, Hay made reference to evaluations of similar positions or ranks in other civil services where the HayGroup Guide Chart® method has been applied. Finally, Hay interviewed a small number of jobholders across the various ranks, to clarify our understanding about typical job responsibilities in the directorate.
- 4.6 Once completed, Hay briefed the members of a review panel comprising two Directorate Committee members and an HR expert on the fundamentals of the HayGroup job evaluation methodology. Hay then presented the proposed evaluations of the benchmark ranks and defined the broad bands to the review panel for comments and confirmation.



4.7 Based on our findings, the bands have been defined as follow:

Level of Work	Hay Reference Level	Hay Point Range
D5/ D6	24/25	1,508 – 2,140
D3/ D4	22/23	1,056 – 1,507
D2	21	880 – 1,055
D1	20	750 – 879

D1 and D2 have been separated as D1 includes many senior professional and executive positions while D2 includes Assistant Directors of Departments.

4.8 Typically, the gap from one level of directorate scale to the next is a “just noticeable difference”. That is, one step from D1 to D2, one step from D2 to D3 etc. Between D1 to D6, there are 6 steps. Hence, there are no “big jumps” between jobs at successive levels in the pay scale.

4.9 Since D3/ D4 and D5/ D6 have been banded together (that is, there are 2 levels of jobs within one broad band), the implications on the salary survey would be such that positions falling within the broad band would be managed similarly. Moving from one scale or broad band to the next, there would be no overlaps in terms of Hay Points as each level/ broad band is seen as a distinct level as shown in the Hay Point range. No Hay point range was proposed for external comparison for above D6 levels and job data collected at these levels would be for reference only.

4.10 The review panel considered Hay’s evaluation results of the 111 positions and agreed to the proposed banding and Hay point ranges to be used for the bands.

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## 5. Selection and Invitation of Comparison Organizations

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- 5.1 This phase of the project involved the collection of pay information of senior positions in the private sector that are comparable in scope and complexity to each directorate broad band as defined in Section 4.
- 5.2 Selection of the comparison organizations was based on the following criteria, adapted and similar to those in previous civil service pay level and pay trend surveys. They are as follow:
- Selected organizations should be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis.
  - They should be regarded as typical employers in their respective industries employing 100 employees or more.
    - As part of the selection criteria, it is necessary to have a sufficient number of senior management positions comparable to the proposed directorate broad bands.
  - They should determine pay based on the basis of factors and considerations applying to Hong Kong rather than factors applying outside Hong Kong.
    - Expatriate salaries have been excluded from the analyses but other positions in the organization that are compensated based on Hong Kong market practices will be included regardless of nationality of the jobholder.
  - If several selected organizations are subsidiaries in the same group of companies in Hong Kong, they should only be treated as separate companies if their pay practices differ based on market conditions particular to their respective industries.
  - They should not use the Government's pay adjustment or civil service pay scales as the main factor in determining pay adjustments or setting pay levels.
    - However, public sector organizations that track their pay against the private sector have been included in the study, similar to the civil service pay level survey.
    - Professional firms, such as accounting and audit firms, law firms and engineering firms have also been invited to participate in the survey. However, senior level positions in these organizations are often held by partners who are compensated entirely or substantially based on partnership profits. As such, these jobholders will be excluded in this study because their pay data is not relevant to setting the pay of directorate officers.

- They should collectively cover wide range of industries in Hong Kong.
- 5.3 In order to have a representative sample size, Hay had targeted to have a sample size of around 70 organizations with at least 100 employees in Hong Kong, subject to organizations participating in the survey within the required timeline. As the survey involved collecting sensitive information on senior executive positions, many organizations might choose not to participate or prefer to remain anonymous. Therefore, an invitation list of around 170 organizations was proposed along with their relevant economic sectors as defined by the Censes and Statistics Department.
- 5.4 To reach out to these organizations, a survey invitation package was sent and addressed to the chief executive and the director of human resources of each selected organization. It contained an appeal letter from the Chairman of the Directorate Committee as well as an explanatory letter from Hay. A Hay consultant then followed up with either the chief executive or the director of human resources to answer any questions and at the same time sought their confirmation of participation. As a result, a total of 61 organizations agreed to take part in the study.

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## 6. Carrying out the Pay Comparison Study

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- 6.1 To carry out the study, a Hay consultant visited each participating organization to review and select positions for the survey and obtained background information necessary to ascertain the broad band for each selected position. The consultant met with a designated senior executive, typically the director of human resources who provided relevant organization charts, job descriptions, revenue, cost, staffing and other quantitative dimensions or relevant information of the organization. In the course of the discussion, the consultant also had to ascertain the nature and size of the organization to determine the range of positions that correspond to the directorate broad bands. Within the criteria set, all functions and specialisations have been included in the scope of data collection. These included “line” positions like heads of business units and operations management, as well as “support” positions like human resources, finance, legal and information technology.
- 6.2 After reviewing the information gathered in the meeting with the senior executives, the Hay consultant determined the alignment of the selected positions of the broad band. During this period, Hay conducted several internal reviews to ensure consistency in determining the banding of the private sector positions.
- 6.3 In addition, the participating organizations were asked to complete a data collection package consisting of two parts:
- A spreadsheet for entering cash pay information for each jobholder
    - This looked at in-depth information on fixed pay, including base salary, guaranteed 13<sup>th</sup> month bonus, guaranteed cash allowances (such as housing allowance, transport allowance, leave passage allowance and allowances in-lieu of car). The most recent variable pay payments for each individual were also been included in the survey.
  - Policy information on fringe benefits has been collected in a questionnaire format.
    - Information requested here include life insurance schemes, outpatient and hospitalization schemes, retirement benefits, car-status provision, club memberships, leave and long term incentives.

Each organization was asked to submit data for all the functions, for positions corresponding to job sizes comparable to corresponding civil service directorate levels. Hay recognized that only the largest organizations would have positions at above D6 levels. In view of this, data on above D6 levels were collected only as reference. In this regard, it would be more appropriate for the civil service to use existing internal relativities and the relative job size differences in determining directorate pay at these senior levels.

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## 7. Pay Comparisons

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7.1 With the pay data collected from the private sector organizations, the data was analyzed according to the following process:

- *Grouping of jobs into levels* -- All jobs in each organization have been analyzed and grouped into broad bands of Hay point ranges and their corresponding Civil Service Directorate levels. (Table of Section 4.7 Correlation of Directorate levels and Hay point ranges)
- *Pay data consolidation* -- Hay Group calculated an average value of base pay, guaranteed cash, guaranteed cash and variable pay, as well as total cash for each broad band for each organization. All positions in the same broad band have been given equal weight regardless of the function or the position. That is, each organization had one vote for each broad band so that no one organization dominates the data sample or the results of the analyses.
- *Pay market statistics* – The pay data statistics, including average, quartiles and median have been calculated for each broad band.
- *Number of participating organizations and positions* -- A total of 61 organizations participated covering a total of 227 185 employees with 1 646 senior positions to make up database of this survey. From our experience of conducting similar surveys, such sample sizes of organizations and positions are adequately representative of the pay market. The detailed list and profile of the organizations can be found in Annex 3 and 4.

