

THE FIRST REPORT OF THE PAY LEVEL SURVEY ADVISORY COMMITTEE -
PART II : VALUATION OF FRINGE BENEFITS

STANDING COMMISSION ON CIVIL SERVICE
SALARIES AND CONDITIONS OF SERVICE

The First Report of the Pay Level Survey Advisory Committee -
Part II : Valuation of Fringe Benefits

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Contents

<u>Chapter</u>		<u>Page</u>
1	Introduction	1
2	The Basic Principles and Assumptions to be applied to the Valuation of Fringe Benefits	2 - 6
3	The Methodology for the Valuation of Fringe Benefits	7 - 8
4	Individual Benefits	9 - 23
5	General Remarks	24 - 25

Annexures

A	Terms of Reference of the Pay Level Survey Advisory Committee
B	Members of the Pay Level Survey Advisory Committee
C	Summary of Recommendations by the Pay Research Advisory Committee

Chapter 1

Introduction

1.1 Background

The Pay Level Survey Advisory Committee (PLSAC) was set up to advise the Standing Commission on matters relating to the Pay Level Survey. During its first stage of work the PLSAC considered the methodology for the Pay Level Survey. Details on the background to the setting up of the PLSAC are contained in Chapter 1 of the First Report of the Pay Level Survey Advisory Committee - Part I : Methodology for the Pay Level Survey. Part of the PLSAC's work was to consider the Report of the Pay Research Advisory Committee (PRAC) on the Valuation of Fringe Benefits. This Report sets out in detail the comments and reservations of members recorded at the meetings of the PLSAC, regarding the principles and methodology for the valuation of fringe benefits. To make it easier to follow, the views of members of the PLSAC who expressed differing views at the meetings are given after each specific recommendation of the PRAC.

Chapter 2

The Basic Principles and Assumptions to be applied to the Valuation of Fringe Benefits

2.1 "Total packages for comparable jobs should be assessed on the basis of the notional values of the total packages." (Section 2.2, Report of the PRAC)

(a) Association of Expatriate Civil Servants

The value of total packages should be assessed on the basis of actual values.

(b) Hong Kong Chinese Civil Servants' Association

Has reservations on how the valuation of total packages for comparable jobs can be assessed after collating the arguments stated in paragraphs 2.2.4(a) and 2.2.5(b) of the Report of the PRAC with Hay's approach to job evaluation. It points out that the disadvantages arising from the Notional Value Approach and the Actual Value Approach are mainly due to two factors only :

- (i) the difficulty in obtaining a true picture from the private sector; and
- (ii) the difficulty in finding a large and representative sample of jobs for comparison.

These technical difficulties should not be used as the reason for choosing a simpler method and avoiding the use of the Actual Value Approach.

(c) Model Scale 1 Staff Consultative Council

Reserves the right to comment on the use of notional values for the purpose of total package comparisons.

2.2 "The valuation of total packages for pay level comparisons should only have regard to local terms of service." (Section 2.3, Report of the PRAC)

(a) Association of Expatriate Civil Servants

The Pay Level Survey should reflect the pay levels of the civil service and the private sector for both local and expatriate employees.

Hay Management Consultants' View

It is possible to collect a separate set of pay and benefit data for expatriates, since there seem to be sufficient expatriates in the 57 survey companies to permit a comparison to be made.

(b) Hong Kong General Chamber of Commerce

Companies in the survey field which have a common salary structure for expatriates and local employees should be deleted since the total packages of expatriates in the common salary structure would influence the salary structure of the local employees.

Hay Management Consultants' View

The influence of expatriates on local employees within the salary structure will exist irrespective of whether expatriates are included in the survey.

(c) The Administration

In the civil service, expatriate and local civil servants should be treated as one homogeneous group on matters concerning pay because civil servants are paid for the job; hence the survey of the pay component in the private sector should also cover both expatriate and local employees as there are differences in the benefits enjoyed by expatriate and local civil servants, which should be taken into account. The Administration supports the Association of Expatriate Civil Servants' suggestion that a separate set of data on fringe benefits should be collected in respect of expatriates.

2.3

"The valuation of total packages for pay level comparisons should have primary regard to male staff." (Section 2.4, Report of the PRAC)

The members have no comments to make on this point.

