

Chapter 4

Individual Benefits

4.1 Retirement Benefits

"Retirement benefits, including pensions and annual allowances in the civil service, and pensions and lump sum payments calculated on final salaries or on provident fund contributions in the private sector should be included in total packages for the purposes of pay level surveys in the civil service and the private sector;" and

"Retirement benefits should be valued as follows :

- (i) For pension benefits in the civil service, and lump sum payments calculated on final salaries or calculated on provident fund contributions in the private sector -

$$\frac{\text{The sum of (Amount of Benefit} \\ \text{x Discount Factor)}}{\text{Spreading Factor}}$$

- (ii) For annual allowances in the civil service -
75% x value of pension".

(Chapter 4, Report of the PRAC)

(a) Hong Kong Chinese Civil Servants' Association

Retirement benefits should be excluded from total packages because these benefits are not regarded as a legal right and people of different ages have different expectations of the retirement benefits they may receive. Inclusion of retirement benefits may inflate the civil service total packages and therefore give an inaccurate picture of the pay levels in the civil service.

(b) Model Scale 1 Staff Consultative Council

Supports the view of the Hong Kong Chinese Civil Servants' Association. Employees in the private sector will get some retirement benefits after they have completed a number of years of service whereas civil servants will get nothing if they leave the service before retirement age.

(c) Senior Non-Expatriate Officers' Association

Objects to the inclusion of retirement benefits in total packages and requests that the results of the valuation of these benefits be shown separately.

4.2

Death and Disability Benefits

"Death and disability benefits should be included in total packages for the purposes of pay level surveys in the civil service and the private sector;" and

"Death and disability benefits should be valued in both sectors as follows :

Benefit payable on Insurance premium
death or disability x per dollar of
at valuation date benefit payable."

(Chapter 5, Report of the PRAC)

(a) Association of Expatriate Civil Servants

The value of death and disability benefits should be assessed by dividing the cost of the Government's actual expenditure on those benefits by the actual number of civil servants receiving them. This will better reflect the real life situation.

Towers, Perrin, Forster & Crosby's View

The method of valuation suggested by the Association of Expatriate Civil Servants is not actuarially correct. There will also be problems in collecting similar information from the private sector for comparison.

(b) Hong Kong Chinese Civil Servants' Association

The likelihood of employees or their dependants in both sectors enjoying these benefits is not high and they should therefore be excluded.

(c) Model Scale 1 Staff Consultative Council

Death and disability benefits should not be regarded as benefits. Model Scale 1 staff who have less than three years of service are not entitled to receive such benefits.

4.3 Housing Benefits

"Housing benefits, including non-departmental quarters, Private Tenancy Allowances and Home Purchase and Housing Loan Schemes in the civil service, and company quarters, housing allowances and housing loans in the private sector, should be included in total packages for the purposes of pay level surveys in the civil service and the private sector;" and

"Housing benefits should be valued as follows :

- (i) For non-departmental quarters in the civil service and company quarters in the private sector : -

Weighted average market rental value

- (ii) For Private Tenancy Allowances in the civil service and housing allowances in the private sector : -

Maximum amount of allowances less officers'/employees' contributions, if any

- (iii) For Home Purchase Allowances in the civil service : -

Maximum amount of allowances

- (vi) For Downpayment Loans/Subsidized Loans in the civil service or the private sector : -

$$L \times \left(\frac{1}{AN1} - \frac{1}{AN2} \right)$$

where L = Maximum loan amount

AN1 = Annuity at market rate of interest for the term of the loan

AN2 = Corresponding annuity at interest rate paid by employee."

(Chapter 6, Report of the PRAC)

(a) Association of Expatriate Civil Servants

- (i) Housing benefits should be assessed on the basis of Private Tenancy Allowances as suggested in the Working Group's Report. This view is endorsed by the Hong Kong Chinese Civil Servants' Association; and
- (ii) Selection of Grade B quarters for the purpose of calculating the average value of quarters is unfair, because, in many cases, officers eligible for Grade B quarters are staying in Grade C quarters.

