

SUMMARY OF RECOMMENDATIONS BY THE
STANDING COMMISSION ON CIVIL SERVICE
SALARIES AND CONDITIONS OF SERVICE

Paragraph

PART I

METHODOLOGY FOR THE PAY LEVEL SURVEY

The Hay's method of job evaluation should be adopted for comparing pay levels in the civil service with those in the private sector at the non-Directorate level, subject to the following modifications :

- (A) Guidelines for the Methodology for the Pay Level Survey
 - (a) Two utility companies should be included in the private sector survey field; 2.3.1 (a)
 - (b) The upper civil service pay band should be split into two - i.e. MPS 38 to 47 and MPS 48 to 51 of the Master Pay Scale; and 2.3.1 (c)
 - (c) Model Scale 1 staff should be treated as a separate band in their own right. 2.3.1 (e)

- (B) General Approach

No modifications. 3.3

- (C) Data Collection
 - (a) The ranks recommended by members of the Pay Level Survey Advisory Committee for inclusion in or exclusion from the civil service survey field should be accepted, with the exception of the ranks of Nursing Officer I, Chief Nursing Officer and Principal Trade Officer; and 4.3.1 (g)

	<u>Paragraph</u>
(b) An evaluation of fringe benefits payable to expatriate employees in the private sector should be included as a separate chapter in Hay's final report.	4.3.1 (h)
(D) <u>Job Evaluation</u> No modifications.	5.3
(E) <u>Data Analysis</u> Average pay figures, rather than the median, should be used for the purpose of comparison.	6.3
(F) <u>The Disciplined Services</u> No modifications.	7.3

PART II

VALUATION OF FRINGE BENEFITS

For the purpose of valuing fringe benefits in the civil service and the private sector, the Standing Commission makes the following recommendations :

(A) General

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| (i) Total packages for comparable jobs should be assessed on the basis of the notional values of the total packages. | 8.2.8 |
| (ii) The valuation of total packages for pay level comparisons should only have regard to local terms of service. | 8.3.5 |

	<u>Paragraph</u>
(iii) The valuation of total packages for pay level comparisons should have primary regard to male staff.	8.4.4
(iv) For the valuation of benefits which relate to an employee's family circumstances, the assumption should be that a family has a single breadwinner and consists of a married couple and two children.	8.5.6
(v) The value of a benefit should be assessed on the basis of the cost to an employee of replacing a benefit provided by his employer.	8.6.4
(vi) All fringe benefits should be included in total packages, with the exception of those	8.6.5
(a) which are provided at the employers' discretion;	
(b) the utilization rates of which are very low, and/or;	
(c) the value of which is impossible to ascertain and/or the data for which is difficult to capture.	
(vii) Before individual fringe benefits are included in total packages for pay level comparisons, they should firstly be examined to establish whether they should be regarded as entitlements. Where an employer imposes regulations so restrictive that most employees cannot make use of a benefit, it should be assumed that the benefit is not an entitlement, and it should be excluded from calculations of the value of total packages. Secondly, the utilization rate of the benefit must not be so low to the extent that the inclusion of the benefit would mean projecting a value unfairly to other employees.	8.7.4

	<u>Paragraph</u>
(viii) Once a benefit has been included in total packages, it should be valued on the assumption that maximum utilization will be made of it, and the actual rate of utilization should be disregarded.	8.7.5
(ix) Benefits provided for operational reasons should be excluded from total packages.	8.8.4
(x) The impact of taxation on the value of benefits should be taken into account in total packages.	8.9.4
(xi) The value of benefits to be included in total packages should be expressed in absolute terms rather than as a percentage of salary or pay.	8.10.4
(xii) The Standard Population Model should be used for the valuation of all benefits and the Consultants' recommended method of data collection should be used.	9.5.1
(xiii) The following benefits should be included in total packages for the purpose of pay level surveys in the civil service and the private sector :	
(a) retirement benefits, including pensions and annual allowances in the civil service, and pensions and lump sum payments calculated on final salaries or on provident fund contributions in the private sector;	10.7
(b) death and disability benefits in both sectors;	11.7
(c) housing benefits, including non-departmental quarters, Private Tenancy Allowances and Home Purchase and Housing Loan Schemes in the civil service, and company quarters, housing allowances and housing loans in the private sector;	12.7

