

Housing Benefits in the Private Sector

12.3.14 The Pay Research Advisory Committee considered that housing benefits available to employees in the private sector were somewhat similar to those provided in the civil service and included company accommodation, rental allowances, housing allowances and housing loans.

Company Quarters

12.3.15 In view of the fact that non-departmental quarters were included in total packages in the civil service for the purpose of pay level surveys, the Pay Research Advisory Committee proposed that, where company quarters were provided to private sector local employees, they should also be included in total packages in the private sector for pay level comparison purpose. The Working Group recommended that the value of company quarters in the private sector should be taken to be the same as the value of any cash or rental allowances for which the employees might be eligible. However, the Pay Research Advisory Committee was of the view that, for pay level surveys, the value of company quarters provided in the private sector should be assessed in the same way as that recommended for the assessment of the value of civil service non-departmental quarters, i.e. the value should be assessed on the basis of the average market rent of the quarters (or a sample of them) currently provided by that company to employees holding the types of job under comparison, less employees' contributions, if any. To provide a fair basis for comparison with non-departmental quarters, the rent assessed should include management charges and rates, if they were paid by the employer. Where company quarters were provided solely for operational reasons and not as a form of benefit, they should be excluded from total packages.

Rental Allowances

12.3.16 These benefits took the form of cash allowances paid to employees in addition to their basic salary, to assist them with the cost of renting accommodation. They were equivalent to Private Tenancy Allowances in the civil service and should therefore be taken into account in calculating total packages for pay level surveys. The value of rental allowances should be taken as the maximum rate of the allowances which employees of the types of job under comparison were entitled to, less their contributions if any. Where the maximum entitlement varied according to family circumstances, the entitlement appropriate to a family consisting of a couple with two children should be taken into account.

Housing Allowances

12.3.17 In the view of the Pay Research Advisory Committee, these benefits were, in effect, salary supplements paid to employees in the private sector. Although they were meant to be subsidies to assist employees to meet the cost of accommodation, employees were free to spend them in any way they wish, which might be totally unrelated to renting or purchasing accommodation. They were therefore very different from Private Tenancy Allowances in the civil service. Where housing allowances were provided in the private sector, the Committee proposed that they should be included in total packages for pay level surveys, as if they were salary supplements. The Working Group did not consider this type of housing benefit.

Housing Loans

12.3.18 The Pay Research Advisory Committee considered that subsidized housing loans were the most common form of housing benefit offered to local employees in the private sector and should therefore be included in total packages for pay level surveys. However, where a housing loan scheme in the private sector was provided subject to certain minimum service requirements, it should not be regarded as a benefit entitlement if the weighted average years of service of existing employees in the rank or category of staff under comparison were less than the minimum service requirement. Where the service requirement was three years or less, it should be included as an entitlement in total packages, irrespective of the years of service of existing employees. Where this scheme was included as an entitlement, it should be valued by calculating the savings in interest which employees in the types of job under comparison would achieve on their mortgage payments, assuming that they took the maximum loan to which they were entitled for the maximum term. These recommendations were consistent with those put forward by the Working Group. In assessing the savings on interest payments, current market interest rates less the subsidized rate of interest should be assumed for the repayment period of the mortgage, as in the case of the valuation of the Housing Loan Scheme in the civil service. As recommended for both the Housing Loan Scheme and the Home Purchase Scheme in the civil service, it might be necessary to use the average market interest rate over a period as the "current market interest rate", in view of the wide fluctuations experienced in local interest rates.

Priority Allocation of Housing Units

12.3.19 Some companies might give priority to their staff, when the companies sold residential property which they had developed. The Working Group recommended that, as long as there was no element of subsidy involved, e.g. a concessionary purchase price, such arrangements should be ignored in calculating total packages in the private sector. The Pay Research Advisory Committee agreed with this recommendation.