(b) Hong Kong Chinese Civil Servants' Association

The Home Purchase Scheme and the Housing Loan Scheme should not be included in the valuation of housing benefits because these two types of housing benefits are not entitlements and the rate of utilization is too low. Moreover, the majority of civil servants in the middle and, in particular, the lower band, do not receive any housing benefits.

(c) Model Scale 1 Staff Consultative Council

Priority allocation of housing units in the private sector should be included in private sector total packages because employees would receive a significant amount of monetary benefit in reselling such flats. This view is supported by the Hong Kong Chinese Civil Servants' Association. As

regards eligibility for housing benefits, Model Scale 1 staff do not enjoy any housing benefits at all.

(d) Chinese General Chamber of Commerce

It is not a common practice among reasonable employers in the private sector to allow employees to have priority in buying flats to resell for profit. For these employers, the priority sale of flats to staff is to help their employees to solve their accommodation problem and the cases quoted by the Model Scale 1 Staff Consultative Council are exceptions rather than the rule.

(e) Hong Kong Institute of Personnel Management

Departmental quarters should be included as a benefit in total packages, since the provision of such quarters is of substantial value to the civil servants who occupy them. Some departmental quarters are located too far away from the occupants' place of work to achieve any operational convenience.

(f) Hong Kong Industrial Relations Association

Supports the view of the Hong Kong Institute of Personnel Management, particularly when not all departmental quarters are provided for operational need. Some civil servants join particular grades in the civil service because they are attracted by the possibility of getting departmental quarters. The Association does not object to the exclusion of those departmental quarters provided for purely operational reasons but has strong reservations in excluding those which are not.

(g) Police Force Council

Departmental quarters in the Police Force have always been provided for operational needs and are located near police stations. However, due to the expansion of the Police Force in recent years and the difficulty of finding suitable quarters in the vicinity, the Police Force has some quarters which are some distance away from police stations. The provision of departmental quarters is essential for

the Police Force so that operational staff can be assembled at very short notice in emergency situations.

(h) The Administration

Departmental quarters in the civil service are on the whole, provided for civil servants for operational convenience. There may be cases where departmental quarters have been provided not entirely for operational needs, but this is not a common practice. Moreover, it will be very difficult to find out in a short time exactly how many departmental quarters are provided for operational needs and how many are not.

4.4

Medical Benefits

"Medical benefits, including hospitalization at concessionary rates in the civil service and different types of medical benefits provided for employees in the private sector, should be included in total packages for the purposes of pay level surveys in the civil service and the private sector;" and

"Medical benefits should be valued in both sectors by obtaining current insurance premium rates to cover existing medical plans provided in the civil service and the private sector." (Chapter 7, Report of the PRAC)

(a) Hong Kong Chinese Civil Servants' Association

Priority treatment up to a fixed quota at certain out-patient clinics should not be considered as a benefit, because the rationale for this arrangement is to enable civil servants to return to work as soon as possible after medical treatment. It also has reservations on whether the recommended method would give accurate results, because what the civil servants obtain from a concessionary rate, if hospitalized, is only a nominal value if compared with the hospital maintenance fees payable by the public.

(b) Model Scale 1 Staff Consultative Council

Although, in theory, all civil servants are entitled to stay in first or second class wards in Government hospitals at reduced rates, such a benefit is never enjoyed by Model Scale 1 staff.

(c) Senior Non-Expatriate Officers' Association

Requests that the difference in quality between Government and private hospitals be reflected in the valuation.