7.2 In this approach, there is no weighting or biasness of function or size of private sector organization. This allows the analyses to determine a reasonable, broad comparison of directorate pay scales to private sector pay. Lastly, as the emphasis is to develop an indicator of market practices, this approach avoids skewing the sample towards large companies by giving each organization an equal weight.

- 7.3 The resulting statistics have been compared to the notional mid-point of civil service directorate pay scale and the average value of the actual cost to government of the provision of relevant allowances.
- 7.4 In the private sector, most companies set median as their target market position. Often the market leaders and aspiring leaders (about one-fifth companies) would set the third quartile (Q3) as their target to aggressively attract and retain their talent. Since there is no pre-set target market position for the civil service directorate, comparisons in this analysis were made against the market median and Q3 to follow common market practice to provide an understanding on the gaps and issues at the different positioning in the market.
- 7.5 Regarding the pay components to be compared, the private sector has different practices. Most companies manage their remuneration system by guaranteed cash, the most controllable component; and they use this to compare with the market, and review the market total cash as a secondary comparison. Other companies manage their remuneration systems through total cash to support a more aggressive pay market strategy. These companies will likely compare mainly with the total cash, and review the guaranteed cash as reference. In this project, data of all four common components, base pay, guaranteed cash, variable pay and total cash were collected and analyzed.
- 7.6 These comparisons will provide a broad overview of whether the directorate pay scales at each broad band are broadly comparable to private sector, in terms of base pay and total cash. These analyses provide inputs for the concerned parties in the determination of future pay for the civil service directorate.

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## 8. Key Analysis and Findings

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8.1 *Private sector pay comparisons* -- This section aims to present the pay survey data and findings. Key analyses that were undertaken by respective broad band are:

1. **Base Salary Comparison:** Basic Salary + Fixed Bonus + Other Professional Fees (e.g. Director's fees etc.)
2. **Guaranteed Cash Comparison:** Base Salary + Fixed Cash Allowance (Housing Allowance + Car/ Transport Allowance) + Other Fixed Cash Allowance
3. **Guaranteed Cash and Variable Pay Comparison:** Guaranteed Cash + Variable Pay including all non-guaranteed bonuses and performance pay.
4. **Total Cash Comparison:** Guaranteed Cash and Variable Pay + Cash Benefits (Club Cost + Leave Passage + Children Education)

The definitions of "Base Salary" and "Total Cash" above are identical to the ones determined in the 2006 Pay Level Survey Methodology Consultancy Report.

"Guaranteed Cash" is a common term in the private sector representing all unconditional cash remuneration, and is comparable to the civil service directorate's base pay plus major allowance (primarily housing).

As variable pay is common in the private sector, analysis of "Guaranteed Cash and Variable Pay" shows the difference without variable pay in the Civil Service Directorate.

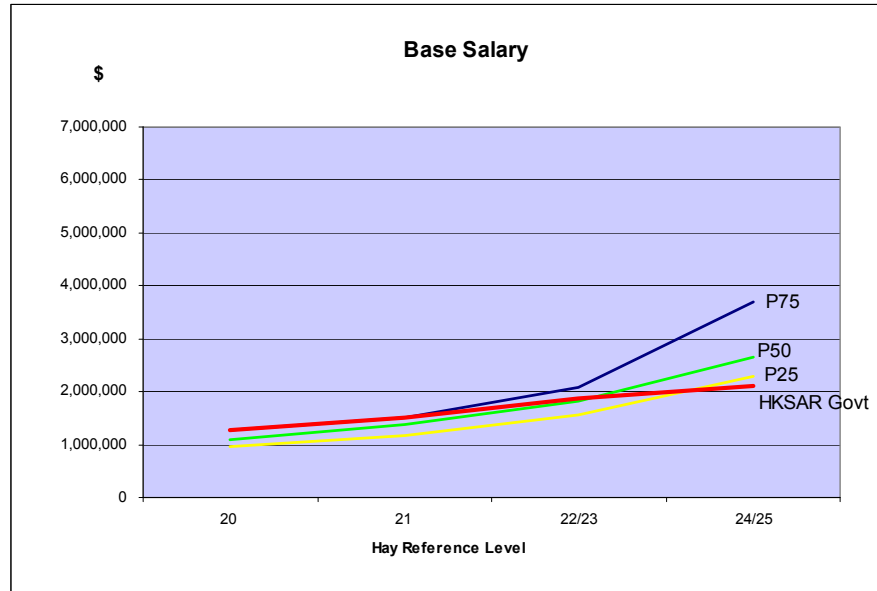
Lastly the "Total Cash" represents all cash remuneration including cashable benefit (leave passage, children education and club membership).



- 8.2 *Civil service directorate pay comparison* -- For analyses purposes, Hay has used the notional mid-point of civil service directorate pay scale for comparison as against using the actual average base pay. This provides a sense of the policy that the civil service has adopted as the usage of actual average base pay may skew the outcome of the survey, subject to the sample and profile of officers in the respective bands.
- 8.3 *Pay data reference date* -- In order to reflect the necessary movement in the market (72% of the survey participants reviewed their pay between January and April 2008), the data collected is as at 1 April 2008. By the same token, the civil service directorate pay scale as at 1 April 2008 is used.
- 8.4 *Significant variance* – Often in the private sector, a variance of more than 15% would be a concern to an organization as this reflects a significant gap between the current pay level and the target level. Although the civil service directorate does not have a definite target pay position, for analysis purpose, a 15% and above variance against the market median and third quartile are identified for further review.
- 8.5 For reference purpose, the following table shows the current Pay Scale for Directorate Grade Officers:

<b>Point</b>	<b>HK\$ per month</b>
D8	202,000
D7	195,900
D6	181,450
D5	172,000
D4	161,950 – 166,900
D3	142,700 – 151,200
D2	122,700 – 130,300
D1	103,400 – 109,700

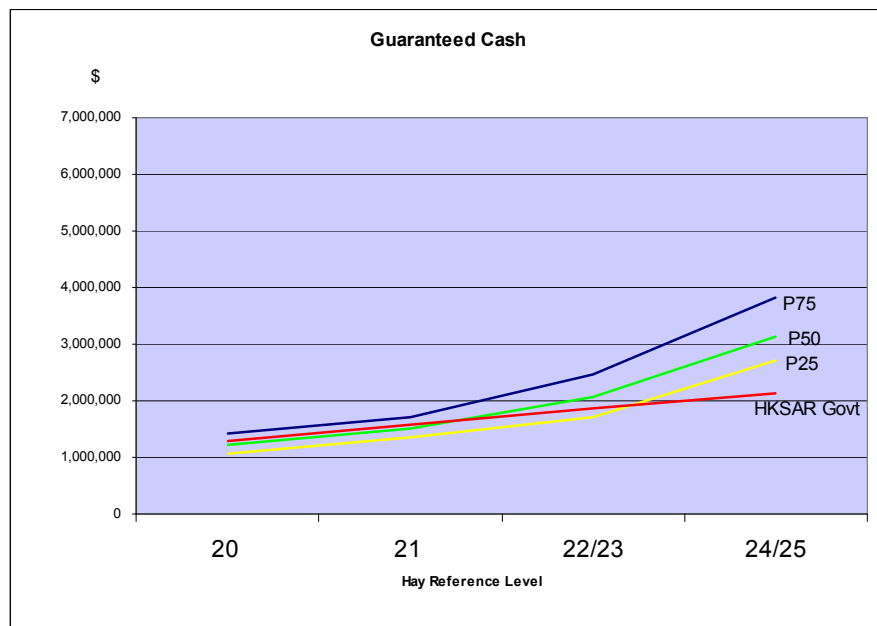
## 8.6 Base Salary Analysis



In terms of base salary comparison, civil service directorate pay is either above or on par with the market median for D1 to D4 but falls below median for D5/D6.

