

Chapter 6

Data Analysis

Consultants' Proposals

Calculation of Pay and Fringe Benefit Data

6.1 Hay proposes to collect and evaluate salary data to determine the most appropriate figure (average or median) to be used for comparison purposes.

6.2 A similar evaluation will be conducted for allowances paid to the job holders and the hours worked by staff in the rank.

6.3 Fringe benefits will be calculated in accordance with the procedures laid down in the Report on the Valuation of Fringe Benefits compiled by the Pay Research Advisory Committee of the Standing Commission, details of which are discussed in Part II of this Report.

6.4 The method of calculation of pay and benefit data for the private sector will be essentially the same as that for the civil service.

Analysis of Data

6.5 Pay levels will be analysed for each civil service pay band and for each company in the private sector. Total evaluation points for each job or group of jobs will then be plotted against the calculated pay for the job and a scattergram drawn up. Separate scattergrams will be developed for pay alone, pay plus other cash allowances and pay plus cash allowances plus the calculated value of fringe benefits to be included in the survey.

6.6 The distribution of pay levels for the private sector group of companies will then be plotted on a separate chart. Provided that the evaluation process has been applied consistently throughout, the chart will accurately represent the pay levels of the participating companies.

6.7 Using computer analysis, the representative pay line of the civil service will be selected and compared with the median pay line for the private sector in each civil

service pay band. Similar comparisons will be made for all the civil service pay bands both for pay only as well as for pay plus fringe benefits (total packages).

6.8 Technical details on how the process of data analysis works are contained in Chapter 4 of Hay's report at Annex C.

Views Expressed at PLSAC Meetings

(a) Hong Kong Institute of Personnel Management

It should be determined at an early stage of the survey whether the median or average should be taken as the most representative figure. The Institute however strongly favours the use of the mid-point or average of the pay range.

(b) Model Scale 1 Staff Consultative Council

Definitions of technical terms like median and standard deviation should be provided by Hay. The Association of Expatriate Civil Servants and the Hong Kong Chinese Civil Servants' Association support this request.

(c) Hong Kong Chinese Civil Servants' Association

Since the data is collected from a very limited range of jobs, without comparing like with like, and only three common factors are used to measure job size, with no recognition of the special features of civil service jobs, it is doubtful whether an accurate analysis can be made. The Model Scale 1 Staff Consultative Council supports this view.

(d) Employers' Federation of Hong Kong

The average pay figures should be used in the data analysis process because average pay figures would be more representative.

(e) The Administration

The Administration generally supports Hay's methodology, as, in their view, do other members of the PLSAC.

(f) Hay Management Consultants' View

Hay have decided to collect the average pay figures, as suggested in paragraph 6.8 (d) above. A paper on the definition of some technical terms has been prepared, as requested in paragraph 6.8 (b) above.

Chapter 7

The Disciplined Services

Consultants' Proposals

7.1 Having taken note of the recognition given by the Standing Commission to the special nature of the duties of the disciplined services in the civil service, Hay propose a different methodology for assessing the job size and the corresponding pay for the disciplined services to allow for the special features of disciplined services jobs, as follows :

- (i) Hay will evaluate a number of jobs on the Master Pay Scale and a number of jobs on the Disciplined Services Pay Scales in the civil service and then compare the pay of the two scales for jobs of the same job weight. This will determine the additional amount, if any, which is in practice currently being paid to the disciplined services in respect of the special features of their jobs;
- (ii) They will then deduct this additional amount from the disciplined services pay figures, before making comparisons with pay in the private sector; and
- (iii) They will obtain information from the private sector companies as to how they pay their employees to compensate for special factors and use this information to comment in their final report on the special factor payments made to the disciplined services.

Views Expressed at PLSAC Meetings

(a) Police Force Council

While the methodology proposed by Hay for the disciplined services is acceptable, Hay should also take into account some of the special duties and features of police work and the restrictions on members of the Force which are unique and not shared by other disciplined services in the civil service. The concept of functional parity among the disciplined services should be relinquished and distinctions should be drawn between jobs in the different disciplined services.

(b) Hong Kong Chinese Civil Servants' Association

Some non-disciplined service jobs in the civil service also share similar features in common with the disciplined services which should not be neglected by Hay during the survey.

(c) The Administration

Supports Hay's methodology.

Chapter 8

Miscellaneous

Introduction

8.1 A number of other points were also discussed during the meetings of the PLSAC, which are related briefly in the following paragraphs.