	<u>Paragraph</u>
(d) medical benefits, including hospitalization at concessionary rates in the civil service, and different types of medical benefits provided for employees in the private sector;	13.7
(e) dental benefits in both sectors;	14.7
(f) leave passages in the private sector;	16.7
(g) vacation and casual leave in the civil service and comparable leave in the private sector;	18.7
(h) job-related allowances in both sectors; and	19.7
(i) all miscellaneous benefits, with the exception of those which are :	8.6.5 20.7
(1) provided for operational reasons;	
(2) provided at the employers' discretion;	
(3) the utilization rates of which are extremely low;	
(4) the value of which vary from one case to another and therefore cannot be ascertained accurately; and/or	
(5) the value for which is difficult to capture.	
(xiv) The following benefits should be excluded from total packages for the purpose of pay level surveys in the civil service and the private sector :	

	<u>Paragraph</u>
(a) certain housing benefits such as 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;	12.7.1
(b) Overseas and Local Education Allowances and school passages in the civil service and equivalent benefits in the private sector;	15.7
(c) sick and maternity leave in both sectors.	18.7

(B) Valuation of Individual Benefits

(i) Retirement Benefits

Retirement benefits should be valued as follows :

(a) For pension benefits in the civil service, and lump sum payments calculated on final salaries or calculated on provident fund contributions in the private sector -	4.11
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The sum of (Amount of Benefit x Discount Factor)
Spreading Factor

(b) For annual allowances in the civil service -

75% x value of pension

Paragraph

(ii) Death and Disability Benefits

Death and disability benefits should be valued in both sectors as follows : 11.7

Benefit payable on death or disability at valuation date Insurance premium per dollar of benefit payable

(iii) Housing Benefits

Housing benefits should be valued as follows : 12.7

(a) For non-departmental quarters in the civil service and company quarters in the private sector :-

Weighted average market rental value

(b) For Private Tenancy Allowances in the civil service and housing allowances in the private sector :-

Maximum amount of allowances less officers'/employees' contributions, if any

(c) For Home Purchase Allowances in the civil service :-

Maximum amount of allowances

	<u>Paragraph</u>
(d) For Downpayment Loans/ Subsidized Loans in the civil service or the private sector :-	12.7 (cont'd)

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

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).

(iv) Medical Benefits

Medical benefits should be
valued in both sectors by
obtaining current insurance
premium rates to cover existing
medical plans provided in the
civil service and the private
sector. 13.7

(v) Dental Benefits

Dental benefits should be
valued in both sectors by
obtaining current insurance
premium rates to cover
existing dental plans provided
in the civil service and the
private sector. 14.7

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(vi) Leave Passages

Leave passages in the private sector should be valued as follows : 16.7

Pro rata annual value of the entitlement assessed on the basis of the maximum amount of cash allowance or the current tariff rates for travel tickets, having regard to the standard family size.

(vii) Vacation Leave and Casual Leave in the Civil Service and Comparable Leave in the Private Sector

Leave should be valued by adjusting total packages in the private sector. In doing so, the differences in hours of work and leave between the two sectors should be taken into account in accordance with the following formula - 18.7

Adjusted private company total packages =

$$\begin{array}{r} \text{private} \\ \text{company} \\ \text{total} \\ \text{packages} \end{array} \times \frac{\begin{array}{l} \text{civil service notional} \\ \text{hours of work} \\ + \text{civil service compulsory} \\ \text{overtime hours (if any)} \\ \hline \text{private company's notional} \\ \text{hours of work} \\ + \text{private company's compulsory} \\ \text{overtime hours (if any)} \end{array}}$$

(viii) Job-related Allowances

Job-related allowances should be valued in both sectors as pay supplements in cases where the agreed duties of the job under comparison entitle staff to claim them. 19.7

(ix) Miscellaneous Benefits

Miscellaneous benefits should be valued as follows :- 20.7

- (a) Personal loans provided at interest rates below market rates 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 interest rate paid by employee

(The word "Annuity" means the present value of the series of loan payments).

- (b) Meal allowances should be regarded as pay supplements.

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- (c) Where public utility charges are borne by employers, the cost to the employers of paying the public utility bills, less any employees' contributions, should be used. 20.7 (cont'd)
- (d) 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 etc. should be calculated on the basis of their value to the employees receiving them.