Comparing the data with the third quartile (Q3) of the market, D1 and D2's pay is close to Q3 of the market but pay position at the senior levels falls significantly behind as pay gap in the market widens.

## 8.7 Guaranteed Cash Analysis



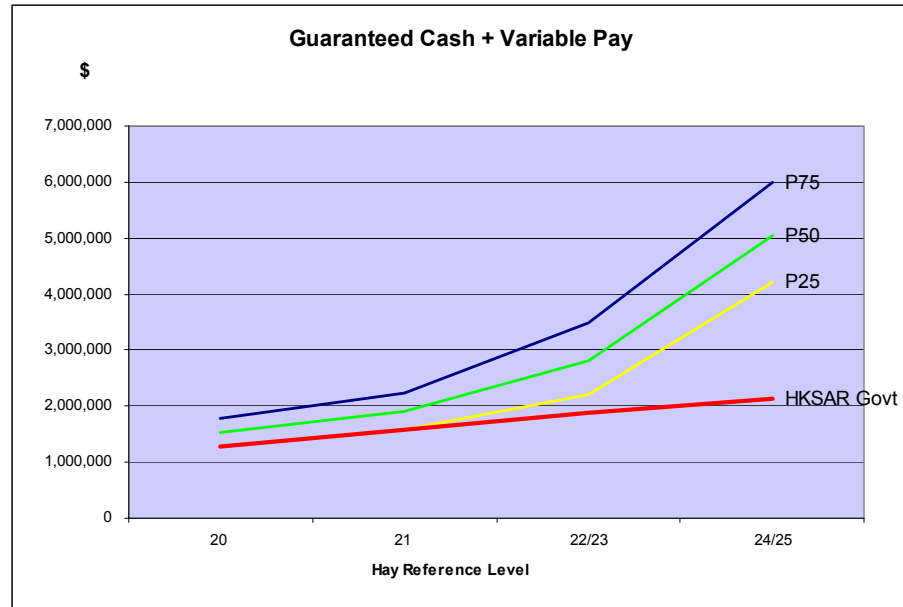
Including fixed cash allowances, civil service directorate pay falls to around median for D1 and D2 and slightly below median at D3/D4 levels. Similar to base salary comparison, the pay gap is much larger at senior levels. Comparing the data with the third quartile (Q3) of the market, D1 and D2's pay is below Q3, although the variance is within 15%.

One of the key reasons for the wide pay gap with the private sector is housing allowance. In the private sector, the housing allowance component is 'part and parcel' of the officer's pay package. But in the civil service, the housing allowance was originally intended to encourage home ownership and provision is conditional and confined to ten years. Many senior officers would have completed utilising their housing allowance entitlements when they reach the directorate levels. This is one of the reasons why their pay position is behind the market. On the other hand, however, we understand that there remain around 23% of directorate officers still residing in Government quarters. As this is a non-cash item, it is excluded in the comparisons. If the cash value of the quarters is included, it will bring up the pay position of civil service directorate.

The "Home Finance Scheme" (prior to 2000) and "Non Accountable Cash Allowance Scheme" are the two major Government schemes compared to the Housing Allowance of the private sector. In terms of the rates of allowances, we found that "Home Finance Scheme" allowances are about 55% and 14% more favorable than the private sector at D1 and D2 levels respectively. But for the senior levels the comparison reversed, with allowances in the private sector exceeding Government schemes allowances by around 25% at D3/D4; and up to half at D5/D6 levels. Similar comparisons between rates under the "Non Accountable Cash Allowances Scheme" and allowances in private sector also indicate that Government rates are lower at the senior levels.

If all directorate officers were to be allowed to claim the housing allowance rates without the above restrictions, their overall pay positions in terms of guaranteed cash would improve, bringing it closer to median of the market.

## 8.8 Guaranteed Cash and Variable Pay Analysis

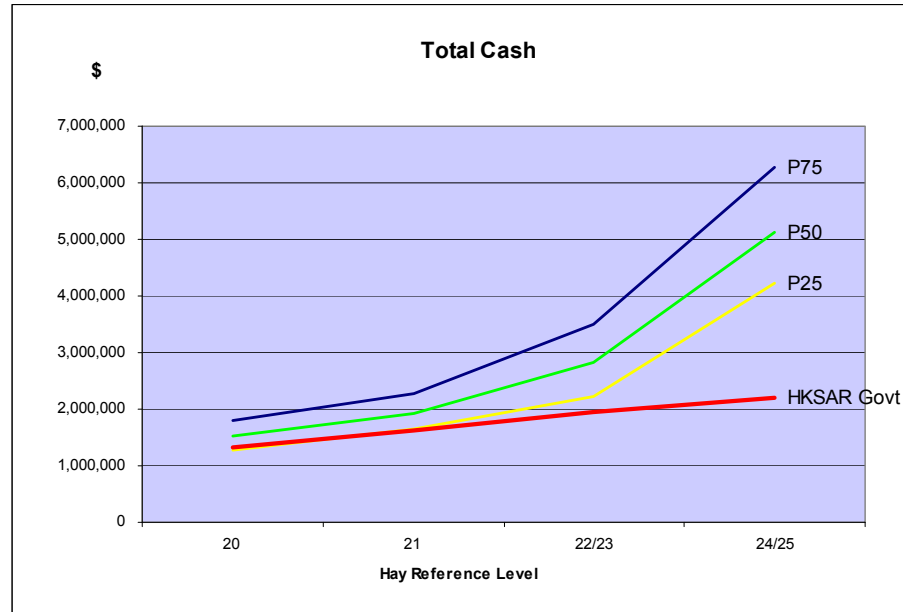


With the inclusion of variable pay, civil service directorate’s competitiveness falls further below the market median by more than 15% across the board. The main reason is that there is no variable payment for the civil service, whilst such form of payment is a common feature of a senior executive’s compensation in the private sector to reflect a link between pay and job and the degree of pay risk to hold key employees accountable for the performance outcome of any organization.

To further illustrate the difference, below is a table of percentage of variable payment to total cash for officers at the different directorate bands.

