

CHAPTER 15

EDUCATION ALLOWANCES

15.1 INTRODUCTION

Proposal in Report No. 7

15.1.1 In Report No. 7, we recommended that Local Education Allowances should be included in total packages in both the public and private sectors and that Overseas Education Allowances should be excluded in view of their low utilization rate in the civil service.

15.1.2 We recommended that the value of Local Education Allowances for local officers should be determined on the basis of the cost of Form V education in Hong Kong Anglo-Chinese schools and on the assumption that an employee with two children would, on average, have the statistical equivalent of half a child at the secondary school stage during a full working career.

15.2 WORKING GROUP'S VIEW

15.2.1 Having regard to the low utilization rate of Overseas Education Allowances and the technical difficulty of placing a value on education allowances, the Working Group proposed that a notional value of 1% of salary should be assigned to jobs with an entitlement to either Local Education Allowances or Overseas Education Allowances, and 2% of salary to jobs with an entitlement to both Local Education Allowances and Overseas Education Allowances.

15.3 PAY RESEARCH ADVISORY COMMITTEE'S PRELIMINARY VIEW

Local Education Allowances in the Civil Service

15.3.1 Civil Servants whose children were studying in approved primary or secondary schools and were aged 19 or below were eligible for Local Education Allowances, as follows :

- (a) For children in primary schools and in Forms I, II and III, 75% of the fee charged up to a maximum of \$7,050 (currently \$8,025) per annum per child in primary schools and \$12,150 (currently \$13,650) per annum per child in Forms I to III;

- (b) For children in Forms IV and above, 75% of the fee above a basic charge of \$600 per annum, up to a maximum of \$11,700 (currently \$13,200) per annum per child.

Each eligible officer could receive Local Education Allowances in respect of a maximum of 4 children at any one time.

15.3.2 Local Education Allowances provided in the civil service and private sector were normally expressed in the form of fixed rates, rather than as a fraction of the salary of the employees concerned, and they were therefore a non-pay-related type of benefit. For pay level surveys, the Pay Research Advisory Committee initially felt that Local Education Allowances should be included in civil service total packages, in view of the large number of civil servants believed to utilize this benefit. This was consistent with the recommendations of the Working Group.

Local Education Benefits in the Private Sector

15.3.3 In general, only a small number of employers in the private sector provided local education benefits for their local employees. Where local education benefits were provided, they were usually paid in the form of an allowance within a specified maximum limit. The rules of payment varied from one company to another.

15.3.4 The Pay Research Advisory Committee considered that, if Local Education Allowances were to be included in total packages in the civil service, it would be fair to include them in total packages for the private sector also.

Overseas Education Allowances in the Civil Service

15.3.5 In the civil service, local pensionable officers or officers on agreement terms were eligible to apply for Overseas Education Allowances in respect of children studying in the United Kingdom and aged between 9 and 19. Each officer could apply for boarding school allowances or day school allowances for up to four children at any one time, subject to the following maximum rates for each academic year :

(a) Boarding School Allowance :

£2,580 (currently £2,775) for the 1st or 2nd eligible child, £3,063 (currently £3,294) for the 3rd eligible child, and £3,192 (currently £3,432) for the 4th eligible child.

(b) Day School Allowance :

£370 (currently £410) for each eligible child.

15.3.6 For pay level surveys, the Pay Research Advisory Committee considered it reasonable to include Overseas Education Allowances in public sector total packages. However, the Pay Research Advisory Committee thought that Overseas Education Allowances should not be regarded as an entitlement for all officers in the civil service and was of the view that weighted average age and salary cut-off points should be used to value them. This point was examined by the consultants and their advice is given in paragraph 15.4.1.

Overseas Education Benefits in the Private Sector

15.3.7 Few employers in the private sector provided overseas education benefits to their local employees. Where benefits were provided, they normally took the form of an allowance, which was either a fixed amount or within a specified limit.

15.3.8 For private sector total packages, the Pay Research Advisory Committee thought that, for consistency, overseas education benefits should also be included in total packages for pay level surveys in those cases where they could be regarded as an entitlement in the case of the category of staff under comparison. Where relevant, the age and salary cut-off points used to determine whether or not Overseas Education Allowances should be regarded as entitlements for civil service total packages, described in paragraph 15.3.6, should also apply.

Method of Valuation

15.3.9 The Pay Research Advisory Committee considered that the maximum benefit payable for a family with two children, i.e. £5,160 (currently £5,550) per annum, should be taken as the value for inclusion in the total packages of all ranks for which Overseas Education Allowances could be regarded as an entitlement. The same absolute value, subject to revision from time to time in accordance with the up-to-date allowance rates, could be used for all such ranks. Similarly, the Pay

Research Advisory Committee thought that the value of overseas education benefits in the private sector should be valued having regard to the maximum rate of subsidy payable for a standard family with two children.

