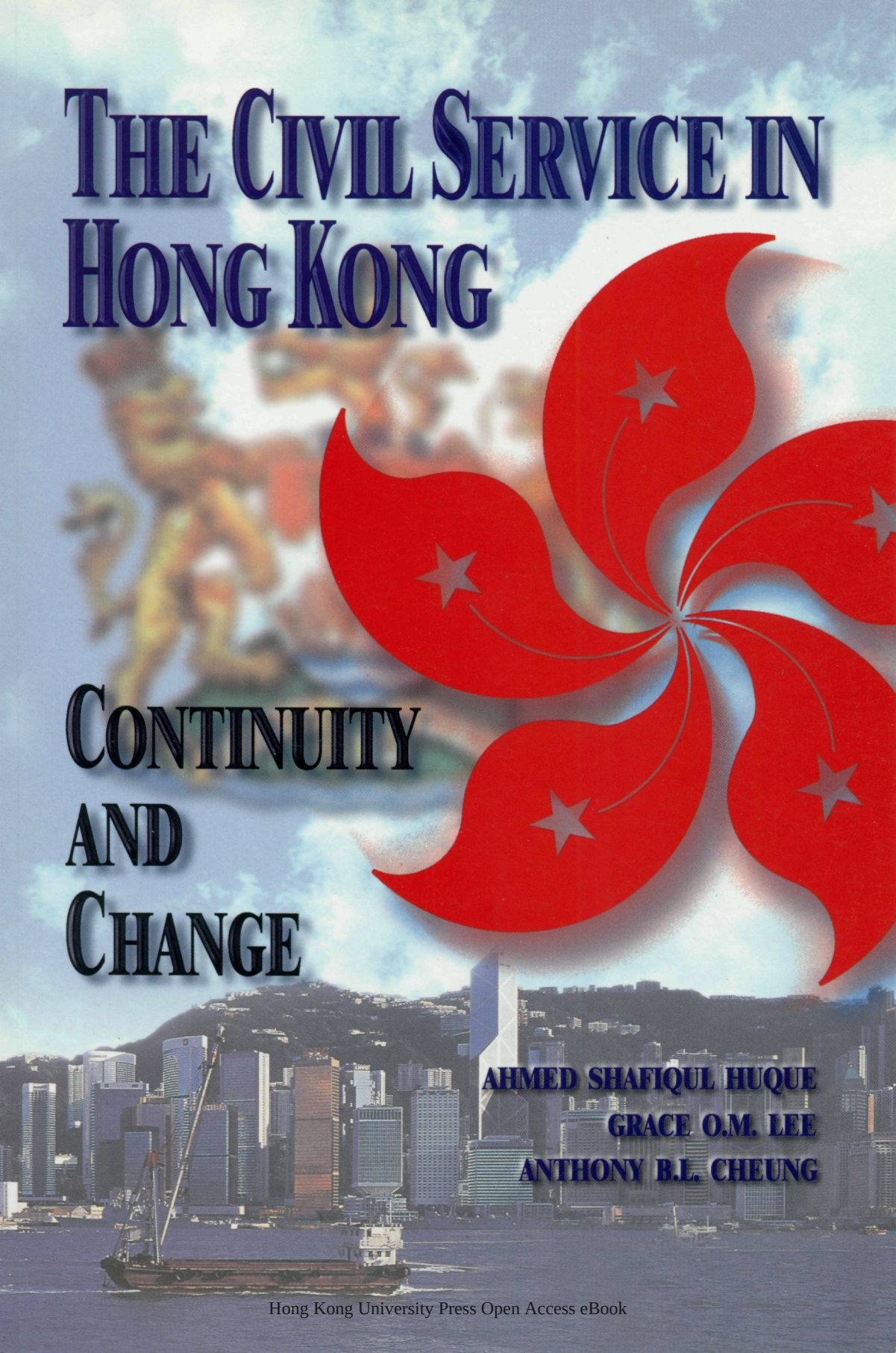
The Civil Service in Hong Kong



Continuity and Change

Ahmed Shafiqul Huque
Grace O.M. Lee
Anthony B.L. Cheung

Hong Kong University Press Open Access eBook

THE CIVIL SERVICE IN HONG KONG
CONTINUITY AND CHANGE

To:

R. Stephen Milne and Paul G. Thomas

— *Ahmed Shafiqul Huque*

Raymond and Angela Lee
John, Jane and Edward Chau

— *Grace O.M. Lee*

Evelyn and Bik San

— *Anthony B.L. Cheung*

THE CIVIL SERVICE IN HONG KONG
CONTINUITY AND CHANGE

AHMED SHAFIQUL HUQUE
GRACE O. M. LEE
ANTHONY B. L. CHEUNG

香港大學出版社
HONG KONG UNIVERSITY PRESS

Hong Kong University Press
14/F Hing Wai Centre
7 Tin Wan Praya Road
Aberdeen, Hong Kong

ISBN 962 209 458 9

The authors are grateful to the Contemporary China Research Centre, City University of Hong Kong, for its support to the project.