Hay Reference Level	HKSAR Govt Variable Payment	% of Variable Payment versus Total Cash in the Market
24/25	-	35.79
22/23	-	28.29
21	-	24.03
20	-	22.11

## 8.9 Total Cash Analysis



Typically, for Total Cash + Benefits analyses, the figures need to be used with caution as the cost of benefits like Leave Passage; Children Education etc. vary by employee.

In terms of Total Cash (which includes cash benefits) comparison, civil service directorate pay falls behind market median at all levels. The gaps of pay are most significant at the higher levels. Findings for this comparison are similar to Guaranteed Cash and Variable Pay Comparison. This reflects that the benefits provided by the civil service are similar to those available in the market. The lower than market pay position is an outcome of the current housing allowances system and the absence of the variable compensation in the civil service directorate pay.

8.10 Additional details of the pay analyses of the various directorate levels can be found in Annex 5.

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## 9. Benefits Analysis and Findings

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9.1 This section presents benefits data and findings. Key analyses undertaken include: Outpatient Medical, Hospitalisation, Insurance Plans and Retirement Benefits; Annual Leave Policy, Car Policy, Long Term Incentives and Housing Loan.

- A total of 49 organizations provided benefits data for survey.
- Organizations were asked any tiered benefit for the Chief Executive Officer (CEO) and other top management (OTM).
- As this survey only covers the policy aspect of benefit provided in the private sector, no item-by-item comparison was made.

### 9.2 Outpatient Medical

- 100% of organizations provide outpatient medical coverage for the CEO and OTM.
- Coverage
  - For both CEO and OTM levels, over 80% of the organizations cover the employee, spouse and children. The remaining 18% cover the employee only.
- Type of consultation
  - More than 75% allow the CEO and OTM visit any doctor and seek specialist treatment when necessary.
- Method of Funding
  - More than 70% have an insurance coverage for their employees in this area.
- Details of Provision
  - For general consultation, a typical maximum number of 30 visits are allowed for the CEO and OTM.
  - Amount per visit is typically capped at HK\$350 with an average annual amount ranging from HK\$6,200 to HK\$10,800.
  - For specialist consultation, a typical maximum number of 10 visits are allowed for CEO and OTM.

- Amount per specialist visit is typically capped at HK\$650 – HK\$730 with an average annual amount ranging from HK\$5,500 to HK\$10,000 for CEO level and HK\$4,500 to HK\$7,500 for OTM.

### 9.3 Hospitalisation Coverage

- 100% of the organizations provide hospitalization coverage for the CEO and OTM.
- Coverage
  - For CEO level, 76% of the organizations cover the employee, spouse and children. The remaining 24% cover the employee or employee and spouse or child only.
  - For OTM, 81% of the organizations cover the employee, spouse and children. The remaining 19% cover the employee or employee and spouse or child only.
- Method of Funding
  - More than 85% have an insurance coverage for their employees in this area.
- Details of Provision
  - For daily room and board rates, the median coverage is HK\$1,800 and HK\$1,700 for CEO and OTM respectively.
  - A maximum number of 180 days per annum is allowed.
  - Annual limit for coverage is in the range of HK\$300,000 with some organizations covering up to HK\$3 million for the CEO level.

### 9.4 Life Insurance Coverage

- 70% of the organizations provide life insurance coverage for the CEO level. A total of 77% of the organizations provide life insurance coverage for its OTM.
- Coverage
  - 100% of the organizations provide this benefit to the employee only.

- Details of Provision
  - The typical coverage for CEO level is between 36 to 48 times the employee's monthly salary, or an average fixed dollar amount up to HK\$4.8 million.
  - The typical coverage for OTM level is between 36 to 42 times the employee's monthly salary, or a median value of HK\$4.3 million.

## 9.5 Personal Accident Insurance Coverage

- Over 50% of the organizations provide personal accident insurance coverage to both CEO and OTM levels.
- Coverage
  - All except one organization provide this benefit to the CEO only.
  - For OTM, this benefit is provided to the employee only.
- Details of Provision
  - The typical coverage for CEO and OTM levels is 36 times the employee's monthly salary, or a median fixed dollar amount of HK\$4.5 million.

## 9.6 Retirement Benefits

- All organizations provide some form of retirement benefits with 90% use the mandatory provident fund as a retirement benefit.

Types of retirement schemes	No. of responding companies	Percentage (%) of companies providing benefit
ORSO Provident Fund (Defined Contribution)	25	51%
Final Salary (Defined Benefit)	11	22%
Mandatory Provident Fund (Defined Contribution)	44	90%
Hybrid Scheme	4	8%
No. of responding companies	49*	*-

\* Some companies use more than one type of retirement schemes, hence the percentages shown in the table do not add up to 100%.



- The typical normal retirement age for both male and female employees is 60 years old.
- For the mandatory provident fund scheme, 57% of the organizations provide the minimum plan whilst the remaining 43% provide a mandatory provident fund top up plan and common overall employer contribution including the minimum statutory contribution is 10%.
- For the defined benefit scheme, 22% of responding companies still maintain this scheme, which arguably has an equivalent “present-value” worth to the employees, especially to those of senior levels. It is common to value such “defined benefit” as 20 to 30 percent of their cash pay.
- As shown in Section 8.8 that the Total Cash of most levels of civil service directorate are shown to be below those of the private sector, it is worth noting that most current directorate officers are entitled to a “Defined Benefit” pension plan.
- However with the change from a defined benefit plan to that of a defined contribution plan in the civil service starting from 2000, the younger officers promoted into the directorate will have no such defined benefit pension “present-value” worth. Based on the current profile of directorate officers, this impact is unlikely to happen in the immediate future and may take more than 5 years before implications are felt at the entry directorate levels.

## 9.7 Annual Leave Policy

- Up to 70% of the organizations differentiate annual leave entitlement by management level.
- At the CEO level, annual leave entitlement ranges from 21 to 30 days, with the average of 25 days. For other top management, annual leave entitlement ranges from 21 to 25 days, with the average of 23 days.
- It is not a common practice to allow employees to accumulate annual leave beyond one year’s entitlement. We note the civil service directorate officers can accumulate leave up to 180 days (for junior directorate officers) or up to 365 days (for senior directorate officers). However, such accumulation limits do not apply to civil servants appointed in and after June 2000. In time, the leave entitlement of civil service directorate officers will become more aligned with market practice.

## 9.8 Car Policy

- 58% of organizations provide a car benefit at the CEO level. And 30% of the organizations provide this benefit to OTM.
- Details of Provision
  - The company car can be used for personal use on both working days and off workdays for the CEO and other top management.
  - 68% of organizations provide a driver for the CEO. 36% of organizations provide a driver for OTM.

