

ANNEXURES

Terms of Reference of the
Pay Level Survey Advisory Committee

To advise the Standing Commission on matters relating to the Pay Level Survey with particular reference to :

- (a) the methodology for the Pay Level Survey to be drawn up by the specialist consultants;
- (b) the selection of grades in both the civil service and the private sector for job and pay comparisons;
- (c) the analysis and interpretation of the results of the Pay Level Survey; and
- (d) any other matters relating to it referred by the Commission.

Members of the Pay Level Survey Advisory Committee

Chairman : Mr. Gordon M. Macwhinnie, C.B.E., J.P.

Members : (a) Representatives from the Standing Commission

Dr. the Hon. Kim Y.S. Cham, J.P.

Dr. Victor K.K. Fung

Mr. Vincent H.C. Ko

Mrs. Alice Lam

(b) Representatives from the Model Scale 1
Staff Consultative Council

Mr. Chung Shu-chun

Mr. Fung Siu-ming

Mr. Yu Kui-fung

(c) Representatives from the Police Force Council

Mr. R.A. Steele, C.P.M. (1st and 2nd meetings)

Mr. P.E. Halliday (3rd to 6th meetings)

Mr. Li Shu-fung

Mr. Wong Hiu-shan, C.P.M.

(d) Representatives from the Senior Civil Service Council

Mr. Augustine Choi Chi-wa (1st to 4th meetings)
Mr. Pang Lap-yin (5th meeting)
Mr. Ma Siu-leung (6th meeting)
Mr. H.J. Walton Masters (1st to 4th meetings)
Mr. Arthur Watson (5th and 6th meetings)
Mr. Peter Wong Hyo

(e) Representatives from Umelco

The Hon. Jackie Chan Chai-keung
The Hon. Szeto Wah

(f) Representatives from the Administration

Mr. Dominic S.W. Wong, J.P.
Mr. C.I.C. Jackson (1st meeting)
Mr. M.J.C. Waters (2nd to 6th meetings)

(g) Representatives from the Commission Secretariat

Mr. C.K.K. Wong, J.P.
Mr. Tam Wing-pong
Mr. Stephen W.K. Pang

(h) Representatives of Private Sector Organizations

(i) Chinese General Chamber of Commerce

The Hon. Ho Sai-chu, M.B.E., J.P.

(ii) Chinese Manufacturers' Association

Mr. Charles P.F. Fung (1st to 3rd meetings)

Dr. M.W. Lui (4th to 6th meetings)

(iii) Employers' Federation of Hong Kong

Mr. J.A. Cheetham, J.P.

(iv) Federation of Hong Kong Industries

Mr. T.N. Law (1st, 2nd, 3rd,
5th and 6th meetings)

Mr. Dennis H.S. Ting, J.P. (4th meeting)

(v) Hong Kong General Chamber of Commerce

Mr. Harry Garlick (1st, 2nd, 4th,
5th and 6th meetings)

Mr. Peter Barrett (3rd meeting)

(i) Representatives of Institutional Bodies

(i) Hong Kong Industrial Relations Association

Mr. Peter Yeung Kong-hing

(ii) Hong Kong Institute of Personnel Management

Mr. Patrick Maule (1st, 2nd, 5th
and 6th meetings)

Miss Belinda Cheung (3rd and 4th meetings)

(iii) Hong Kong Management Association

Mr. B.J. Buttifant

SUMMARY OF RECOMMENDATIONS
BY THE PAY RESEARCH ADVISORY COMMITTEE

For the purposes of valuing fringe benefits in the civil service and the private sector, the Pay Research Advisory Committee makes the following recommendations :

(A) General

- (i) Total packages for comparable jobs should be assessed on the basis of the notional values of the total packages.
- (ii) The valuation of total packages for pay level comparisons should only have regard to local terms of service.
- (iii) The valuation of total packages for pay level comparisons should have primary regard to male staff.
- (iv) 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.
- (v) Benefits the value of which in both the public and private sectors is not significant should be excluded from the valuation of total packages.
- (vi) 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.
- (vii) Before individual fringe 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.
- (viii) 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.
- (ix) Benefits provided for operational reasons should be excluded from total packages.
- (x) The impact of taxation on the value of benefits should be taken into account in total packages.