Printed in Hong Kong by Liang Yu Printing Co. Ltd.

CONTENTS

PREFACE

The civil service has consistently played a vital role in the administration, development and continued success of Hong Kong as a trading and commercial centre, as a socially and politically stable community, and as a fully modern society. The creation of an effective instrument of administration and its development over the years into one of the most efficient and best managed public bureaucracies make its study a worthwhile exercise. Over the years, the Hong Kong civil service has been exposed to challenges emanating from the rapidly changing environment in which it has to operate. Immediately after the reintegration of Hong Kong with China, new problems and issues have emerged, and the civil service is expected to deal with them under the changed circumstances. This study intends to provide a comprehensive overview of the organization, problems, issues and prospects of the civil service in Hong Kong at this watershed in its and Hong Kong's development. The objective is to examine the origin and development of the civil service, its efforts to deal with changes before and after the reintegration, its changing role and responsibilities, and its responses to new approaches to managing the public services.

There is a dearth of studies on the civil service in Hong Kong. Although it is possible to obtain a general picture of this institution by drawing upon government documents and other studies, there is a need to examine this institution within the framework of a comprehensive study. This book seeks to provide a basic analysis of the civil service in Hong Kong along with a more detailed discussion of the crucial tasks and issues confronting the institution. It is also useful to look ahead into the future role of the civil service after considering the accomplishments to date.

This book reflects the results of collaboration among three authors. Anthony B.L. Cheung authors three chapters: 'The Challenge of Transition', 'Managing and Rewarding Performance' and 'The Future Role of the Senior Civil Service'. Grace O.M. Lee and Ahmed Shafiqul Huque co-author the rest. While all efforts have been made to ensure consistency of views and unanimity of judgement, there is still scope for diversity of opinion. We believe such diversity of ideas and opinions helps to enrich the analysis.

The authors would like to register their deepest regard and heartfelt thanks

to Professor Paul Wilding of the University of Manchester and the City University of Hong Kong. He had been a constant source of inspiration and criticism that spurred on the authors to the end. Professor Wilding's contribution to the completion of this book is invaluable.

The authors have drawn upon the scholarship and interpretations of numerous contributors to the study of the civil service. However, we remain, as usual, responsible for any omission and shortcoming of this study.

Ahmed Shafiqul Huque
Grace O.M. Lee
Anthony B.L. Cheung

ABBREVIATIONS

BDTC	British Dependent Territory Citizen
CSTC	Civil Service Training Centre
CSTDI	Civil Service Training and Development Institute
DMC	District Management Committee
DPS	Directorate Pay Scale
HMOCS	Her Majesty's Overseas Civil Service
HRM	human resources management
JPO	junior police officer
MPS	Master Pay Scale
NPM	New Public Management
PWC	Preliminary Working Committee
OECD	Organization for Economic Cooperation and Development
SAR	Special Administrative Region
SCMP	*South China Morning Post*
SSC	Senior Staff Course
SSCC	Senior Staff Course Centre
TDC	Trade Development Council

CHAPTER 1

INTRODUCTION

One of the most significant political events of the twentieth century has been the reintegration of Hong Kong with the People's Republic of China in 1997. The case of reversal of sovereignty was watched closely by the international community. Expectations of a smooth transition increased and declined as the negotiations proceeded and as the numerous areas that needed attention before and after the handover emerged over the period of negotiation. The wide range of issues that needed to be sorted out before the reintegration included the nature of the government to be established in Hong Kong, its relationship with the Central Government in Beijing, various administrative, political and judicial arrangements, financial and fiscal procedures, as well as human rights and freedom of the press. Most of these issues have implications for post-1997 Hong Kong.

In general, there is considerable interest in the changes and developments in East Asia. Academics, practitioners, students and policymakers across the globe are keen to know about the organization and operation of public services in this region, including Hong Kong. The contribution made by the civil service in Hong Kong's transformation from a tiny insignificant territory to a thriving business, commercial and financial centre within a relatively short span of time has aroused the interest of students of administration and policy. It is expected that the interest will increase substantially after the transition as people seek to assess the impact of the new regime.

As one of the most prominent institutions in society, the civil service has always played a major role in the administrative and political system of Hong Kong. The structure of the government has provided ample scope for the civil service to participate as an effective party in determining strategies for running the system, and considering the consequences, it has contributed positively to the success of the territory. It is obvious that this institution had a major impact on the changes that took place in Hong Kong in the past several decades. At the same time, the civil service could not avoid being affected by those changes and, as a major institution, had been involved in negotiations on the reversal of sovereignty as well as subsequent preparations for a smooth transition. From this point of view, the civil service has been in an interesting position. On the one hand, this institution could be viewed as an instrument

of colonial administration until the transition in 1997. Therefore, it would be expected to uphold the interests of the colonial power, in this case, the United Kingdom. In the run-up to the transition, the civil service could, therefore, be expected to bargain for the best deal for the United Kingdom and to assist in repatriation of profits, and ensure that the colonizing country will still gain favourable terms of trade and commerce to continue reaping benefits from the former colony.