## 9.9 Long Term Incentive (LTI) Schemes

- 51% of organizations provide a long-term incentive scheme for its CEO and OTM.
- For those organizations providing LTI benefit, 60% of them provide a share options scheme.
- For share options scheme,
  - Across all levels, the grant criteria are usually discretionary judgment with some indication of individual performance.
  - Individual grants are often based on staff grade/level with the frequency period being fixed for most organizations. This is in line with practices within most multinationals and Hong Kong companies.
  - Typical vesting period is usually 3 years. In the market, if the organization has a vesting period of 5 years, it is a common practice to allow for partial vesting along the way.
  - Long term incentives often make up 10% to 30% of an employee's base salary with a higher proportion at the senior levels.
- In Hong Kong, a common feature that we observe is that multinationals often use stock options more often and the plans are usually in line with their home country/international practices. For Hong Kong based companies, stock option and other stock based schemes are relatively less common as many of these listed companies are often family/founder controlled and sharing equity is not part of the value system. Where major local companies have adopted share schemes, they tend to be focused on the top team and not broad based.

- With many stock options going underwater, the risk and benefits to an employee is real and over the last few years, this has become a less desirable vehicle for organizations to leverage upon.

## 9.10 Housing Loan

- Only 21% of organizations provide a housing loan benefit at the CEO level. For OTM, 24% of the organizations provide such benefit for this group of employees.
- Details of Provision
  - The average multiple of employee's monthly salary can be borrowed for both CEO and OTM are 90 months and 87 months respectively.
  - The average percentage of purchase price can be borrowed for both CEO and OTM are 87% and 88% respectively.
  - The average maximum housing loan limit for both CEO and OTM is HK\$6,000,000.
  - The average maximum loan term for both CEO and OTM is 26 years.

## 9.11 From the foregoing benefit policy analysis, it could be concluded that:

- Most protective benefit terms of Outpatient Medical, Hospitalisation, and Insurance Plans of the private sector are the usual common schemes, no special/extra schemes were reported.
- Similarly annual leave days reported are within common norms with no special arrangements (such as carry-over, cash out etc.) found.
- For perquisites of car and club provision, the number of organization provide such benefit for CEO is not more than 60%; a reflection of the continuing trend in the private sector of placing more emphasis on cash compensation than perquisites.
- There is also no special arrangement on retirement benefit; as almost all companies are on the defined contribution plan of MPF and only 43% of organization provides a top up scheme.

- From the survey results, the long-term incentive scheme (51%) is not as common as one may expect, with 60% of those who have one use stock option as incentive. The common long-term incentives besides stock option in the private sector are share purchase and other equity based schemes, performance share or other phantom shares, and deferred bonus etc. Though not reported in detail, these could be the types of long term incentive the other 40% adopted.

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## 10. Recommendations & Conclusions

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### 10.1 Study Findings and the Need for a Review

The objective of the study as stated in the consultancy brief is to determine whether civil service directorate pay is broadly comparable vis-à-vis their counterparts in the private sector. From the analyses, it can be concluded that the officers in the directorate are paid as follow:

#### 10.1.1 Base Salary

- The civil service directorate is close to the third quartile of the market for D1 and D2 officers and median for D3 and D4 officers but is paid below market median at the senior levels.

#### 10.1.2 Guaranteed Cash Compensation

- The civil service directorate is close to the median of the market for D1 to D4 officers but is paid below market median at the senior levels.
- Specifically, D1 and D2 pay is below market Q3, although the variance is within 15%.

#### 10.1.3 Total Cash Compensation

- The civil service directorate is below median of the market across all levels, and the gaps are significant at the senior levels.

10.1.4 There are pay practices in the private sector that are absent in the civil service e.g. provision of variable pay, long-term incentives. Remuneration in the private sector is more volatile and closely follows the economic conditions. The civil service on the other hand, provides steady pay progression, stability of employment and use better than average benefits as staff retention strategy. Due to their differences in pay structure and practices, pay gaps between the public and private sector have always existed. It might not be necessary or practical to fully address such gaps. Also, the civil service directorate does not have a defined target market pay position; therefore the gaps are not “official”. In the market, it is common for companies to take action if:

- The size of the gaps are over 15%, and more at the higher levels; and
- Talent market situation is competitive.

We suggest the civil service to take this into account in reviewing the pay gaps.

## 10.2 Measures and Pay Market Positioning

One of the key considerations we suggest is how the civil service should compare its directorate pay with those of the market, namely:

- Which market measure should be used for comparison? What are the pros and cons of each approach?
- What should be the pay market positioning of the civil service directorate?

10.2.1 Measures -- The common choices of measure of market comparison are Base Salary, Guaranteed Cash and Total Cash. Organizations that use Base Salary or Guaranteed Cash as a target market are organizations that focus on fixed pay and the role of variable pay is not a significant feature in one's pay framework. This provides a level of stability to its employees on what to expect and are often seen in environment where performance or deliverables is difficult to measure or assess.

Alternatively, organizations using Total Cash as a target market position often send a message that a proportion of one's compensation will be linked to variable pay. It provides the organization the flexibility to reward and recognise target level of performance at the corporate and individual level with the introduction of an appropriate variable pay plan. It also provides organizations with a mechanism to manage and optimise its resources according to its target outcomes. However, a critical success factor is the ability to measure and reward for performance.

We recommend the civil service to adopt a Guaranteed Cash position as its current framework focuses on the 'guaranteed' elements of pay and performance/variable pay plays a minimal role its current context.

10.2.2 Market Positioning -- Most private sector companies position themselves at market median and peg against Guaranteed Cash with Total Cash as a reference. The more aggressive ones would target at market third quartile. The civil service can consider these two (either median or P75) options, taking into account considerations such as the non-commercial and governing nature of the civil service, its pay policy, remuneration costs and implications for public funds etc.

The civil service could also consider adopting a *tiered market position* for the directorate starting with a target pay position of P75 for the entry levels (D1 and D2) and gradually progressing to below market median for the senior levels of D5 and above.

- At the entry levels to the directorate i.e. D1 and D2; in order to entice and reward these officers in “making the grade”, it is important to send signals to officers that they have “arrived” and made it into the directorate. This can be reflected through a more competitive target position of Q3 using Guaranteed Cash as basis for measure.
- At the senior levels (D5 and above), it should be recognised that these levels have a larger civic role of serving the community and cannot be closely compared to the private sector. In addition, job security and the effect of a defined benefit pension are also important considerations at these levels. Therefore the market positioning should be lower than median.

10.2.3 We suggest using tiered market position as this is more balanced and flexible and its tiered targets provide more objective market assessment.

10.3 Addressing the Gaps -- After determining the market position and measures, the next important consideration is how to address the gaps.

We can use various components of the pay structure to address the gaps, either the

- Housing allowance and benefit,
- Variable pay,
- Base salary adjustments,
- Pay structure (step differences between levels); and
- Base salary ranges

or any combinations of them.

The following sections dealt with each one separately:

#### 10.3.1 Housing Allowance and Benefit

As presented in the foregoing analysis, the difference of housing allowance is a main contributing factor for the gap between the civil service directorate and the private sector in terms of Guaranteed Cash.