Valuation of Housing Benefits for Total Packages in the Private Sector

12.3.20 In the case of the private sector, the Pay Research Advisory Committee felt that, when an employee was entitled to housing benefits in a variety of forms, the form of housing assistance with the greatest value should be included in private sector total packages. To the extent that one form of housing benefit might be enjoyed in addition to another, the value should be taken as the combined value of the two. This would be in line with the rules for the civil service suggested in paragraph 12.3.13.

12.3.21 The Pay Research Advisory Committee felt that the different methodologies to be used for the valuation of housing benefits needed further refinement and should be examined by the Consultants.

12.4 CONSULTANTS' ADVICE

12.4.1 TPF & C's advice on the valuation of housing benefits was as follows :

(a) Quarters Provided by Employers

The recommended formula for determining the value of this benefit for both sectors was :

Weighted average market rental value

(b) Private Tenancy/Housing Allowances

The value of this benefit for both sectors should be assessed as the maximum amount of allowances that an individual was eligible for, less employee's contribution, if any.

(c) Home Purchase Allowances

The value of this benefit in the civil service should be assessed as the maximum amount of allowances that an individual was eligible for.

(d) Subsidized Loans/Downpayment Loans

The recommended formula for determining the value of these benefits for both sectors was :

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

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).

Illustrations of the application of TPF & C's recommendations are at Appendix E to their Report at Appendix VIII.

12.5 PAY RESEARCH ADVISORY COMMITTEE'S RECOMMENDATION

12.5.1 After due consideration of TPF & C's proposals, the Pay Research Advisory Committee agreed with TPF & C and recommended that non-departmental quarters in the civil service and company quarters in the private sector should be included in total packages for pay level comparisons, that Private Tenancy Allowances, the Home Purchase and Housing Loan Schemes in the civil service and housing allowances and housing loans in the private sector should be included in total packages for pay level comparisons and that these benefits should be valued in accordance with TPF & C's recommendations in paragraph 12.4.1.

12.5.2 The Pay Research Advisory Committee also recommended that 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 should be excluded from total packages for pay level comparisons.

12.6 VIEWS EXPRESSED AT PAY LEVEL SURVEY
ADVISORY COMMITTEE MEETINGS

12.6.1 The Association of Expatriate Civil Servants was of the view that housing benefits should be assessed on the basis of Private Tenancy Allowances, as suggested by the Working Group. This view was supported by the Hong Kong Chinese Civil Servants' Association. The Association of Expatriate Civil Servants also objected to the use of Grade B quarters for valuing non-departmental quarters and most officers eligible for Grade B quarters were staying in Grade C quarters. The Hong Kong Chinese Civil Servants' Association suggested that the Home Purchase Scheme and the Housing Loan Scheme should not be included in total packages because these two types of housing benefits were not entitlements and the rate of utilization was too low. Moreover, the majority of the civil servants in the middle and in particular the lower band did not receive any housing benefits.

12.6.2 The Model Scale 1 Staff Consultative Council suggested that priority allocation of housing units in the private sector should be included in the private sector total packages because employees would receive a significant amount of monetary benefit in reselling these units. This view was 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. The Chinese General Chamber of Commerce held a different view, that it was not a common practice among reasonable employers in the private sector to allow employees priority in buying flats for the purpose of reselling them for profit. For these employers, the priority sale of flats to staff was to help their employees to solve their accommodation problem. The cases quoted by the Model Scale 1 Staff Consultative Council were exceptions rather than the rule.

12.6.3 As regards departmental quarters, the Hong Kong Industrial Relations Association and the Hong Kong Institute of Personnel Management suggested that those departmental quarters in the civil service which were not provided purely for operational reasons should be included in total packages as this benefit was of substantial value to the civil servants who occupied them. The Police Force Council disagreed as departmental quarters in the Police Force were all provided for operational reasons, although it was sometimes difficult to find suitable quarters in the vicinity. The Administration also confirmed that departmental quarters in the civil service were largely provided for operational convenience. (Paragraph 4.3 of the PLSAC's Report Part II at Appendix X refers).

