

CHAPTER 20

MISCELLANEOUS BENEFITS

20.1 INTRODUCTION

Proposal in Report No. 7

20.1.1 The benefits discussed in the later sections of this chapter were not covered in Report No. 7.

20.2 WORKING GROUP'S VIEW

20.2.1 The Working Group considered the following miscellaneous benefits, which were available to employees in the public and private sectors :

- (a) salary advances;
- (b) travelling expenses on home-to-office journeys;
- (c) long service travel award schemes;
- (d) canteen facilities and subsidized meals;
- (e) purchasing discounts;
- (f) free travel for employees of transport companies and their dependants;
- (g) free or subsidized recreational travel;
- (h) club membership;
- (i) salaries paid tax-free; and
- (j) utility expenses borne by employers.

20.2.2. The Working Group recommended that, apart from utility expenses borne by employers and salaries paid tax-free, which should be taken into account in calculating total packages, the other miscellaneous benefits should be excluded from total package comparisons.

20.2.3 The Working Group recommended that the value of public utility charges borne by employers should be assessed having regard to average consumption, subject to the prescribed maximum.

20.2.4 The Working Group proposed that, where salaries were paid tax-free, they should be expressed as gross figures before inclusion in total packages.

20.3 PAY RESEARCH ADVISORY COMMITTEE'S PRELIMINARY VIEW

Miscellaneous Benefits in the Civil Service

20.3.1 The main types of benefit available to civil servants, which the Pay Research Advisory Committee considered, were :

- (a) salary advances and loans from staff relief funds;
- (b) travelling expenses on home-to-office journeys;
- (c) long service travel awards;
- (d) canteen facilities; and
- (e) club membership.

Miscellaneous Benefits in the Private Sector

20.3.2 The main types of benefit under this heading provided to employees in the private sector were :

- (a) salary advances or personal loans;
- (b) free or subsidized transport to places of work;
- (c) long service awards;
- (d) canteen facilities and meal allowances;
- (e) club membership;
- (f) purchasing discounts;
- (g) free travel for employees of transport companies;
- (h) employer-subsidized recreational travel; and
- (i) utility expenses borne by employers.

Valuation of Miscellaneous Benefits for Total Packages
in the Public and Private Sectors

20.3.3 Having examined the lists of benefits available to the civil service in paragraph 20.3.1 and to employees in the private sector in paragraph 20.3.2, the Pay Research Advisory Committee's views were as follows :

(a) for the purpose of pay level comparisons, the following should be excluded from total packages in both the public and private sectors :

- (i) salary advances and loans from staff relief funds;
- (ii) travelling expenses on home-to-office journeys, where provided for operational reasons;
- (iii) long service awards;
- (iv) canteen facilities; and
- (v) fees payable by employers for the membership of associations and societies for operational reasons;

(b) the following benefits should be excluded from private sector total packages in pay level surveys :

- (i) discounts on purchases;
- (ii) free travel for employee of public transport companies;
- (iii) employer-subsidized recreational travel, where provided at the employers' discretion; and
- (iv) personal loans provided at interest rates below market rates;

and

(c) the following benefits should be included in private sector total packages for pay level comparisons :

- (i) meal allowances provided as a form of pay supplement;

- (ii) entrance or membership fees for social clubs;
- (iii) transport subsidies provided in the form of cash payments;
- (iv) provision of cars for personal use;
- (v) employer-subsidized recreational travel provided as a right;
- (vi) public utility charges borne by employers;
- (vii) domestic servants paid for by employers; and
- (viii) profit-sharing schemes.

All these recommendations were largely in line with those of the Working Group.

Method of Valuation

20.3.4 The Pay Research Advisory Committee suggested that meal allowances should be taken into account as salary supplements and that public utility charges borne by employers should be valued on the basis of the cost to the employers of paying the public utility bills, less employees' contributions, if any. Entrance or membership fees for social clubs, transport subsidies provided in the form of cash payments, provision of cars for personal use, employer-subsidized recreational travel provided as a right, domestic servants paid for by employers and profit-sharing payments should be valued on the basis of their respective values to the employees receiving such benefits.

20.4 CONSULTANTS' ADVICE

20.4.1 Although the Pay Research Advisory Committee concluded that personal loans provided by some private sector employers should be excluded from pay level surveys, TPF & C advised that where such loans were provided at interest rates below market rates, they should be included in pay level surveys and should be valued in accordance with the following formula :-

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

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).

20.5 PAY RESEARCH ADVISORY COMMITTEE'S RECOMMENDATION

20.5.1 The Pay Research Advisory Committee recommended that various miscellaneous benefits, including personal loans provided at interest rates below market rates, meal allowances, public utility charges borne by employers, entrance or membership fees for social clubs, transport subsidies provided in the form of cash payments, provision of cars for personal use, employer-subsidized recreational travel provided as a right, domestic servants paid for by employers and profit sharing payments in the private sector should be included in total packages for the purpose of pay level comparisons and that they should be valued as follows :

- (i) personal loans provided at interest rates below market rates should be assessed in accordance with TPF & C's formula in paragraph 20.4.1; and
- (ii) all the other benefits referred to in this paragraph should be valued in accordance with the proposals in paragraph 20.3.4.

20.5.2 The Pay Research Advisory Committee also recommended that the various miscellaneous benefits listed in paragraph 20.3.3(a) and paragraph 20.3.3(b), with the exception of item (iv) in paragraph 20.3.3(b), i.e. personal loans provided at interest rates below market rates, should be excluded from total packages for pay level comparison purpose.

20.6 VIEWS EXPRESSED AT PAY LEVEL SURVEY ADVISORY COMMITTEE MEETINGS

20.6.1 The Hong Kong Chinese Civil Servants' Association suggested that discounts on purchases, free travel for employees and their families of public transport companies should be included in total packages in the private sector.

This view was supported by the Model Scale 1 Staff Consultative Council which further suggested that employer-subsidized recreational travel should be included in private sector total packages. The Administration however raised a general point that the inclusion or exclusion of a benefit should depend on whether that benefit was provided as a matter of right or at the employers' discretion. (Paragraph 4.10 of the PLSAC's Report Part II at Appendix X refers).

20.7 STANDING COMMISSION'S RECOMMENDATION

20.7.1 Having considered all the views put forward we recommend that all miscellaneous benefits should be included in total packages in both the public and the private sectors. However, those benefits which are provided at the discretion of the employer or the value or relevant data of which is extremely difficult to ascertain should be excluded from total packages. We have discussed at length in paragraph 8.6.5 that a benefit should not be excluded because of its insignificant value and have recommended that, in general, all fringe benefits be included in total packages. It is precisely within the category of miscellaneous benefits to which most benefits of small value are included. We maintain that the fairest approach would be to include all miscellaneous benefits in both sectors, with the exception of those which are provided at the discretion of the employer or those benefits the value of which varies widely for each individual case and is quite impossible to ascertain.

20.7.2 We further recommend that these benefits should be valued in accordance with the proposals in paragraph 20.3.4. Personal loans provided at interest rates below market rates should be assessed in accordance with TPF & C's formula in paragraph 20.4.1.