We note that civil service housing allowance applies to both directorate and non-directorate officers and it may not be easy to introduce changes to the system based on a study that

focuses at directorate levels. In any future reviews on allowances and benefits, we suggest the civil service to consider revamping the framework of the housing allowance and the manner in which the eligibility is determined so as to bring it more in line with the private sector practice.

### 10.3.2 Variable Pay

In the private sector, it is common to find a variable pay framework for senior level positions as incentives for achieving results. Our experience tells us that many civil services around the world encounter difficulties in setting clear performance outcomes and key criteria in the design for a good variable pay plan. Hence, governments have been cautious in introducing a variable pay plan. But there are countries that already began introducing such variable pay scheme from the top down.

We have invited comments from Focus Group members on the feasibility of introducing variable pay to the civil service directorate and received mixed views. Some welcomed the idea, taking this as an effective tool to reward capable staff. Others were concerned that this might lead to unnecessary conflict between supervisor and staff. Most members were of the view that the civil service performance appraisal system requires strengthening prior to implementation of any variable pay plan.

In the event that the civil service wishes to pursue the variable pay plan for the directorate, this could be done in phases, starting with a broad based plan that is tied to economic indicators of Hong Kong for D5 and above officers.

When other supporting mechanisms are in place, (i.e. the ability to measure performance and a shift towards a more performance oriented culture are in place) then an individual performance variable plan can be introduced to establish a link between pay and performance, and the plan can be extended downwards to cover D1 to D4.

### 10.3.3 Increments

Although the base salaries of D1 to D4 are either above or at par with market median, those above D4 are below median by more than 15%. To narrow the gaps, the civil service can consider using increments in the pay framework.

Currently, officers at D1 to D4 are entitled up to a maximum of 2 increments varying by ranks. The objective of the increments



is to recognise the officer's increasing contribution as he progresses in the grade. At the senior grades (D5 and above), the officers do not receive any increment. The rationale is that these officers are expected to be performing at the competent level and hence the pay is already set for such competence level.

In view of the large pay gap at the senior levels, we suggest besides keeping the existing increments for D1 to D4, the civil service to consider extending the increment to D5 and above, preferably under a performance rationale. Such increment extension could both narrow the pay gaps of D5 and above and serve as a tool to introduce a performance linked remuneration culture.

#### 10.3.4 Pay Structure (step difference between levels)

Looking at market data, the pay differential between each level gets larger as one progresses upwards. In the civil service however, the pay variance between directorate levels are stable. This echoes the findings at Section 4 that there are just discernable differences in terms of job size between each directorate level (paragraph 4.8). This step difference reflects the internal relativity of jobs and in considering any changes to the pay scale, the civil service must exercise care so as not to disturb the established relativity between levels.

#### 10.3.5 Base Salary Ranges

It is important to recognise that it is not possible or appropriate to base any pay revisions solely on market figures. In the market, the point-to-point increase between the different levels is likely to vary and could fluctuate at different points. Given the wide pay gaps at the top levels, there are also practical constraints for the civil service to narrow the pay gap by providing significant increases to the directorate pay. A practical approach would be to provide increases within typical acceptable ranges instead of trying to peg it close to the target position.

#### 10.4 Other Considerations

The civil service has revamped its terms of employment and those employed in and after June 2000 enjoyed a reduced package e.g. from defined benefit pension scheme to defined contribution MPF scheme. In today's environment, as many of the present directorate officers remain under the "old" benefit system as part of their employment contract, they are not affected by the changes.

Moving forward, the younger generation of officers who will eventually make it to the directorate levels will receive a smaller total package as a result of the changes in these benefits. Given the war for talent is global today, this group of officers may be perceived as ideal targets for the private sector. As monthly basic salary remains to be a key component in a civil service directorate's pay package, its base pay (especially at entry directorate levels) should be sufficiently attractive to encourage potential directorate officers to 'make the grade'.

- 10.5 Finally the civil service should also take account of the fundamental differences between the civil service and the private sector in pay strategy and hence their structure and practices. As seen from the survey results in earlier sections, the private sector usually has explicit pay strategy of motivating performance and attracting talent, therefore executive pay varies greatly by level, reflecting the job value; and by performance, both corporate and personal. On the other hand, the civil service has the implicit purpose of retaining and developing staff through the provision of stability, steady career progression, employment security and better than average benefits (e.g. leave and pension). Such vast differences have made it difficult for the Government pay to follow closely market trends, unless radical changes are made.

## Annex 1: Overview of Hay Guide Chart® Method

The HayGroup job evaluation methodology is proven and tested over the world. It covers more jobs, in more organizations, in more industries, and in more countries, than any other system of job evaluation. The system consists of two inter-related concepts:

1. rating and ranking jobs using three major common work factors;
2. considering the profile of jobs in terms of the *relative weighting* of the three common work factors.

The assessment method measures the requirements of the job, not the abilities of the person doing the job. The job size determined by this method measures the relative value of the job in the organization — we expect jobs which require more knowledge, more conceptual or analytical thinking, and more accountability for end results to contribute greater value to the organization.

The methodology is designed specifically to deal with different types of jobs, so that the accounting job and the sales job may be measured fairly and equitably on a common basis to reflect the contribution of the jobs to the organization.

### 1. Three Common Work Factors

The HayGroup job evaluation system focuses on three major common work factors, each of which has two or more component dimensions:

Work Factor	Definition	Component Dimension
Know-How	The total of every kind of knowledge, skill and experience required for doing a job competently.	<ul style="list-style-type: none"> <li>• Technical Know-How</li> <li>• Management Know-How</li> <li>• Human Relations Know-How</li> </ul>
Problem Solving	The mental application, which employs know-how, to identify, define and resolve problem.	<ul style="list-style-type: none"> <li>• Thinking Environment</li> <li>• Thinking Challenge</li> </ul>
Accountability	The answerability for action and for the consequences of that action.	<ul style="list-style-type: none"> <li>• Freedom To Act</li> <li>• Magnitude</li> <li>• Job Impact on End Results</li> </ul>

HayGroup has built a series of three **Guide Charts** for each of these factors. Scores are read from a matrix that combines the levels for the component dimensions of each evaluation factor. The scores are added across the three factors to produce a total point score that represents the contribution of the job to the organization, relative to other jobs. The total point score can also be used as the basis for comparison of jobs across organizations.

## ***2. The Hay Guide Charts***

The first Guide Chart quantifies Know-How. We know that organizations value technical knowledge obtained from education and working experience. Skill in planning, organising and integrating resources is another common work factor. So too is the requirement for skill in managing people.

The second Guide Chart, Problem Solving, measures the requirement for identifying, defining and resolving problems utilising know-how, the raw material of all thinking. The third Guide Chart, Accountability, is built to measure the degree of authority given to a jobholder to take independent action, the kind of impact that a job has on its end results and the area of value-added that a jobholder can affect.

The Hay Guide Charts use the concept of *Just Noticeable Differences* to reflect that people perceive relative, not absolute, differences. This is incorporated into the unique Hay numbering patterns used in the three Hay Guide Charts. This concept provides a systematic guideline to assess the relationships among jobs — the relative distances between jobs, span of control, size of accountability, career progression opportunity and chains of command, etc.

