

## CHAPTER 9

### METHODOLOGY

#### 9.1 INTRODUCTION

9.1.1 One of the main tasks of TPF & C was to advise how some fringe benefits should be valued for pay level surveys. In particular, they were asked to recommend a practical method of valuation and the way in which data should be collected. TPF & C's Report has been included in this Report at Appendix VIII.

#### 9.2 CONSULTANTS' ADVICE

##### Standard Population Model

9.2.1 For the purpose of comparing total packages of employees in the civil service and the private sector, TPF & C advised that the method used to value benefit plans should be applied consistently. They therefore recommended that the Standard Population Model should be used for the valuation of all fringe benefits.

9.2.2 The term "Standard Population Model" was used by TPF & C to refer to a procedure by which the composition of a selected group in the public sector was broken down by age, length of service, etc. and used as a fixed reference point for the calculation of the value of all benefit entitlements. As the characteristics of the selected group, i.e. age, length of service, etc. were held constant, the resulting values of employers' benefit plans reflected only the differing features of these plans. This methodology, which was described in Section III of TPF & C's Report at Appendix VIII, consisted of the following steps :

- (a) The jobs in the public sector to be included in the pay level survey should be identified;
- (b) All the benefits provided to staff in these jobs should then be identified and their value calculated using the Standard Population Model;
- (c) A calculation should be made of the value, to the same public sector staff, of the benefits which they would have received if they were employed in the private sector. Since the same employees as

in (b) were to be used in the calculation, a consistent base for calculating the value of benefits would be established; and

- (d) The two sets of values derived at (b) and (c) should then be compared, to determine the relative value of fringe benefits in both the public and private sectors, and a comparison of total packages could be made by adding the results to the results of the survey relating to pay only.

### Data Collection

9.2.3 TPF & C advised that the collection of correct data played an important part in the valuation of fringe benefits. In order to obtain accurate and complete information, two aspects had to be considered. The first was the process of collecting data and the second was a specific method by which data was tabulated and summarized. The recommendations made by TPF & C on the approach to be adopted in the process of data collection were listed in Section VII of their Report at Appendix VIII. Basically, the approach recommended was that a data collection package containing a set of instructions and standardized data collection forms should be used and that benefit plan summaries should be entered on these forms. The data returned by employers should then be validated by reference to source documents. Any discrepancies or uncertainties should be resolved by personal contact.

### 9.3 PAY RESEARCH ADVISORY COMMITTEE'S VIEW

9.3.1 The Pay Research Advisory Committee recommended that the basis of valuation as set out in Section III of TPF & C's Report be adopted, for the valuation of all fringe benefits included in the survey. The Pay Research Advisory Committee further recommended that the method of data collection should be based on that described by TPF & C in Section VII of their Report at Appendix VIII.

### 9.4 VIEWS EXPRESSED AT PAY LEVEL SURVEY ADVISORY COMMITTEE MEETINGS

9.4.1 The Hong Kong Chinese Civil Servants' Association raised concern that the Standard Population Model proposed by TPF & C might not be compatible with the method of job analysis proposed by Hay who would carry out the entire survey. This view was shared by the Model Scale 1 Staff Consultative Council. Both consultant firms responded to the Association's reservation. TPF & C explained that their methodology had been designed in such a way that it could be

adapted to any methodology which would be used for pay comparisons. Hay gave the assurance that fringe benefit data will be collected and separately analysed in accordance with the methodology applicable to the valuation of fringe benefits. They also confirmed that there would be no problems in reconciling the methodology for the valuation of fringe benefits with that for job evaluations.

9.4.2 On the subject of data collection, the Association of Expatriate Civil Servants doubted the validity and accuracy of the information collected from private sector companies if the major source of the information should be collected from management rather than employees. This view was shared by the Hong Kong Chinese Civil Servants' Association and the Model Scale 1 Staff Consultative Council. The Hong Kong Institute of Personnel Management held a different view. They stated that it would be in the interest of firms in the private sector to provide accurate information so that they would, in turn, be able to assess accurately how they compared with the civil service in terms of both pay and fringe benefits. (Paragraph 3.1 of the PLSAC's Report Part II at Appendix X refers).

#### 9.5 STANDING COMMISSION'S RECOMMENDATION

9.5.1 We have carefully considered the methodology proposed by TPF & C for the valuation of fringe benefits and are satisfied that the basis of valuation set out in Section III of their Report is a fair and accurate approach. We therefore recommend that the method proposed by TPF & C for the valuation of fringe benefit plans (Section III of TPF & C's Report at Appendix VIII) should be adopted. We are also satisfied that the method of data collection proposed by TPF & C (Section IV of TPF & C's Report at Appendix VIII) ensures that the data collection process can be carried out rigorously and that accurate information can be obtained. We therefore recommend that this method of data collection be adopted.