Standard Population Method

8.2 Representatives of the Association of Expatriate Civil Servants and the Hong Kong Chinese Civil Servants' Association have doubts on whether Hay can reconcile the Standard Population Method, devised by TPF & C for the valuation of fringe benefits in the Pay Level Survey, with Hay's methodology, because the two methodologies appear to be based on different assumptions and derivations : the Consultants' methodology is based on job sizes and factors related to work, while TPF & C's Standard Population Method is, amongst other things, based on age and length of service.

8.3 Hay have subsequently confirmed that there will be no technical difficulties in using both methodologies in the Pay Level Survey. They can prepare computer programmes to reconcile the two methodologies and to produce one set of comprehensive findings.

Report on Findings

8.4 At the request of the Administration, the Association of Expatriate Civil Servants, the Senior Non-Expatriate Officers' Association and the Model Scale 1 Staff Consultative Council, Hay's report will contain the results of the survey with sufficient data to enable all parties concerned to scrutinise and satisfy themselves as to the accuracy of the calculations. In the report, the calculation of the value of each individual fringe benefit will be shown separately.

8.5 Hay will present a draft report to the PLSAC for consideration in the latter part of November, before their final report is submitted to the Standing Commission by December 1986.

Chapter 9

General Remarks

Introduction

9.1 At the request of members of the PLSAC, the following written statements from certain members are reproduced here in full. General comments on both Part I and Part II of this Report are included.

Senior Non-Expatriate Officers' Association

9.2 In the past four weeks, the Staff Side representatives on the Pay Level Survey Advisory Committee were presented with two sets of methods : the valuation method proposed by the Standing Commission's Pay Research Advisory Committee and the TPFC Consultants and the Hay Associate Consultants' job comparison method. These two methods are new to them and they could not borrow any useful experience from the occupational class surveys conducted in the early 1970s. As they remain to be convinced of the validity and practicability of the proposed methods, it would not be prudent for them to commit their members to the consequences of these methods. However, they are prepared to adopt an open-minded and positive attitude. They do not object to conducting a pay level survey by the Standing Commission's consultants but they reserve their right to be consulted before the findings of such a survey are published and/or applied.

Hong Kong Chinese Civil Servants' Association

9.3 Having considered the serious doubts and reservations expressed at the various PLSAC meetings, in particular the following points, the Association cannot agree on the 2 sets of methods used for this Pay Level Survey :-

(a) Methodology for the Pay Level Survey

- (i) the fundamental principle in the Hay methodology is unacceptable, because it does not compare like with like, i.e. an orange is not compared with an orange in a pay level survey;
- (ii) the 3 common elements used in all cases have ignored special features, e.g. working environment, hardship and obnoxious nature,

and working during unsocial hours, etc., attached to certain jobs in the non-disciplined civil services, and therefore may not accurately measure their job size;

- (iii) the number of job holders selected for pay comparison, which represents only 0.23% of the total non-directorate civil service population, cannot reflect accurately the nature, scope and complexity of jobs in the Government infrastructure.

(b) Valuation of Fringe Benefits

- (i) the fundamental principle in the valuation method is unacceptable, because it does not use the actual valuation approach;
- (ii) the method disregards the actual rate of utilization despite the fact that the benefits enjoyed by different categories of staff vary greatly, and therefore may not be actuarially correct;
- (iii) the basic principles and assumptions applied to the valuation of fringe benefits are not consistently applied in all cases, e.g.
- . certain benefit (like the Home Purchase Scheme in the civil service), which is not an entitlement, is included;
 - . the discounts on purchases and the free travel for employees and their families of public transport companies in the private sector, which are significant benefits, are excluded;

and may therefore be unable to produce a full picture of the benefits enjoyed by each sector.

- (c) The valuation method adopted by the Standing Commission's PRAC and TPF & C Consultants does not match with Hay's job comparison method, in that, the former emphasized the use of comparable jobs

for assessment of total package in both sectors, but the latter requires only very broad comparisons of jobs not necessarily comparable with each other.

Moreover, the original time frame given to PLSAC Members to consider, and for the Hay Consultants to conduct this unprecedented Pay Level Survey, is too tight and inflexible. We therefore doubt if PLSAC Members could avoid giving immature comments. We also doubt if the survey conducted in a hasty manner could avoid giving an inaccurate result, which both sectors could rely on.

To conclude, HKCCSA wonders whether it is useful and beneficial to both sectors if such a survey should be conducted at this point of time, the Association therefore finds the Pay Level Survey as such unacceptable.