4.5 Dental Benefits

"Dental benefits in both sectors should be included in total packages for the purposes of pay level surveys in the civil service and the private sector;" and

"Dental benefits should be valued as follows :

In the civil service -

Government's expenditure on dental services for
civil servants and others eligible under CSR 900
Number of civil servants eligible for such services

In the private sector -

- (i) Where the benefits are payable up to a specified dollar limit, that dollar limit should be used as the value; or
- (ii) Where dental benefits are provided by employers through the use of companies' nominated dentists : -

Employers' expenditure on dental services			Employees'
<u>Number of employees eligible for such services</u>	minus		contributions, if any."

(Chapter 8, Report of the PRAC)

(a) The Administration

It will be difficult to obtain actual figures on dental benefits as required by the proposed method (paragraph 8.11 in Report of the PRAC) and the use of a simpler valuation method is advocated.

(b) Association of Expatriate Civil Servants

The valuation of dental benefits should be adjusted so that only civil servants are taken into account, thereby excluding pensioners and students on the School Dental Scheme who have access to Government dental services.

Towers, Perrin, Forster & Crosby's View

To exclude pensioners will understate the value of the benefit in the civil service total package.

(c) Federation of Hong Kong Industries

Very few companies in the private sector provide dental benefits to their employees and it will be difficult to draw comparisons for this benefit.

(d) Senior Non-Expatriate Officers' Association

Dental benefits should be valued using insurance premium rates instead of using Government's actual expenditure, in order that the basis of valuation is consistent with the method used for assessing medical benefits. It has reservations as to how such information could be collected in the private sector.

Towers, Perrin, Forster & Crosby's View

The derivation of insurance premium rates for covering death and disability medical benefits are also based on credible experience and are in fact, calculated on the basis of the actual money spent on a specific benefit.

(e) Hong Kong Chinese Civil Servants' Association

Part of the Government's dental service is available to the general public and expenditure of this part should therefore be excluded.

4.6

Education Allowances and School Passages

"Overseas and Local Education Allowances and school passages in the civil service and equivalent benefits in the private sector should be excluded from total packages for the purposes of pay level surveys in the civil service and the private sector." (Chapters 9 and 11, Report of the PRAC)

(a) Hong Kong Institute of Personnel Management

(i) Overseas Education Allowances should be included in total packages, since these allowances amount to a significant value for those who utilize them.

(ii) Criteria should be set as to when allowances should be included or excluded from total packages and utilization alone should not justify the inclusion or exclusion of a benefit from total packages. If a certain benefit is rarely used by employees, the employer should consider whether the scheme should be withdrawn altogether.

(iii) Since Overseas Education Allowances and school passages are closely related, the inclusion of school passages should be reconsidered if the case of Overseas Education Allowances is reviewed.

(b) Hong Kong Industrial Relations Association

Overseas Education Allowances should be included in total packages, in view of the significant amount of value carried by this benefit.

(c) Hong Kong Chinese Civil Servants' Association

Free travel for employees in public transport companies and purchase discounts in the private sector should also be included in total packages if the principle of including benefits which have a significant value, regardless of the rate of actual utilization, is to be adopted, as suggested by the Hong Kong Institute of Personnel Management and the Hong Kong Industrial Relations Association.

4.7 Leave Passages

"Leave passages in the private sector should be included in total packages for the purposes of pay level surveys in the civil service and the private sector;" and

"Leave passages in the private sector should be valued as follows :

Pro rata annual value of the entitlement assessed on the basis of the maximum amount of cash allowance or the current tariff rates for travel tickets, having regard to the standard family size." (Chapter 10, Report of the PRAC)

(a) Association of Expatriate Civil Servants

The value of non-standard passages, discounted to reflect the inflexibility of this benefit when compared to using cheap fares, should be taken as the basis for the valuation of passages for expatriates in the civil service, in the separate set of data on expatriate pay and benefits. Annual leave passages are provided to expatriate officers on MPS 48 - 51 whereas those on or below MPS 47 get their leave passages once every two and a half years.

4.8 Leave

"Vacation and casual leave in the civil service and comparable leave in the private sector should be included in total packages for the purposes of pay level surveys in the civil service and the private sector;" and