The Hay approach to job evaluation brings together judgments of factors known to exist in all jobs. In this way, a language of job evaluation has been developed which can be used across all jobs. If there are special features of certain jobs that are known to affect the pay of those jobs, these special features can be addressed separately outside the common job evaluation language.

## ***3. Job Profile***

Different jobs have different characteristics. Basic research jobs emphasise professional skills and analytical, creative problem solving. Few results will be measurable in an objective sense. The Chief Executive of a corporation, however, will require both managerial and professional skills. The job will be much more focused on achieving measurable results. These fundamental differences in jobs are reflected in the *profile* of the job, which is used to check the consistency in the use of the Guide Charts and the distribution of line and staff jobs within an organization. Other checks on job evaluation include comparing the rank order of evaluation results, either on total points, individual factor points, or individual dimensions.

## Annex 2: Selected Benchmark Ranks/Positions

Rank	Grade	Rank/Position Title	No. of Selected Positions
D1	Analyst/Programmer	Chief Systems Manager	3
	Architect	Chief Architect	3
	Assessor	Chief Assessor	3
	Building Surveyor	Chief Building Surveyor	1
	Electrical & Mechanical Engineer	Chief Electrical & Mechanical Engineer	3
	Engineer	Chief Engineer	5
	Environmental Protection Officer	Principal Environmental Protection Officer	2
	Estate Surveyor	Chief Estate Surveyor	3
	Executive Officer	Principal Executive Officer	4
	Geotechnical Engineer	Chief Geotechnical Engineer	1
	Medical and Health Officer	Principal Medical Officer	1
	Social Work Officer	Principal Social Welfare Officer	2
	Structural Engineer	Chief Structural Engineer	3
	Town Planner	Chief Town Planner	3
Treasury Accountant	Chief Treasury Accountant	3	
D2	Administrative Officer	Administrative Officer Staff Grade 'C'	5
	Assistant Director (AD) of Municipal Services	AD of Municipal Services	2
	Director-General (DG) of Civil Aviation	ADG of Civil Aviation	1
	Commissioner of Inland Revenue	AC of Inland Revenue	1
	Director of Accounting Services	AD of Accounting Services	2
	Director of Housing	AD of Housing	1
	Director of Social Welfare	AD of Social Welfare	1
	Electrical & Mechanical (E&M) Engineer	Government E&M Engineer	1
	Engineer	Government Engineer	3
	Executive Officer	Senior Principal Executive Officer	3
	Government Counsel	Deputy Principal Government Counsel	3
	Solicitor	Deputy Principal Solicitor	2
D3	Administrative Officer	Administrative Officer Staff Grade 'B'	5
	Analyst/Programmer	DD of IT Service	1
	Commissioner for Transport	DC for Transport	1
	Commissioner of Inland Revenue	DC of Inland Revenue	1
	Controller, Government Flying Services	Controller, Government Flying Service	1
	Director of Accounting Services	DD of Accounting Services	1
	Director of Architectural Services	DD of Architectural Services	1
	Director of Buildings	DD of Buildings	1
	Director-General of Civil Aviation	DDG of Aviation	1
	Director of Electrical & Mechanical Services	DD of E&M Services	1
	Director of Housing	DD of Housing	1
	Director of Social Welfare	DD of Social Welfare	1
	Engineer	Principal Government Engineer	2
	Government Counsel	Principal Government Counsel	2
	Assistant Director of Municipal Services	Senior AD of Municipal Services	1
D4	Administrative Officer	Administrative Officer Staff Grade 'B1'	5
	Controller, Centre for Food Safety	Controller, Centre for Food Safety	1
	Consultant (Department of Health)	Consultant	1
	Government Economist	Government Economist	1
	Registrar of Companies	Registrar of Companies	1
D5	Commissioner of Rating & Valuation	Commissioner of Rating & Valuation	1
	Director of Accounting Services	Director of Accounting Services	1
	Director of Buildings	Director of Buildings	1
	Director of Electrical & Mechanical Services	Director of E&M Services	1
	Director of Intellectual Property	Director of Intellectual Property	1
D6	Administrative Officer	Administrative Officer Staff Grade 'A'	3
	Commissioner of Inland Revenue	Commissioner of Inland Revenue	1
	Director of Civil Engineering & Development	D of Civil Engineering and Development	1
	Director-General of Civil Aviation	DG of Civil Aviation	1
	Director of Fire Services	Director of Fire Services	1
D8	Government Counsel	Law Officer	1
	Administrative Officer	Administrative Officer Staff Grade 'A1'	2
	Commissioner of Police	Commissioner of Police	1
	<b>Total</b>	<b>60</b>	<b>111</b>

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### Annex 3: List of Participating Organizations

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1. Airport Authority
2. Bank of China (Hong Kong) Limited
3. Bossini Enterprises Limited
4. Carlsberg Brewery Hong Kong Limited
5. Cathay Pacific Airways Limited
6. Centaline (Holdings) Company Limited
7. Chen Hsong Holdings Limited
8. Chevron Companies (Greater China) Limited
9. China Construction Bank (Asia) Corporation Limited
10. Citic Pacific Limited
11. CLP Holdings Limited
12. Dah Chong Hong Holdings Limited
13. The Dairy Farm Company Limited
14. DBS Bank (HK) Limited
15. DKSH Hong Kong Limited
16. Du Pont China Limited
17. Esquel Enterprises Limited
18. Hang Seng Bank Limited
19. Hasbro Far East Limited
20. HKR International Limited
21. Hong Kong Aero Engine Services Limited
22. Hong Kong and China Gas Company Limited
23. Hong Kong Convention & Exhibition Centre (Management) Limited
24. Hong Kong Exchanges and Clearing Limited
25. Hong Kong Housing Society
26. Hong Kong Trade Development Council
27. Hopewell Holdings Limited
28. The Hong Kong and Shanghai Banking Corporation Limited
29. HSBC Insurance (Asia) Limited
30. Hsin Chong Construction Group Limited

