

CHAPTER 11

DEATH AND DISABILITY BENEFITS*

*Death and disability benefits refer to benefits received by employees or their dependants in excess of the statutory minimum under the provisions of the Employees' Compensation Ordinance required to be paid to employees injured or died in the discharge of their normal duties.

11.1 INTRODUCTION

Proposal in Report No. 7

11.1.1 In Report No. 7, we recommended that death and disability benefits should be included in the comparison of total packages in the public and private sectors and that their value should be determined by the premium rates charged by leading insurers for the benefits provided.

11.2 WORKING GROUP'S VIEW

11.2.1 The Working Group proposed that death and disability benefits be excluded from total packages for pay level surveys, for the following reasons :

- (a) the likelihood of employees or their dependants receiving them was not high;
- (b) the death and disability benefit schemes provided in the civil service and the private sector might be either in addition to, or an alternative to, the provisions of the Employees' Compensation Ordinance, Public Assistance and other welfare schemes; and
- (c) the calculation of the "additional element", besides being a complex exercise, was unlikely to have a significant effect on the value of total packages.

11.3 PAY RESEARCH ADVISORY COMMITTEE'S PRELIMINARY VIEW

11.3.1 The Pay Research Advisory Committee felt that it would be reasonable to exclude death and disability benefits from total packages for the purpose of pay level surveys because :

- (a) they were provided in circumstances beyond an individuals' control and sometimes to employees' dependants, rather than to the employees themselves;
- (b) for the purpose of pay level comparisons, only amounts in excess of the statutory minimum required to be paid to employees injured in the course of their employment were relevant. This excess amount, however, would be difficult to calculate, as death and disability compensation schemes might take many different forms; and
- (c) the number of cases in which death and disability compensation was paid was low. In the civil service, 172 new cases of dependants' pensions and 161 death gratuities were paid in 1984/85 and an annual average of about 115 new cases of impairment allowances had been paid to injured civil servants on retirement over the past five years. Comparable figures for the number of claims in the private sector were not available but the Labour Department's statistics suggested that the number of cases per year of reported deaths and non-fatal injuries arising from employment was about 0.01% and 3.1% of the total labour force respectively. The Pay Research Advisory Committee therefore considered that the payment of death and disability compensation in both the public and private sectors was on a very limited scale and that the inclusion or exclusion of these benefits would not significantly affect the results of surveys.

11.4 CONSULTANTS' ADVICE

11.4.1 Contrary to the Pay Research Advisory Committee's view that death and disability benefits should be excluded from pay level surveys, TPF & C advised that these benefits should be included. Whilst acknowledging that the utilization of death and disability benefits was low and that these benefits only constituted a small portion of total remuneration, TPF & C felt that this did not imply that they were of little value during the employee's working life. If an employee were to start his employment at the age of 25, he would have about a 15% chance of dying before 55 and therefore the protection provided by employer-sponsored programmes had to be considered valuable to the individual. Moreover, for the sake of public credibility, TPF & C

recommended that death and disability benefits should be included in pay level surveys and should be valued as follows :

Benefit payable on death or disability at valuation date	x	Insurance premium per dollar of benefit payable
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11.5 PAY RESEARCH ADVISORY COMMITTEE'S RECOMMENDATION

11.5.1 After reconsidering the matter, the Pay Research Advisory Committee accepted TPF & C's views on this benefit and accordingly recommended that death and disability benefits in the civil service and the private sector should be included in total packages for the purpose of pay level comparisons, and that they should be valued in accordance with TPF & C's recommendations.

11.6 VIEWS EXPRESSED AT PAY LEVEL SURVEY ADVISORY COMMITTEE MEETINGS

11.6.1 The Association of Expatriate Civil Servants suggested that, in order to reflect the real life situation, the value of death and disability benefits should be assessed by dividing the cost of the actual expenditure by the Government by the actual number of civil servants receiving those benefits. TPF & C however disagreed because this method was actuarially incorrect and there would be problems collecting similar information in the private sector for comparison.

11.6.2 The Hong Kong Chinese Civil Servants' Association on the other hand pointed out that since the likelihood of employees or their dependants in both public and private sectors enjoying death and disability benefits was not high, they should be excluded from total packages.

11.6.3 The Model Scale 1 Staff Consultative Council also commented that death and disability benefits should not be regarded as benefits. Model Scale 1 staff who had less than three years of service would not be able to receive such benefits. (Paragraph 4.2 of the PLSAC's Report Part II at Appendix X refers).

11.7 STANDING COMMISSION'S RECOMMENDATION

11.7.1 We recommend that death and disability benefits should be included in total packages based on the reasons put forward by TPF & C. We also recommend that these benefits should be valued in accordance with TPF & C's recommended formula in paragraph 11.4.1, using insurance premium rates as we have been advised by TPF & C that this would be, actuarially, the correct approach.