

Some observations on the consultation document
Civil Service into the 21st Century: Civil Service Reform

1. It is generally agreed that there is a need to reform the civil service. The general public believe that they deserve a better and more efficient civil service. Politicians deplore the increasing inability of the civil service to cope with problems facing our complex and crisis-ridden society. The business sector complains that the government consistently overpays the civil service, thus unduly increases their labour cost in doing business in Hong Kong. Also, intuitively, it is in general difficult for people in Hong Kong to accept that civil servants should enjoy almost total job security and annual increase in salary regardless of their performance and their quality of service, particularly during this time of financial turmoil and hardship.
2. Despite this, our government is in a better position to reform the civil service. The reasons for this are: firstly, unlike the welfare states in the west, our reform is less necessitated by the need to contain public spending than by the proactive response of the government. Secondly, Hong Kong is far less unionised than those countries; organised resistance to such a reform will be less severe.
3. However, whether the proposed reform will be successful depends crucially on two things. First, whether the civil service and the society at large believe that the reform measures are fair and acceptable. Second, whether it can be demonstrated that the overall performance of the civil service will be improved after the reform.
4. In the light of this, I would like to comment briefly on two of the proposals in the consultation document: namely, the abolition of permanent terms of employment for all basic rank civil servants and the performance-based pay arrangement.
5. I agree that while there is an indisputable need for a stable civil service, the current permanent and pensionable appointment system is too inflexible.
6. However, it would be both unfair and unwise to implement an appointment system whereby only officers at the supervisory level will be offered permanent terms of employment in the civil service.

7. It is unwise because it is potentially divisive, making artificial distinctions between the two levels of officers. Also, such a proposal could easily be misperceived as a ploy propped up by the management of the civil service to discriminate against the staff.
8. But a more fundamental problem with the proposal is that in our civil service, stability should not only apply to the supervisory level, nor should flexibility only apply to the basic rank. Not all basic rank civil servants with good performance record at their level are suitable for promotion, nor will it be true that all good officers with potential will necessarily get promoted. Their experience and expertise should also be recognised if they choose to make their career in the civil service a life long commitment. Equally, if officers at the supervisory level wish to remain on contract terms employment, it would not be reasonable to deprive them such a choice by offering mandatory permanent terms to these officers.
9. In the light of the above analysis, it may be better if the reform adopts an approach whereby an overall ratio for contract terms and permanent terms employment in the civil service will be fixed, which will apply to all civil servants regardless of ranks. Since all initial appointments will be on contract terms to start with, it is reasonable to expect that the percentage of permanent terms employment at the senior levels will be far greater. A ratio of 50% to 50% for both types of employment may be a good balance between flexibility and continuity.
10. As regards the question of performance pay, it is true to say that there is an intuitive appeal to link pay with performance. The real question, however, is how? There are evidences to suggest that countries that have adopted performance-related pay in their civil service are less than successful in improving performance (see John Burns, *South China Morning Post*, 14 March 1999).
11. Whether a system of performance-related pay is successful depends on a lot of factors. A clear, easy to understand, objective, and, as far as possible, quantifiable performance assessment system must be in place before we can implement performance-related pay policy. Such a system must be sensitive to the different aims and objectives of different departments, which must not be impossible to achieve, nor too easy to accomplish.

12. While it is notoriously difficult to devise such an assessment system, whether it will be implemented as intended depends very much on the management culture of the civil service. Managers must be both tough and vigorous in order to carry out performance-related assessments. They must be courageous enough to differentiate good and bad performance, and conscientious enough to prove their judgements with objective evidences and criteria. However, a far easier approach for them will be to rotate the performance-related awards to different colleagues at different times, without taking serious considerations on their actual performance.
13. Equally important is the method of funding for performance-related pay. Would 'rich' departments be easier to award performance-related pay while it is almost impossible for 'poor' departments to reward their outstanding staff? Would it become a zero-sum game if the performance-related awards were mainly funded by the revenues saved by penalising unsatisfactory performers of the service? What will happen if macro-economic conditions make it difficult to adequately fund good performance?
14. It would be difficult to find uncontroversial answers to all these questions. However, I believe that all these questions have to be adequately addressed if we want to make sure that the government's performance pay proposals are going to work for the benefits of the society.

Cheung Chor-yung
Division of Social Studies
City University of Hong Kong
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