15.4 CONSULTANTS' ADVICE

15.4.1 TPF & C considered that, in order to maintain public credibility, Overseas Education Allowances should be included in total packages in recognition of the fact that most civil servants, in theory, had access to significant amounts of money. In view of the fact that the utilization of Overseas Education Allowances would vary by age and salary, TPF & C recommended that their value should be calculated in accordance with the following formula :

$$\text{Benefit Amount} \times \text{Cost Factor}$$

where Benefit Amount was equal to £5,550 in the case of the civil service and the corresponding amount in the private sector and the Cost Factor would be taken from a table constructed from civil service utilization experience. (A detailed account of TPF & C's recommendations is at Appendix C to their Report at Appendix VIII).

15.5 PAY RESEARCH ADVISORY COMMITTEE'S RECOMMENDATION

15.5.1 Although the Pay Research Advisory Committee initially considered that Local Education Allowances should be included in civil service total packages, it found, on further examination, that the utilization rate was very low. In fact, on 28 February 1986, only 10,181 local officers were actually claiming Local Education Allowances, out of a total of 171,400 who were eligible to do so. Since these figures included personnel in both Directorate and non-Directorate posts, the number of non-Directorate local officers claiming Local Education Allowances would be even lower. The Committee, therefore, considered that the inclusion of Local Education Allowances in total packages in the civil service would not have a significant effect on their value and that these allowances should be excluded from total packages for the purpose of pay level comparisons, at least until these allowances were utilised to a more significant extent.

15.5.2 Because very few private sector companies offered Local Education Allowances to their employees and in the interests of consistency, the Pay Research Advisory Committee felt that such benefits should also be excluded from private sector total packages.

15.5.3 Similarly, although the Pay Research Advisory Committee initially felt that Overseas Education Allowances should be included in civil service total packages, on closer examination, it found that the utilization rate of these benefits in the civil service was too low for the availability of the allowances to have a significant effect on total packages. In fact, out of a total of 127,800 eligible officers, both local and expatriate, only 2,266 were actually claiming Overseas Education Allowances on 28 February 1986. (Separate figures for local officers were not available). Again, these figures included personnel in both Directorate and non-Directorate posts and the number of non-Directorate local officers claiming Overseas Education Allowances would therefore be even lower. The Pay Research Advisory Committee felt that this was probably because most officers did not have the resources to pay the difference between the amount of the allowances and the total school fees, which was substantial. It therefore considered that Overseas Education Allowances should be excluded from civil service total packages for the purpose of pay level comparisons, at least until these allowances were utilised to a more significant extent.

15.5.4 Because very few private sector companies provided overseas education benefits for their local employees and for the sake of consistency, the Pay Research Advisory Committee felt that these benefits should also be excluded from private sector total packages.

15.5.5 For all the above reasons, the Pay Research Advisory Committee noted the advice given by TPF & C in paragraph 15.4.1, but recommended that it should not be accepted. It agreed with TPF & C that the use of the principle of maximum utilization would be unfair in the present case and that the formula in paragraph 15.4.1 would be more appropriate. However, since utilization and, consequently, the value of the benefits, as described in paragraphs 15.5.1 and 15.5.3, would be insignificant, the Pay Research Advisory Committee felt that, until these allowances were utilised to a more significant extent, it would be more realistic to exclude both Local Education Allowances and Overseas Education Allowances from total packages. The Committee accordingly recommended that both Local and Overseas Education Allowances should be excluded from total packages for the purpose of pay level comparisons.

15.6 VIEWS EXPRESSED AT PAY LEVEL SURVEY
ADVISORY COMMITTEE MEETINGS

15.6.1 The Hong Kong Institute of Personnel Management suggested that Overseas Education Allowances should be included in total packages since these allowances amounted to a significant value for those who utilized them. It further suggested that criteria should be set as to when allowances should be included or excluded from total packages and utilization alone did not justify the inclusion or exclusion of a benefit from total packages. If a certain benefit was rarely used by employees, the employer should consider whether the scheme should be withdrawn altogether. The Hong Kong Industrial Relations Association shared its view that Overseas Education Allowances should be included in total packages because of the significant value carried by this benefit. (Paragraph 4.6 of the PLSAC's Report Part II at Appendix X refers).

15.7 STANDING COMMISSION'S RECOMMENDATION

15.7.1 For Overseas Education Allowances, we recommend that it should be excluded from total packages in both sectors, because the rate of utilization in the civil service is so low (about 1.8% including the Directorate as at 28 February 1986), even though the value of the benefit is significant to those who make use of it.

15.7.2 As regards Local Education Allowances, only 10,181 local officers (including the Directorate) are actually claiming the allowance out of a total of 171,400 eligible civil servants. We recommend that Local Education Allowances be excluded from total packages in the public and private sectors on the same grounds as for Overseas Education Allowances. Although the rate of utilization in the civil service of 5.9% (including the Directorate as at 28 February 1986) is higher than that of Overseas Education Allowances, it would be more consistent for both allowances to be excluded.