

## SECTION 3

### BONUSES

Bonuses in Hong Kong are determined by a variety of principles which vary from employer to employer. Even within a company, the principles by which bonuses are awarded are sometimes vague. For the purpose of our exercise we needed to distinguish between bonuses which are regarded as merit awards and those which are not. The reason for this is that merit payments should be excluded from a pay trend exercise (see Section 2.4).

Payments which are commonly described as bonuses fall into three types:-

#### 3.1 Type 1 Bonuses

The payment of an additional month's salary usually made prior to the Lunar New Year.

These payments were included in our statistics as a part of pay since they are manifestly not awarded as a result of merit.

#### 3.2 Type 2 Bonuses

Additional payments made to employees which are not individually determined. For example a further month's pay may be made in addition to the Lunar New Year Bonus. Frequently, these additional payments may vary according to category of employee but within a given category there is no variation. Clearly such bonuses are not merit payments and they have therefore been included as part of pay in our statistics.

#### 3.3 Type 3 Bonuses

Individual merit bonuses which are determined according to some assessment of each employee's contribution to the results or performance of the Company. Bonuses of this type were excluded from our statistics although information was gathered.

### 3.4 Treatment of Bonuses

Since a number of employers were not always able to distinguish bonuses as between Types 2 and 3 we adopted the principle that in those cases where individual bonuses for a given category of employee fell into a range, we regarded the minimum bonus paid as Type 2 and included this in the results. The variation of bonus above the minimum was regarded as of Type 3 and therefore excluded from our analysis.

For example, an employer may pay its employees between one and three months' pay, in addition to the Lunar New Year bonus, depending upon each employee's performance. One extra month's pay cannot be regarded as a merit bonus because even an employecc who performs poorly would receive it. Consequently the employer is recorded as paying one month's Lunar New Year Bonus plus one month's extra pay to its employees.

### 3.5 Bonus Levels

The following table shows the levels of bonus recorded for the surveyed employers for the pay period 2 April 1980 to 1 April 1981 excluding the discretionary (Type 3) elements.

BONUS LEVELS

Number of Surveyed Employers paying Bonuses during Period 2 April 1980 to 1 April 1981

Bonus Level Category	None	Less than 1 Month	1 Month	1.1 - 1.5 Months	1.6 - 2.0 Months	2.1 - 3.0 Months	3.1 - 4.0 Months	4.1 - 6.5 Months	Total No. of Employers
Model Scale 1	4	3	23	4	5	3	0	3	45
MPS - Lower	1	0	25	5	9	4	0	3	47
MPS - Middle	1	0	23	7	9	4	0	3	47
MPS - Higher Local	1	0	21	4	10	3	1	3	43
MPS - Higher Expat.	1	1	7	1	3	1	1	0	15

- Notes: (i) The Level of Bonus is shown as a multiple of one month's basic pay.  
(ii) Some employers did not have pay analogues for the MOD1 and MPS Higher categories.  
(iii) The table includes Lunar New Year Bonuses but not discretionary merit bonuses.