12.7 STANDING COMMISSION'S RECOMMENDATION

12.7.1 After carefully considering all the views put forward, we have come to certain conclusions concerning housing benefits in the civil service :

(i) Non-departmental Quarters

We recommend that Non-departmental Quarters should be included, to be valued according to the formula recommended by TPF & C in paragraph 12.4.1(a). The market rental value should be assessed with the assistance of professional property valuers. We consider that the inclusion of this benefit is fair taking into account the substantial value of this benefit, and especially since MPS 48 to 51 now forms a separate pay band and the eligibility for non-departmental officers is restricted to this group of officers. We agree with the Pay Research Advisory Committee that a sample of Grade B quarters should be used in assessing the current market rent based on evidence that the majority of officers eligible for Grade B quarters are in fact occupying quarters of Grade B standard.

(ii) Departmental Quarters

Whilst noting that there may be some individual cases where Departmental Quarters are provided not for operational convenience, we recommend that Departmental Quarters be excluded from total packages because the majority of Departmental Quarters are in actual fact provided for operational reasons. However, we suggest that the Administration should consider the reclassification of those Departmental Quarters the nature of which has deviated from this original purpose.

(iii) Private Tenancy Allowances

We recommend that Private Tenancy Allowances should be included in total packages and valued in accordance with the formula suggested by TPF & C in paragraph 12.4.1(b). We have noted the suggestion that Private Tenancy Allowances should be used as a basis for valuing all housing benefits. Although this is a much simpler method, we do not agree with the suggestion because of the substantial difference in value between Private Tenancy Allowances and other benefits such as Non-departmental Quarters.

(iv) Home Purchase Scheme

For the Home Purchase Scheme, we agree with the Pay Research Advisory Committee that this benefit constitutes an entitlement and therefore should be included in total packages. We note that certain restrictions are imposed on the utilization of this benefit : that only those on MPS 29 or above (or the equivalent in other pay scales) or those with 20 years or more service are eligible to join the Home Purchase Scheme. Furthermore, the availability of the benefit is subject to the budgetary constraint of the Government. At present the number of applications approved are limited to 2,000 per year. However, we consider that the rate of utilization of this benefit is high, there being a total of 10,471 approved cases (as at 1.6.86) and this amounts to about 29% of the total number of civil servants eligible for this benefit. This figure will be increased at an approximate rate of 2,000 each year. We therefore recommend that the Home Purchase Scheme should be included in total packages and that it should be valued in accordance with the formula suggested by TPF & C in paragraph 12.4.1(c).

(v) Housing Loan Scheme

We recommend that the Housing Loan Scheme should be taken into account in total packages and accept those reasons put forward by the Pay Research Advisory Committee in paragraph 12.3.8. Because the benefit is only available to officers with 10 years' service or more, we agree that this benefit should not be regarded as an entitlement for those grades and ranks which are not pensionable or where the weighted average period of pensionable service is less than 10 years. We further recommend that Housing Loans should be valued in accordance with TPF & C proposed formula in paragraph 12.4.1(d).

(vi) Co-operative Housing Schemes and Public Housing Priority Allocation Quota for Junior Civil Servants

We agree with the reasons put forward by the Working Group and the Pay Research Advisory Committee and recommend that both benefits should be excluded from total packages.

12.7.2 For housing benefits in the private sector, we recommend the following :

- (i) Company quarters (except those provided for operational reasons), housing allowances and housing loans should be included in total packages and valued in accordance with TPF & C's proposed formulae in paragraph 12.4.1(a), (b) and (d).

- (ii) Priority allocation of housing units for employees in the private sector should be excluded from total packages. We agree with the view expressed at the Pay Level Survey Advisory Committee that allocation of housing units for employees for the purpose of reselling for profit is not a common practice among reasonable employers in the private sector.