

**The Chinese University of Hong Kong  
Department of Government & Public Administration**

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**Comments to Legco on “Civil Service Reform”**

Since there have been a lot of discussion in the mass media and other channels on the consultative document of the Civil Service Reform, I do not intend to repeat their discussion here. Consequently, the comments provided below do not intend to be long length analysis of the entire Reform. Instead, I would like to highlight the major points the Legco should consider in reviewing the Reform and try to put the reform into a broader perspective.

**The Market Model and the Civil Service**

One of the most important features of the Reform is the adoption of the market model or the private sector model to government. This is clearly reflected by the proposed changes in entry and exit, and pay and conditions, and conduct and discipline. There is little doubt that there are some problems in the design and the operation of the civil service. For example, more flexibility and incentives have to be built into the system. However, it is still not necessarily true that a complete adoption of the market model is the key to the problems.

Government is different. As well argued and documented in the public administration and political economy literature, one of the big differences between government and the private business is the lack of a market. This difference has led to the difficulty implementation of many of the principles in the Reform. Any adoption of the market model without consideration of the differences will lead to more problems than solutions in the Reform.

In the consultative document, a central idea is to inject more market-like flexibility into the current mechanisms. As a result, performance is used as an important criterion for entry and exit, pay and conditions and other systems. However, in the whole document, there is no any clear definition of what performance means. Essentially, public managers will be given the autonomy in defining performance for themselves. That is where the difference between business and government get relevant. Because of the lack of market, government cannot use profit to evaluate its performance. In this way, there is no clear consensus on what is a good criterion to evaluate the effectiveness of public organizations.

Consequently, abuse of power, such as arbitrary firing of good staff, can be a possible outcome of the proposed reform as there is no clear standard on the effectiveness of public organizations. However, in the business, this will not happen as the firing of good staff will be translated into a drop of profit and eventually led to the closing of the business. But, because of the lack of market, such “natural” protection against the abuse of power under the proposed changes in the Reform, will not be there. In a word, what is going to happen can be the “politicization” of the civil service under the Reform. Civil servants may also under more political as well as managerial pressures to do things that may violate the public interest. In fact, the current system, which is termed as “merit system” is not created for nothing. While it is more inflexible, it protects against politicization and corruption.

Nevertheless, it does not mean that no changes should be made to the current system. In fact, changes are necessary but a complete adoption of the market model will bring more bad than

good. Some possible changes include injecting more flexibility in the entry and exit, and pay and conditions, discipline and performance systems of the lower rank staff. While the performance of higher rank officers can be more difficult to evaluate, some more operative and objective criteria can usually be found for the lower rank staff whose job is relatively more routine.

On the other hand, if the government is really going to inject more flexibility in the whole system, more “protection” has to be built into the system first. One of the current problems of the civil service is that there are no direct and real consequences for the public organizations for performance - bad or good. If some measurable performance standards and organizational-based incentive system can be set for public organizations, more flexibility may be injected into the personnel system. Since the public organizations now have to be responsible for their performance, there will be less incentive to abuse the new power given in the Reform. The firing of good employees will lead to a decrease in the measurable performance index and the public managers will have to be responsible for the outcomes of their wrong decisions. But, it should be careful to notice that not all public organizations can have measurable and objective performance criteria and not all the objectives of a public organization can be measurable.

### **Does Reform Save Money?**

While the Reform document emphasizes the term “cost neutral”, it is still obvious that one of the intentions of the Government in having the Reform is cost saving. However, it is not true that Reform will necessarily lead to more saving in government. Even there is saving, it will not be a big saving in resources. In fact, from the experience in the US, which has conducted extensive reforms in government in the past decade under the theme of “Reinventing Government”, reforms do not lead to any reduction in the budget. For example, between 1995- 96, federal employment has decreased by 2.5% while the federal expenditure has increased by 3.7%. Moreover, between 1990-95, the federal employment has decreased by 6.6% but the federal outlays have increased by more than 30%.

The key is that reforming and downsizing the civil service will not save too much money, if any. It is not the size of the civil service that matters, but the scope of government that is really driving the growth of the budget. If saving is the objective, policy changes in areas such as welfare and health care will surely have a much bigger impact. More private sector involvement may be increased in those policy areas.

Furthermore, successful implementation of the reforms proposed may not only save no money but instead requires more money at the up front. For example, according to the literature and research, the performance-based system is an “expensive” system to implement. The idea of performance-based system does not work if one just cut the existing salary of the staff and give it back to them after they have “good” performance. Successful implementation of the system usually requires “adding” more on the existing salary of the staff who has good performance. In fact, the lack of funding is a key reason for the unsatisfactory results of such performance-based systems in the civil service of the US and UK. Furthermore, if the Government is going to cut the salary of the civil service under the title of “performance-based system”, it can be foreseen that negative consequences will occur on the morale and performance of the civil service.