- 2.4 "For the valuation of benefits which relate to an employee's family circumstances, the assumption should be that a family has a single breadwinner and consists of a married couple and two children." (Section 2.5, Report of the PRAC)

Association of Expatriate Civil Servants

The general assumption of family size and composition should be a married couple and one child.

- 2.5 "Benefits the value of which in both the public and private sectors is not significant should be excluded from the valuation of total packages"; and
- "the value of a benefit should be assessed on the basis of the cost to an employee of replacing a benefit provided by his employer." (Section 2.6, Report of the PRAC)

(a) Association of Expatriate Civil Servants

Agrees with these principles.

(b) Model Scale 1 Staff Consultative Council

If a value can be attached to a benefit, that benefit should be included.

- 2.6 "Before individual benefits are included in total packages for pay level comparisons, they should be examined to establish whether they should be regarded as entitlements. Where an employer imposes regulations so restrictive that most employees cannot make use of a benefit, it should be assumed that the benefit is not an entitlement, and it should be excluded from calculations of the value of total packages"; and

"Once a benefit has been accepted as an entitlement, it should be valued on the assumption that maximum utilization will be made of it, and the actual rate of utilization should be disregarded." (Section 2.7, Report of the PRAC)

(a) Association of Expatriate Civil Servants

Reserves its opinion on this principle until the results of the survey are available. Also advocates that utilization should be taken into account when comparing total packages.

(b) Model Scale 1 Staff Consultative Council

Disagrees with the general assumption of maximum utilization. The actual rate of utilization should be used, otherwise the value of total packages will be unduly inflated by including benefits such as Overseas Education Allowances and medical benefits, which are not commonly utilized by civil servants.

(c) Hong Kong Chinese Civil Servants' Association

Supports the view that the actual rate of utilization should be used because the benefits enjoyed by different categories of staff vary greatly.

2.7 "Benefits provided for operational reasons should be excluded from total packages." (Section 2.8, Report of the PRAC)

(a) Association of Expatriate Civil Servants

Agrees with this principle recommended by the PRAC. This principle is also supported by the Hong Kong Chinese Civil Servants' Association.

(b) Hong Kong Institute of Personnel Management

Benefits, such as departmental quarters, originally provided for operational reasons, should be included in total packages. This view is supported by the Hong Kong Industrial Relations Association. (See also paragraph 4.3(e) to (h)).

- 2.8 "The impact of taxation on the value of benefits should be taken into account in total packages." (Section 2.9, Report of the PRAC).

The members have no comments to make on this point.

- 2.9 "The value of benefits to be included in total packages should be expressed in absolute terms rather than as a percentage of salary or pay." (Section 2.10, Report of the PRAC).

The members have no comments to make on this point.

Chapter 3

The Methodology for the Valuation of Fringe Benefits

3.1 "The Standard Population Model should be used for the valuation of all benefits and the Consultants' recommended method of data collection should be used." (Chapter 3, Report of the PRAC)

(a) Association of Expatriate Civil Servants

The validity and accuracy of the information collected from private sector companies will come under doubt if the major source of such information is collected from management rather than employees. Both the Hong Kong Chinese Civil Servants' Association and the Model Scale 1 Staff Consultative Council support this view.

(b) Hong Kong Institute of Personnel Management

It is in the interest of firms in the private sector to provide accurate information, so that they will also benefit from an accurate survey and find out how they compare with the civil service in terms of pay and fringe benefits. The Consultants will probably receive information through the personnel managers of the companies concerned, who will observe their professional ethics and provide only accurate information.

(c) Hong Kong Chinese Civil Servants' Association

The Standard Population Model for the valuation of benefits does not seem compatible with the method proposed by Hay for job analysis. It is doubtful whether the two methodologies can be used in the same survey. This view is also shared by the Model Scale 1 Staff Consultative Council.

Towers, Perrin, Forster & Crosby's View

The methodology for the valuation of fringe benefits has been designed in such a way that it can be adapted to any methodology which is used for pay comparison for the Pay Level Survey.

Hay Management Consultants' View

Fringe benefit data will be collected and separately analysed, in accordance with the methodology on the valuation of fringe benefits referred to Hay by the Standing Commission. Hay further confirms that there will be no technical difficulties in reconciling the two methodologies.