

Submission on the HKSAR government's Consultation Document on Civil Service reform for the Panel on Public Service of the Legislative Council

Chairman, and members of the Panel on Public Service,

I would like to thank the panel for inviting me to address the issue of civil service reform. The consultation document by the government is a proposal with far reaching consequences for Hong Kong. The reform may prove to be the most significant administrative change for the public service in Hong Kong since the McKinsey reform in the 1970s. I am therefore delighted to have the opportunity to share my views with the panel.

Let me state my position clearly: I support the reform, but not without reservations. I will explain my position by first outlining the global picture of civil service reform, and reviewing the lessons that we can learn from the experiences of other systems. I shall then suggest why I think reforms are necessary in Hong Kong and what are my reservations. Apart from addressing a number of technical questions, I think there are two important issues which have to be addressed: First, the political neutrality of the civil service cannot be compromised or seen to be compromised. Second, proper monitoring mechanisms should be set up to evaluate the reform.

1. Civil Service Reform: A Global View

Civil service reforms have been conducted in countries rich and poor. While such reforms have embraced structural, personnel and policy or programme changes, the reforms in the last two decades in most western liberal democracies have been based on various forms of managerialism. Learning from the private sector, most reforms were concentrated on issues such as efficiency, productivity. The reform outlined by the SAR government's consultation document is clearly also inspired by similar concerns. The managerial revolution in many ways are inevitable, as government size grows in the industrialized world while their economies slowed down. Sometimes such reforms were carried out because of financial necessity such as in Sweden, sometimes they were conducted because of new political ideologies such as in Thatcher's Britain.

One major reason for reform is usually to control public expenditure. In an OECD report on public management reforms in 1995, for example, economic motives were identified as the most important impetus for reforms, (OECD, *Governance in Transition: Public Management Reforms in OECD Countries*, Paris: 1995). In most industrialized countries the major focus is on the growth of government employment and expenditure. Civilian government employment as a percentage of population is not uniform in the world. In a review of 80 countries, the average rate of developed countries is above 8 percent, but in most developing countries it is less than 4 per cent (Salvatore Schiavo-Campo, "Reforming the Civil Service" *Finance and Development*, September 1996). In the developing world, economic crisis and external pressures from donor countries or international leading agencies such as the IMF have led to restructuring and downsizing of civil service in many developing countries. The civil service reform in Africa, for example, concentrated on downsizing the civil service, provide the civil service with proper incentives and skills, and enhance management accountability. While such measures have led to a leaner civil service in these

countries, implementation and resources problems have also led to problems in service delivery. An optimal government size therefore depends on the needs of particular countries. The economic motivation, however, often masked a number of political reasons for such reforms. Governments all over the world realize that reforms are needed because of public expectations and demands and governments have not been capable of responding effectively to changing economic and social developments. Therefore governments have taken steps to reform their civil service not simply in response to economic conditions, but also because of public pressure, and political competition (sometimes between rival parties, sometimes between politicians and the bureaucracy).

The results of civil service reforms in the past two decades have been rather mixed. The tools of managerialism, however effective in the private sector, are not always adequate in managing public sector problems. But the pressure for reform has proved to be too strong to resist and once reform begins, it cannot be easily reversed. Most civil service reforms, therefore, have become on-going processes.

2. Reform Traps

If experiences of reforms elsewhere can provide any guidance, we should pay attention to the following reform traps when we consider the government's document on civil service reform.

A. Unclear Objectives

What are the values and motivations for the reform? What in concrete terms do we want to achieve as a result of the reform? When we refer to efficiency or productivity, what do we have in mind? Efficiency and productivity, for example, are not the same. Efficiency aims at doing the same for less, whereas productivity means doing more. More efficiency and greater economy do not always lead to higher productivity or greater flexibility.

If we are reforming our civil service to meet new demands because of the changing economic, political, and social environment, then we may need to know more about the government's policies. If Hong Kong intends to be more pro-active in industrial development and become more competitive internationally, it may call for a different institutional strategy and changes in the civil service system.

B. Inadequate Means

Reforms are not cost free. Legal and industrial disputes are common in many other countries where civil service reforms have taken place. Moreover, as reforms involve changes, expertise as well as resources will be needed to provide incentive measures, develop new training programmes to "re-tool" civil servants to adopt to the new culture, and to introduce structural changes. Many countries embarked upon civil service reform only when they face a public finance crisis. Reforms would not make sense if they cannot generate new resources. In fact most civil service systems manage to absorb initial cuts, but organization capacity is likely to suffer if the reform process continues without either the injection of resources or more effective re-deployment of resources.