In short, cost saving should never be the major incentive of the Reform. To have successful reforms, more resources may be required as an investment. Relating to cost and the economy, the timing of the reform is bad too. In the US and other countries, civil service reforms are conducted under a good economy. Therefore, less strong objection will be encountered from both the civil service and society. However, the SAR seems to be doing the opposite. As the

Reform is not going to bring any significant cost saving, the ultimate outcome of the Reform with an inappropriate intention of cutting resources may lead to nothing but more instability in society.

### **A Limited Scope of Reform**

When the Government is introducing the Reform as revolutionary in the history of the civil service, it must be recognized that it has very limited scope in itself. In other words, many of the important problems embedded in the system are not addressed. For example, the Reform only concentrates on changes in the middle and lower levels. However, it should be noted that most of those staff is only responsible for the implementation of decisions and policies in Hong Kong. Very often, it is the mistake in policy making that lead to problems, waste of resources, and other undesirable and long-lasting consequences. However, the system of policy making, which include the administrative officer (AO) system and the political structures, are not within the scope of the Reform.

Another system that is not addressed in the Reform is the separation between generalist and specialist in the personnel system in HK. We are now using “generalist”, or more specifically, administrative officers, for all the major policy positions in the HK Government. One problem of such a system is that we are using people who may not have professional knowledge in an area to make very important policy decisions in that area. This arbitrary separation has been heavily criticized for the lack of contingency and professional response from the senior officials in many serious incidents in HK, including the Bird Flu Incident and the disastrous opening of the New Airport. In fact, as far as I know, Hong Kong is the only place in the industrialized world that is still keeping such a system.

In addition, with the more than a decade-long effort of privatization in HK, it must be recognized the HK Government has created many public corporations, such as KCR, MTR, Hospital Authority, and the Airport Authority. These public corporations are no less important than government departments in providing services to the public. However, they are all missed out in the Reform. One usual argument is that these public corporations are supposed to be “business-like” so that they should be supervised by the market instead of the government. However, this argument is faulty. It is because most of the public corporations are “monopolies”. In this way, it is wrong to assume that the market will effectively monitor the corporations. Moreover, since they are all owned by the public, more accountability mechanisms must be installed to ensure that is no waste of resources, mismanagement, and other inappropriate decisions under the name of “business” autonomy.

One key conclusion is that because of the limited scope, there should not be big expectation on using the Reform to substantially increasing the performance of the government. In fact, it is governance, not government, that is the biggest problem in HK. Reforming the bureaucracy or the civil service, without simultaneously reforming other parts of governance, may indeed give rise to more negative outcomes. If the policy is wrong, a more effective implementation of the policy by the civil service can only make things worse.

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SUPPLEMENTARY**

**Public Support on the Reform**

Finally, I would like to share with the Panel the views of the public on the Reform that we collected from a recent joint survey conducted by the Department of Government & Public Administration and the Institute of Asia Pacific Studies of the Chinese University. This is a random telephone survey conducted in early May 1999. Nine hundred and eleven people are surveyed and the response rate is 50.11% (with a standard error of about 3 percent).

When asked about the satisfaction on the overall performance of the civil service, 66.4% of the respondents expressed “average or above-average satisfaction”. Only 5.6% of the respondents expressed high dissatisfaction with the overall performance of the civil service in HK.

The public is divided when they are asked about whether “the proposed cut in benefits and salaries will lead to a decrease in the quality and performance of the civil service in the long run”. There is 46.8% of the respondents who “disagree or very disagree” with the view that such cutting would lead to a decrease in the quality and performance of the civil service. However, on the other hand, 48.9% of the respondents “agree or very disagree” with the statement.

Under the current tough economic situation, most of the public is also unwilling to pay more in taxes for better public service. There is 72.9% of the respondents who “disagree or very disagree” with the statement that “increasing taxes is an acceptable option for improving the performance and service of government”.

However, it is not true that efficiency and cost-effectiveness are the only values the public considers in the Reform. There is 78.6% of the respondents “agree or very agree” with the statement that “in the operation of government and public corporations, public participation and accountability are more important than efficiency”.

In general, there is public support for the Reform. However, while the public supports the building of a better civil service, it is not true that they are in deep dissatisfaction with the current public service. Therefore, from the public standpoint, there is no urgent need to create radical changes in the public service. In fact, any changes that may destabilize the existing system may create more dissatisfaction than satisfaction on the public. A large portion of the public is concerned about the effect of a “cost-cutting” reform on the quality and service of the civil servants. In this way, gradual changes are more desirable. The Government may also want to experiment with different mechanisms of reforms first and only implement the reforms that have been proven effective in a large scale. In reforming the civil service, it must be remembered that accountability or public participation are taken at least as important as efficiency by the public in the Reform.