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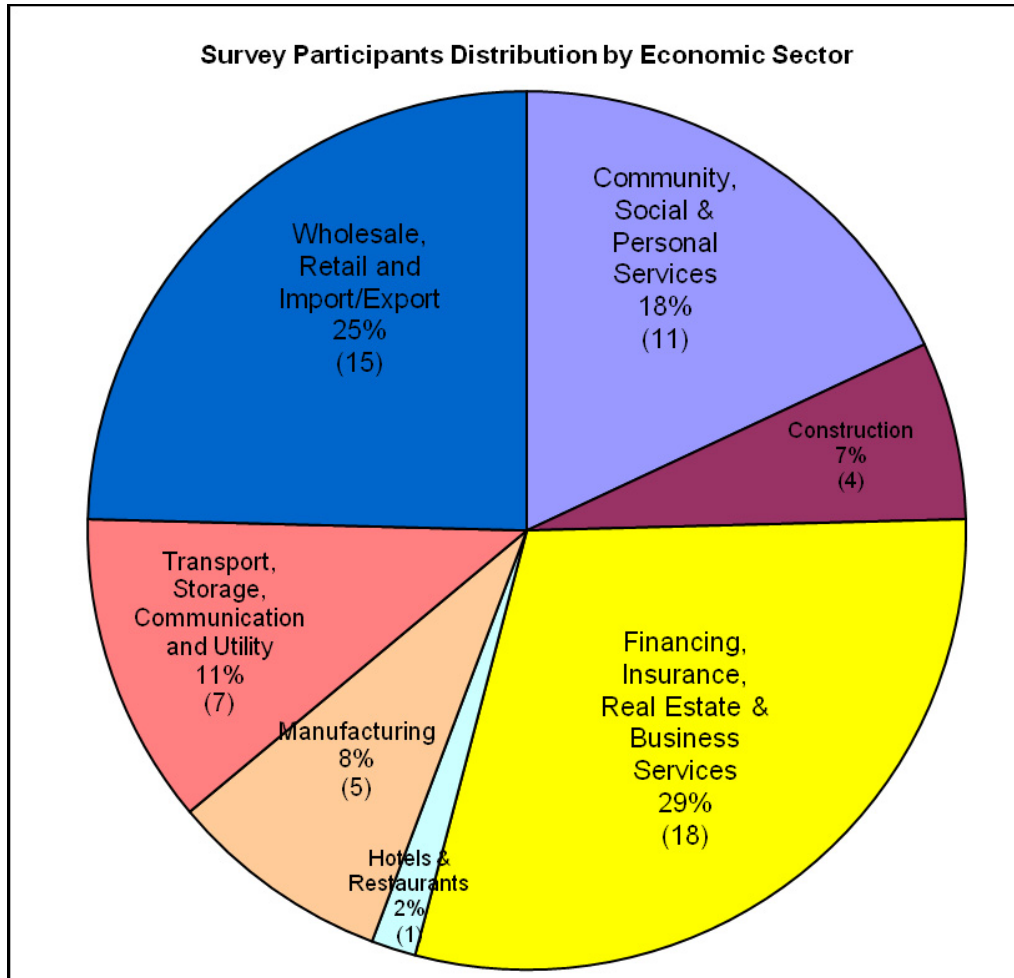
## Annex 3: List of Participating Organizations (Cont'd)

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31. InterContinental Hong Kong
32. Jardine Matheson Limited
33. Johnson Electric Industrial Manufactory Limited
34. K. Wah International Holdings Limited
35. Kerry Properties Limited
36. KPMG
37. Lai Sun Group
38. Lane Crawford (Hong Kong) Limited
39. Li & Fung Group
40. Modern Terminal Limited
41. Motorola Asia Pacific Limited
42. Mandatory Provident Fund Authority
43. MTR Corporation Limited
44. Ocean Park Hong Kong
45. Otis Elevator Company (Hong Kong) Limited
46. PricewaterhouseCoopers
47. Sa Sa International Holdings Limited
48. SAE Magnetics (Hong Kong) Limited
49. San Miguel Brewery Hong Kong Limited
50. Schindler Lifts (Hong Kong) Limited
51. Securities and Futures Commission
52. Shell Hong Kong Limited
53. Shui On Construction and Materials Limited
54. Shun Tak Holdings Limited
55. Sing Tao News Corporation Limited
56. Standard Chartered Bank (Hong Kong) Limited
57. Union Medical Centre Limited
58. Whirlpool Hong Kong Limited

*Note: The total number of survey participants is 61, including 3 other organizations.*

## Annex 4: Participants Sector & Data Distribution Summary



Equivalent to Directorate Rank	Number of Incumbents	% of The Total Pool	Number of Companies
D1	742	45%	46
D2	357	22%	48
D3/4	424	26%	53
D5/6	104	6%	40
D7/8	19	1%	13
<b>Total</b>	<b>1646</b>	<b>100%</b>	



## Annex 5: Cash Analysis

### Hay Reference Level 20

	Market Data (Level 20)				No. of Cos.	No. of Incumbents
	P25	P50	P75	Avg.		
Base Salary	950,543	1,086,400	1,263,043	1,131,040	46	742
Guaranteed Cash	1,074,182	1,226,100	1,411,322	1,242,738		
Guarentee Cash + Variable Pay	1,270,620	1,520,835	1,790,412	1,587,794		
Total Cash	1,272,397	1,520,835	1,793,407	1,599,186		
Variable Pay to Total Cash %	15	19	28	22		

### Hay Reference Level 21

	Market Data (Level 21)				No. of Cos.	No. of Incumbents
	P25	P50	P75	Avg.		
Base Salary	1,163,608	1,378,455	1,519,572	1,364,269	48	357
Guaranteed Cash	1,347,230	1,516,358	1,703,507	1,503,649		
Guarentee Cash + Variable Pay	1,592,061	1,919,080	2,238,715	1,967,719		
Total Cash	1,638,329	1,932,875	2,263,292	1,987,822		
Variable Pay to Total Cash %	17	21	28	24		

## Annex 5: Cash Analysis (Cont'd)

### Hay Reference Level 22/23

	Market Data (Level 22/23)				No. of Cos.	No. of Incumbents
	P25	P50	P75	Avg.		
Base Salary	1,562,971	1,821,984	2,078,064	1,880,700	53	424
Guaranteed Cash	1,715,438	2,067,363	2,475,926	2,128,022		
Guarentee Cash + Variable Pay	2,220,000	2,805,728	3,493,300	3,255,536		
Total Cash	2,220,000	2,834,504	3,508,660	3,297,775		
Variable Pay to Total Cash %	16	24	36	28		

### Hay Reference Level 24/25

	Market Data (Level 24/25)				No. of Cos.	No. of Incumbents
	P25	P50	P75	Avg.		
Base Salary	2,290,438	2,651,290	3,686,649	2,993,697	40	104
Guaranteed Cash	2,720,435	3,136,620	3,812,702	3,358,758		
Guarentee Cash + Variable Pay	4,212,704	5,045,048	6,005,198	5,773,953		
Total Cash	4,213,664	5,137,267	6,284,716	5,922,554		
Variable Pay to Total Cash %	20	34	45	36		

## Annex 5: Cash Analysis (Cont'd)

### Variable Pay to Total Cash Ratio

Hay RL	Directorate Rank	Variable Pay to Total Cash Ratio (%)			
		P25	P50	P75	Average
20	D1	14.86	18.65	27.96	22.11
21	D2	16.51	21.11	28.16	24.03
22/23	D3/D4	15.94	24.08	36.25	28.29
24/25	D5/D6	19.84	34.30	44.50	35.79

#### Notes:

- Base Salary = Basic Salary + Fixed Bonus + Other Professional Fees (such as director's fees)
- Fixed Cash Allowances = Housing Allowance + Car/Transport Allowance + Other Fixed Cash Allowance
- Guaranteed Cash = Base Salary + Fixed Cash Allowances
- Variable Pay = Actual Variable Bonus paid in the last 12 months