C. Political failure

Implementation of reforms has proved to be rather problematic in many countries and clear successes are rare because of the complexities involved when a large number of reform measures are often being implemented in multi-levels at the same time. While most reformed civil service systems have become leaner, and more flexible, some of the privatization programmes have led to costly experiences when the quality of public service delivery suffered. Moreover, public expectation of government performance does not entirely hinge upon efficiency. Other factors such as leadership, conflict resolution, integrity, and vision may come into conflict with civil service reform objectives such as efficiency. Therefore, in addition to the technical execution of the reform measures, political support and public understanding of the reform are important.

D. Internal Opposition

Internal resistance has been highlighted as a major issue in many reform programmes. The protection of job conditions has been a central barrier for change. The notion of pay-for-performance, for example, has proved to be difficult to operationalize. In many cases the incentive schemes have been troubled by controversial indicators and assessment criteria as well as narrow incentive margins. Fairness and flexible promotion opportunities have been used to address the problem. Winning internal support among the ranks of the civil servants is therefore an important element for successful implementation of the reforms.

E. Institutional limitations

The institutional context matters. Many reform measures require a particular institutional framework. The privatization drive in many countries, for example, has been undermined by market conditions, e.g. the market is dominated by a few players. Reforms which aimed at the operational level often also give rise to challenges to the constitutional level. Managerial reforms may have implications for political and institutional structure, giving rise to new demands for political and administrative changes. Decentralization, for example, has often, created changes to central-local relations.

3. The Hong Kong SAR Government's Proposal

The consultation document identifies two major reform objectives. First to address public concern that the SAR government has not handled specific incidents well and the inefficiency of some government departments. Second, to meet the challenge of a rapidly changing external environment as well as political, economic and social changes in the SAR.

Like reforms in other places, the civil service reform plan proposed by the SAR government is clearly a managerial reform. The document addressed issues such as the entry and exit mechanisms, pay and fringe benefits, disciplinary procedures, performance management, professional training and personal developments. These

are questions arising largely from the operational level related to the performance of the civil service in terms of efficiency, productivity and integrity. Little attention is paid to the large political, economic, and social context.

While economic motivation has been one of the most important reasons for civil service reform in other countries, the SAR government has suggested that the reforms were initiated because of higher public expectation and demand. As reflected in numerous opinion polls conducted by the government and other independent bodies, public dissatisfaction of government performance has indeed been on the rise generally since Hong Kong's reunification with China. Public confidence about government performance has clearly been weakened by the fiasco following the opening of the new airport at Chek Lap Kok, and a number of other incidents. It is therefore not surprising that, at a time when Hong Kong is experiencing major economic difficulties with falling wages and rising unemployment in the private sector, civil service pay and performance has come under close media scrutiny and the focus of public concern. I think it is right for the government to look squarely into the problem and seek to improve civil service performance and enhance accountability.

The reform, however, cannot be simply about economics. Unlike countries which confronted public finance crises, when controlling public expenditure was the primary task, the reform in Hong Kong should also aim at improving the quality of public services and public trust of the government. This is even more pressing, as the government acknowledges, when we have to face the challenge of external and domestic political, economic and social changes.

I would like to address a number of issues arising from the government's proposal.

4. Flexibility and Performance Pay

I think very few people would question the need to introduce a higher degree of flexibility in civil service employment such as making entry and exit easier at all levels, or pay-for-performance, or maintaining civil service integrity. In fact I would push further and argue that not only entry and exit should become more flexible, but internal mobility between the general grade and professional grade and between the administrative class and other grades should become more flexible and the compartmentalization of the existing system be reviewed. Another critical issue is whether reforms are seen to be a fair exercise. The fact that junior and middle grades appeared to have perceived that senior level civil servants are not the target of the reform, for example, will generate resentment which are detrimental to any reform efforts.

Moreover, institutional changes will be required to implement and review reform measures. Pay-for-performance, for example, may prove more attractive on paper than in reality. Adequate incentive systems, and good performance indicators as well as fair appraisal mechanisms have to be firmly established before it can be carried out. Contracting-out, another popular reform measure, if not properly monitored, may lead to a deterioration of service delivery. New mechanisms to monitor contractors effectively are therefore necessary.