- (xi) 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.
- (xii) The Standard Population Model should be used for the valuation of all benefits and the Consultants' recommended method of data collection should be used.
- (xiii) The following benefits should be included in total packages for the purpose of pay level surveys in the civil service and the private sector :
 - (a) 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;
 - (b) death and disability benefits in both sectors;
 - (c) 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;
 - (d) medical benefits, including hospitalization at concessionary rates in the civil service, and different types of medical benefits provided for employees in the private sector;
 - (e) dental benefits in both sectors;
 - (f) leave passages in the private sector;
 - (g) vacation and casual leave in the civil service and comparable leave in the private sector;
 - (h) job-related allowances in both sectors; and
 - (i) miscellaneous benefits, including :
 - (1) personal loans provided at interest rates below market rates;
 - (2) meal allowances;
 - (3) public utility charges borne by employers;
 - (4) entrance or membership fees for social clubs;
 - (5) transport subsidies provided in the form of cash payments;

- (6) provision of cars for personal use;
- (7) employer-subsidized recreational travel provided as a right;
- (8) domestic servants paid for by employers; and
- (9) profit-sharing payments in the private sector.

(xiv) The following benefits should be excluded from total packages for the purpose of pay level surveys in the civil service and the private sector :

- (a) certain housing benefits such as departmental quarters, Co-operative Housing Schemes and public housing priority allocation quota in the civil service, and priority allocation of housing units on sale in the private sector;
- (b) Overseas and Local Education Allowances and school passages in the civil service and equivalent benefits in the private sector;
- (c) sick and maternity leave in both sectors; and
- (d) miscellaneous benefits, including salary advances and loans from the staff relief funds, travelling expenses on home-to-office journeys where provided for operational reasons, long service travel awards, canteen facilities and fees for membership of associations and societies paid for by the Government for operational reasons in the civil service, and salary advances, travelling expenses on home-to-office journeys where provided for operational reasons, free travel for employees of public transport companies, long service awards, canteen facilities, fees payable for the membership of associations and societies paid for by employers for operational reasons, discounts on purchases and employer-subsidized recreational travel where provided at the employers' discretion in the private sector.

(B) Individual Benefits

(i) Retirement Benefits

Retirement benefits should be valued as follows :

- (a) 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 -

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

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

(ii) Death and Disability Benefits

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

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

(iii) Housing Benefits

Housing benefits should be valued as follows :

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

Weighted average market rental value

- (b) 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

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

Maximum amount of allowances

- (d) 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

(The word "Annuity" means the present value of the series of loan payments).

(iv) Medical Benefits

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.

(v) Dental Benefits

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 -

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

Employers' expenditure on dental services	minus	Employees' contributions, if any
Number of employees eligible for such services		

(vi) Leave Passages

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.

(vii) Vacation Leave and Casual Leave in the Civil Service and Comparable Leave in the Private Sector

Leave should be valued by adjusting total packages in the private sector. In doing so, the differences in hours of work and leave between the two sectors should be taken into account in accordance with the following formula -

Adjusted private company total packages =

private company total packages	x	+	civil service notional hours of work
			+ civil service compulsory overtime hours (if any)
			private company's notional hours of work
			+ private company's compulsory overtime hours (if any)

(viii) Job-related Allowances

Job-related allowances should be valued in both sectors as pay supplements in cases where the agreed duties of the job under comparison entitle staff to claim them.

(ix) Miscellaneous Benefits

Miscellaneous benefits should be valued as follows : -

- (a) Personal loans provided at interest rates below market rates should be valued in accordance with the following formula -

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

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

(The word "Annuity" means the present value of
the series of loan payments).

- (b) Meal allowances should be regarded as pay supplements.
- (c) Where public utility charges are borne by employers, the cost to the employers of paying the public utility bills, less any employees' contributions, should be used.
- (d) Entrance or membership fees for social clubs, transport subsidies provided in the form of cash payments, provision of cars for personal use, employer-subsidized recreational travel provided as a right, domestic servants paid for by employers and profit sharing payments should be calculated on basis of their value to the employees receiving them.