

CHAPTER 19

JOB-RELATED ALLOWANCES

19.1 INTRODUCTION

Proposal in Report No. 7

19.1.1 Job-related allowances were not amongst the benefits considered in our Report No. 7.

19.2 WORKING GROUP'S VIEW

19.2.1 The Working Group concluded that job-related allowances should be regarded as a form of pay supplement rather than as a fringe benefit and recommended that, where an allowance was paid regularly to a large majority of staff in a rank or grade, it should be taken as part of their pay and included in total packages.

19.3 PAY RESEARCH ADVISORY COMMITTEE'S PRELIMINARY VIEW

Job-related Allowances in the Civil Service and the Private Sector

19.3.1 Job-related allowances were payments made to employees to compensate them for extra or unusual work, which would otherwise not be reflected in their pay. They were more common in the civil service than in the private sector, because of differences in pay systems.

Job-related Allowances as Part of Total Packages

19.3.2 The Pay Research Advisory Committee agreed with the Working Group's view that job-related allowances should be regarded as pay supplements rather than as benefits, since they were intended to compensate staff for the performance of duties which were not adequately recognized in their basic salaries. In view of the large number of civil servants who received job-related allowances paid to staff in certain ranks, which might be equal to as much as one-quarter of their basic salary, the Pay Research Advisory Committee concluded that job-related allowances should be included in total pay packages for the purpose of pay level surveys, provided that the agreed duties of the jobs under comparison entitled staff to claim these allowances.

Valuation of Job-related Allowances in the Civil Service  
Total Packages for the Purpose of Pay Level Surveys

19.3.3 The Pay Research Advisory Committee suggested that job-related allowances should be expressed as ranges of additional pay which officers in the rank under comparison might receive. In the case of allowances with standard rates which were expressed as fixed percentages of MPS 1 and at flat monthly rates, the dollar values of the appropriate percentages of MPS 1 should be taken as the maximum of the range. (The minimum, which would apply to officers who did not receive allowances, would be zero). For allowances with non-standard rates, which might take a variety of forms, including dollars per shift per month or increments to salary, the maximum payment which an employee in the rank was eligible to receive in any one month should be taken as the maximum of the range of allowance payments to be included in the total packages. (The minimum of the range, which would apply in the case of employees who did not receive an allowance, would, once again, be zero). The duties of some ranks might be such that staff could claim more than one allowance. In these cases, it was proposed that the combined rates of the allowances should be taken as the value of the range of additional pay attributable to allowances, provided it had been established that the employees concerned were permitted to claim more than one allowance at the same time. If they could not claim more than one, the allowance with the higher rate should be taken as the maximum of the range to be included in the total packages.

Valuation of Job-related Allowances in Private Sector  
Total Packages for the Purpose of Pay Level Surveys

19.3.4 In the private sector, the number of cases where job-related allowances were paid was expected to be small, but, for the sake of consistency, the principle applied to civil service total packages should also apply to the private sector - i.e. allowances should be included in total packages for the purpose of pay level comparisons, if the agreed duty lists of the jobs concerned were such that staff could claim them.

19.3.5 Job-related allowances paid by private sector companies were usually expressed as a fixed daily/monthly/annual sum, or as a percentage of a fixed rate or monthly salary. The Pay Research Advisory Committee proposed that where such allowances had to be included in private sector total packages, they should be expressed in the form of allowance ranges and valued in the same way as recommended for the civil service in paragraph 19.3.3.

#### 19.4 CONSULTANTS' ADVICE

19.4.1 TPF & C was not asked to advise on the subject of job-related allowances.

#### 19.5 PAY RESEARCH ADVISORY COMMITTEE'S RECOMMENDATION

19.5.1 The Pay Research Advisory Committee recommended that job-related allowances in the civil service and the private sector should be included in total packages for pay level comparisons and that they should be valued as pay supplements in cases where the agreed duties of the job under comparison enabled staff to claim job-related allowances.

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

19.6.1 The Hong Kong Chinese Civil Servants' Association suggested that since the Hay method of job evaluation did not take into account the actual nature of jobs, job-related allowances should be excluded in total packages in both sectors. This view was supported by the Administration. The Administration explained that job-related allowances were not included in the pay scales because these allowances were irregular and uncommon within the civil service. It also expressed reservations about the application of the Standard Population Model using this particular benefit. (Paragraph 4.9 of the PLSAC's Report Part II at Appendix X refers).

#### 19.7 STANDING COMMISSION'S RECOMMENDATION

19.7.1 We have carefully considered the relevant factors and have come to the following conclusions. On one hand we accept that certain duties in some civil service ranks could not be adequately compensated with reference to the normal pay scale and pay structure. Job-related allowances are therefore paid, forming part of the total pay, and we agree that they should be treated as pay supplements. On the other hand we have taken note of the fact that the methodology proposed by Hay does not consider job factors other than know-how, accountability and problem-solving. It is also noted that in October 1984, some 65,000 separate payments of such allowances were made to civil servants amounting to about \$11.5 million. We therefore recommend that job-related allowances should be included in pay level surveys only for those cases where the normal agreed duties of the job under comparison enable the job holder to claim job-related allowances and where the allowances are paid on a regular basis.