5. Political Neutrality

Civil service reforms in other parts of the world are sometimes initiated by politicians driven by ideological beliefs or to their desire to secure popular support. The Hong Kong civil service comes from the Westminster tradition where political neutrality is valued. In fact the bureaucratic culture has been so strong that scholars have described our system as one marked by the administrative absorption of politics. The reality in Hong Kong, and this has become even more so, is that senior civil servants have a policy-making role. They are both administrators and policy-makers and their dual roles are widely recognized. As Hong Kong is moving towards a more intense level of competitive politics, and with a legislature more eager to challenge the administration, executive-legislative relations are often coloured by politics. It is therefore important that the civil service reform should not compromise the neutrality of the civil service.

At present there are restrictions on certain political activities that our civil servants can participate in. According to the civil service guidelines, civil servants have to avoid any conflict of interest when they take part in political activities. They have to resign when they would like to become candidates in local elections. Four groups of civil servants: directorate officers, administrative officers, information officers, and police officers are subject to further restrictions. They are not allowed to participate in the Election Committee for Legislative Council elections, and the Election Council for the National People's Congress elections. In some other liberal democracies civil servants are sometimes specifically required to be politically neutral. In Canada, for example, in addition of restrictions to taking part in elections, civil servants are not allowed to engaged in work for or against a candidate or for and against a political party (section on political partisanship, *The Public Employment Act of Canada*).

6. Monitoring and Evaluation Mechanisms

As the reform will have major consequences and likely to be a continuous process, it is of paramount importance that a set of proper review and monitoring mechanisms should be set up to ensure effective implementation, and the introduction of modifications if necessary. In fact monitoring and evaluation have become a major enterprise in most other systems where reforms have taken place. The OECD, for example, conducts regular surveys of public management reforms and provide in-depth analysis of problems arising from performance management practices (see appendix 2). The Information Management and Review Directorate of the Public Service Commission of Canada, for example, also does research in human resources management. Their recent reports include works on alternative resourcing options, public service competencies, impact of downsizing on staff morale, trust within organizations (see appendix 3). In addition to internal evaluation, outside expertise and law-makers are often involved in monitoring reforms.

Given the fact that we are undertaking such a major reform, it is important for us to develop review and monitoring mechanisms too. I believe both internal monitoring and external monitoring mechanisms are necessary.

A. Internal monitoring mechanism

One of the best monitors is in fact the departments which have to undergo reforms themselves. But many of them would have vested interests and may be too close to the process themselves to be completely reliable. In addition to setting up special task force to review the progress of reform, the government may consider strengthening existing bodies such as the Audit Commission or the Office of the Ombudsman. Both bodies are well respected by the public and have been engaged in reviews concerning government performance. Their terms of reference would have to be revised if they are to take on such a role.

B. External review mechanism

Although the government can rely on a number of advisory bodies to serve as external monitor, many reform measures are highly technical and potentially politically sensitive. It may be necessary to form expert groups to evaluate the progress of reform and make recommendations about future development. I believe a tripartite group outside of the administration consists of experts in the field, legislators, and government officials, preferably supported by a technical team, should be established to evaluate the implementation of the civil service reform and to keep it as transparent as possible.

7. Conclusions

I would argue that the politics of reform is as important as the economics of reform. I am pleased to note that one of the principles of the reform is wide consultation. I see the consultation document as the first step in the right direction. I strongly believe that although the reform programme is aimed at the managerial and operational level, the administrative-political context should not be overlooked. If one of the main purposes of the reform is to address public expectations, the administration would need to conduct the reform in partnership with the Legislative Council and develop mechanisms to allow public monitoring and access to the reform process. Experiences of reforms elsewhere suggest that civil service reforms are continuous and complicated processes which would have an impact not only on the performance of our civil servants, but also on political and economic developments.

James T H Tang
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Appendix 1
Public Service Employment Act of Canada

Political Partisanship

**Definition of
“candidate”**

32. For the purposes of sections 33 and 34, “candidate” means a candidate for election as a member of the House of Commons, a member of the legislature of a province or a member of the Council of the Yukon Territory or the Northwest Territories.