Model Scale 1 Staff Consultative Council

9.4 As the Pay Level Survey would have a great impact on civil servants' future pay and fringe benefits, therefore it is of paramount importance that the survey should be properly carried out and to yield accurate results. However, in view of the tight time frame and the Consultant's proposed methodology is so sophisticated and new to us that we found it difficult to understand and to examine fully the matters discussed. As such, it would not be prudent for us to recommend approval or acceptance to the proposed survey.

Hong Kong General Chamber of Commerce

9.5 The Chamber believes that a valid and meaningful pay level survey can be conducted in accordance with the methodology proposed by Hay Management Consultants and the Pay Research Advisory Committee. The Chamber is aware that common sense suggests the sample to be surveyed from the civil service is small, but has no reason to question the consultants' assurance that the sample is valid. It believes however that the size of the proposed sample should not be reduced when conducting the survey, for any reason whatsoever. The Chamber would ideally have preferred to see a wider range of companies from the private sector but believes that the sample chosen is meaningful, provided it is recognised that the companies chosen represent only the better employers. Because of this the Chamber believes that results should be presented in terms of pay averages rather than median figures and that weighting of results should be avoided. Finally, the Chamber believes that the selection of fringe benefits and methodology for their measurement as outlined by the PRAC will give a meaningful index of the

effect of fringe benefits, but is open-minded regarding the inclusion of departmental quarters, as allegations have been made regarding the occupation of such quarters which were not considered when the PRAC drew up its proposals. It believes the Standing Commission should re-consider the desirability of including departmental quarters.

Hong Kong Institute of Personnel Management

9.6 Two fundamental principles that are being considered for adoption give my institute grounds for concern.

1. Deletion of Benefits Provided for Operational Reasons

The principle has been propounded by Towers, Perrin, Foster & Crosby that certain benefits provided specifically for operational reasons should be excluded from the evaluation of fringe benefits. The most significant such benefit is that of Departmental Quarters but the particular item is less important than the general principle.

In an evaluation of total remuneration of any position, the issue to determine is what is the total value of pay and benefits, and not why was that pay or benefit provided or determined.

In the private sector, many benefits have their origins if not their current provision based upon operational reasons. Cars are provided for engineers on call, or for salesmen. Free passes may be provided by public transport companies to allow transport staff easy access to equipment. Gradually the logic for giving the facility or benefit fades, or the practice is extended beyond the original boundaries until it becomes, for some at least, a pure perk. But whether a perk or an operational requirement, if it saves the employee money, or provides a benefit he would otherwise have to pay for or do without, it adds to his total remuneration.

If there are conditions or restrictions that lessen its value, then this reduction in value should be assessed and taken into account and may reduce the total by a percentage. But to suggest that an item as significant as housing, the cost of which is generally a major proportion of household expenditure, should be treated

as if it had no financial significance when provided free of charge, is in our opinion both illogical and fundamentally wrong.

In practice many quarters which are described as operational are indistinguishable in quality from non-operational quarters and are located away from the operational centre. They are also treated by the Inland Revenue for tax purposes in the same way as non-departmental quarters implying that for tax purposes at least, they are viewed as a benefit.

2. Job Related Allowances

As in the previous case, the principal issue is how much is paid to the employee, and not why is it paid to him?

In the private sector, many job related allowances such as obnoxious duty allowance, shift allowance, extraneous duty allowance or their equivalent, have been wholly or partially incorporated into basic pay. It would therefore be inequitable to ignore the allowances in the public sector without also making due adjustment to basic salaries in the private sector.

A logical extension of the principle would be the question of commission or gratuities. Many private sector employers such as in the hotel and catering trades, pay relatively small basic salaries in the confident knowledge that tips and gratuities will make up the total pay to a more equitable level. In the case of salesmen, many companies pay small basic salaries and large commission based on results. Clearly the salary that should be included in the pay level survey in all these cases is the total income, not just the artificially low basic pay. In which case it is difficult to see a clear and logical difference between these instances of additional payment, and the job related allowances that are proposed for exclusion.

One of the attractive sophistications of the Hay methodology is that it produces three separate analyses of the final results :

- (a) Basic pay, i.e. excluding allowances
- (b) Total cash i.e. basic pay + cash benefits which, when undertaken in the private sector, has always included all cash allowances except reimbursements of actual costs
- (c) Total remuneration i.e. basic + cash benefits + non-cash benefits.

Job related allowances in the public sector should therefore be included in the survey and analysed in (b) and (c) above in order to maintain consistent treatment of data between the private and public sectors.