**Political
partisanship**

33. (1) No deputy head and, except as authorized under this section, no employee, shall

- (a) engage in work for or against a candidate;
- (b) engage in work for or against a political party; or
- (c) be a candidate.

**Excepted
activities**

(2) A person does not contravene subsection (1) by reason only of attending a political meeting or contributing money for the funds of a candidate or of a political party.

**Leave of
absence**

(3) Notwithstanding any other Act, on application made to the Commission by an employee, the Commission may, if it is of the opinion that the usefulness to the Public Service of the employee in the position the employee then occupies would not be impaired by reason of that employee having been a candidate, grant to the employee leave of absence without pay to seek nomination as a candidate and to be a candidate for election, for a period ending on the day on which the results of the election are officially declared or on such earlier day as may be requested by the employee if the employee has ceased to be a candidate.

Notice

(4) Forthwith on granting any leave of absence under subsection (3), the Commission shall cause notice of its action to be published in the Canada Gazette.

Effect of election

(5) An employee who is declared elected as a member of the House of Commons, of the legislature of a province or of the Council of the Yukon Territory or the Northwest Territories thereupon ceases to be an employee.

Inquiry

34. (1) Where any allegation is made to the Commission by a person who is or has been a candidate that a deputy head or employee has contravened subsection 33(1), the allegation shall be referred to a board established by the Commission to conduct an inquiry at which the person making the allegation and the deputy head or employee, or their representatives, shall be given an opportunity to be heard.

Duty of Commission when notified of decision

(2) The Commission, on being notified of the decision of the board on an inquiry into an allegation conducted pursuant to subsection (1),

(a) in the case of a deputy head, shall report the decision to the Governor in Council who may, if the board has decided that the deputy head has contravened subsection 33(1), dismiss the deputy head; and

(b) in the case of an employee, may, if the board has decided that the employee has contravened subsection 33(1), dismiss the employee.

Application of the section

(3) In the application of this section to any person, the expression "deputy head" does not include a person for whose removal from office, otherwise than by the termination of his appointment at pleasure, express provision is made by this Act or any other Act.

Appendix 2

Recent Publications by The Public Management Service (PUMA) OECD

General Trends and Developments

Putting Citizens First: Portuguese Experience in Public Management Reform (1996)
Governance in Transition: Public Management Reforms in OECD Countries (1995)
Public Management: OECD Country Profiles (1993)

Surveys of Public Management

Public Management Developments: Update 1995
Public Management Developments: Update 1994

Strategic Management and Policy-Making

Consultation and Communications (1997)
Building Policy Coherence: Tools and Tensions (1996)

Performance Management

In Search of Results: Performance Management Practices (1997)
Performance Auditing and the Modernisation of Government (1996)
Performance Management in Government: Contemporary Illustrations (1996)
Responsive Government: Service Quality Initiatives (1996)
Performance Measurement in Government: Issues and Illustrations (1994)
Performance Management in Government: Performance Measurement and Results-Oriented Management (1994)

Budgeting and Financial Management

User Charging for Government Services: Best Practice Guidelines and Case Studies (1998)
Contracting Out Government Services: Best Practice Guidelines and Case Studies (1998)
Modern Budgeting (1997)
Managing the Cost of Transfer Programmes (1997)
Managing Structural Deficit Reduction (1996)
Budgeting for Results. Perspectives on Public Expenditure Management (1995)
Forecasting and Controlling Transfer Programme Costs. Definition and Methods (1994)
New Ways of Managing Infrastructure Provision (1994)
Managing with Market-Type Mechanisms (1993)

Human Resources Management

Wage Determination in the Public Sector: A France/Italy Comparison (1998)
Trends in Public Sector Pay in OECD Countries (1997)
Performance Pay Schemes for Public Sector Managers: An Evaluation of the Impacts (1997)
Integrating People Management into Public Service Reform (1996)

Pay Reform in the Public Service: Initial Impact on Pay Dispersion in Australia, Sweden and the United Kingdom (1996)

Trends in Public Sector Pay in OECD Countries (1995)

Senior Civil Service Pay: A Study of Eleven OECD countries 1980-1991 (1994)

Statistical Sources on Public Sector Employment (1994)

Public Service Pay Determination and pay Systems in OECD Countries (1994)

Trends in Public Sector Pay: A Study on Nine OECD Countries 1985-1990 (1994)

Pay Flexibility in the Public Sector (1993)

Private Pay for Public Work: Performance Related Pay Schemes for Public Sector Managers (1993)

Regulatory Management and Reform

Putting Markets to Work: The Design and Use of Marketable Permits and Obligations (1997)

Regulatory Impact Analysis: Best Practices in OECD Countries (1997)

Co-operative Approaches to Regulation (1997)

OECD Report on Regulatory Reform: Synthesis (1997)

Regulatory Management and Information Systems (1995)

Regulatory Co-operation for an Interdependent World (1994)

Appendix 3

Public Service Commission of Canada

The Information Management and Review Directorate does research in human resources management. The results are published in monographs and reports.

Alternative Resourcing Options

This report presents the findings of a study on the use of alternative resourcing options, conducted by the Public Service Commission of Canada (PSC). The study presents a portrait of recent trends and analyzes the incidence and impacts of these resourcing options. The findings will allow managers to make more informed decisions about the resourcing actions they take. A better understanding of the changing nature of work will also allow the Public Service to carry out effective human resource planning.

Client Liaison and Quality Service

In these turbulent times, the public sector should be striving for a policy based on improving its quality of service through enhanced client liaison. Not only is this a good service strategy, but it sets high standards for public servant performance, service quality and accessibility, and client satisfaction. This article outlines a strategy for developing and enhancing client liaison mechanisms and processes within the organization. The strategy includes a set of principles, a framework, and an implementation process.

Competencies in the Public Service

During the spring of 1998, the PSC conducted a survey of 57 organizations to collect information for an overall profile of interest in the issue of CBM and its use. Many observations made in the course of this survey demonstrate that the process of CBM is well under way in the Public Service, mainly in the area of learning. The report also identifies good practices observed to date in this domain and the organizations' expectations vis-a-vis the central agencies.

Diversity Training - A Review

Stemming from a literature review of diversity training a development/selection and evaluation framework specifically for diversity training in the federal Public Service was devised. This preliminary model describes a decision-making process to ensure the appropriate use, and development/ selection/ assessment of diversity training programs. The model illustrates that for effective diversity training, sponsors and managers must take into account a wide range of issues including diversity-related workplace needs, the intended trainees, and the training objectives and expected outcomes.

Downsizing - Its Effects on Survivors

Increasingly, organizations are cutting back to save money and remain competitive. But the people who have survived these cuts are finding it more and more difficult to cope, suffering from burn-out or insecurity at the prospect that they might be the next to go. They are the victims of what is called the "survivor syndrome".

HRM of the Scientific and Technological Community in the Private Sector - Benchmarking Study

Both the public and private sectors are experiencing difficulty filling positions in advanced fields of science and technology. This benchmarking study allowed us to explore methods used by the private sector to address this issue and assess the possibility of using them in the federal Public Service.

Organizational Health

This report presents the findings of a study on organizational health conducted by the Public Service Commission. It describes the items most frequently cited as elements of health, reports opinions on the state of health in some federal government departments, and gives examples of actions that public servants are taking to improve organizational health in their departments.

Recourse - Causes and Impacts

In 1997, we studied recourse cases to look for patterns in the way recourse is used or in the resulting impacts. We found that appeals and investigations are launched in relatively few cases, and that the main causes of recourse are associated with organizational culture, management style, lack of communication and transparency, and the workplace environment, rather than errors in the conduct of staffing processes. To effect any change in recourse use or impacts, the Public Service must address the underlying management and contextual issues.

Stereotyping

Stereotyping plays a profound role in our everyday lives. Understanding how we create and use our stereotypes improves our capacity to deal effectively with people whose views or behaviour is different than our own.

Trust Within the Organization

This report provides information on the concept of trust as it pertains to the organization. It concludes that trust is an essential element of effective change management and ultimately to organizational success.

Trust Within Organizations - Building Trust

This paper surveys how trust was built and sustained within several organizations across Ontario and Quebec. The findings demonstrate that trust is important to the success of these organizations, as it is ingrained in their respective cultures.

Work Force Adjustment - A Comparison of the United Kingdom, New Zealand and Australia

This report presents findings on government reforms carried out in the United Kingdom, New Zealand and Australia, all of which triggered major changes in vision and administration, and culminated in considerable work force adjustments. The primary outcome of these reforms was a transformation of the corporate culture, in order to enhance the efficiency and effectiveness of the national public services involved.