As a major actor in Hong Kong society, the civil service, on the other hand, is expected to uphold the interests of the system in order to ensure that the transition does not bring about unfavourable outcomes for the territory. In this role, civil servants should seek to ensure that assets are properly accounted for and retained in the territory, while future terms of administration, trade and commerce should be in Hong Kong's favour. The relationship with the Central Government needs to be properly defined for protecting the interests of Hong Kong citizens and ensuring the continuation of existing policies. This is important if the territory is to continue performing at a desirable level of efficiency, have a healthy economy and a good quality of life.

As residents of Hong Kong, civil servants were naturally concerned over the transition and the subsequent period as there was a high degree of uncertainty and complexity inherent in the process. There were concerns over the political and administrative arrangements, the role of civil servants under those arrangements, and their contribution to the colonial and post-colonial governments. Civil servants were eager for assurances from the Chinese Central Government of the continuity of policies on the civil service as well as the rights of civil servants. This point can be strengthened by referring to the views of the public-choice theorists who emphasize the promotion of self-interest by civil servants. Downs (1967) believes that public officials are motivated primarily by self-interest and seek to build empires in order to protect themselves, their jobs and organizations from external threat. In Hong Kong, it is quite natural that civil servants would be unwilling to surrender the power and independence they enjoy in performing their tasks. However, it should be borne in mind that the civil service has been able to establish the image of a politically neutral and efficient institution.

Another consequence of a colonial system is the composition of the Hong Kong civil service. This institution has always been composed of a mixture of local and expatriate officials which was usually rationalized with reference to the preference for a merit-based system. Although a policy of localization has been in place for several decades, it has never been pursued vigorously and the composition of the civil service has remained mixed. Both local and expatriate civil servants have made significant contributions to the development of Hong Kong, and these skills may be required in the years to come in retaining Hong Kong's position as a leading commercial and services centre. The transition has brought to the fore questions relating to the place and role of a substantial component of the civil service, the senior public servants.

In view of the above, a number of issues relating to the civil service of Hong Kong merit attention. The transition and new circumstances certainly have had an impact on all sections of society, and the civil service as an important element of Hong Kong society could be a major focus of inquiry. The various challenges confronting the civil service and the strategies adopted in performing their tasks over the years can provide valuable insight into the system of public administration in Hong Kong. It should also help to clarify various steps and developments in the period leading up to and following the transition and add to the bank of knowledge on Hong Kong and China.

THE CIVIL SERVICE

Since the early days of civilization, individuals and groups have cooperated to accomplish various tasks aimed at survival and improvement of living conditions. With the passage of time and the emergence of governmental institutions, these activities have to be conducted within the framework of political and administrative institutions established by various states. Such institutions are guided mainly by the ideological inclinations of the ruling body and are decided upon, to a greater or lesser extent, with the consent of the citizens. An essential element in the functioning of these institutions is a body of employees who occupy crucial positions in the organization and serve as the lifeblood of governmental agencies. In the modern world, there are several variations in organizations and arrangements for determining the structure and functions of public agencies, and the civil service plays an extremely important role in their operation.

'The civil service is a body of professional, full-time officials employed in the civil affairs of a state in a nonpolitical capacity' (*Encyclopaedia Brittania*). The organization of people and resources constitutes a basic challenge to the task of administration. The process becomes much more complex if attention is paid to the diverse nature of functions and responsibilities of governments in modern states where the civil service represents an essential tool of administration. Members of the service perform an amazingly wide range of tasks and exercise a considerable degree of influence on the organization and operation of governmental agencies. In Hong Kong, the civil service has in fact played a dominant role in the process.

Civil servants are also regarded as a valuable group in a society for a number of reasons. They possess specialized skills which are essential for making decisions on a complex set of public issues and guide the process of implementation. Civil servants are experienced in operating public organizations and can provide useful services to political leaders as well as citizens in attaining the goals of society. The expertise of civil servants, as well as their position in the government, make them indispensable for the smooth operation of public administration.

In performing the tasks of the government, the civil service draws upon a large pool of qualified people who are recruited on the basis of specific qualifications. The task of recruiting, training, motivating and retaining this pool of talent is a critical one. Most countries use the services of a central personnel agency to coordinate these tasks with the help of numerous associated organizations. Consequently, effective management of the civil service emerges as a major challenge to the government of any country.

Although bureaucracy represents a particular way of organizing large-scale activities, Albrow (1970: 84–105) has pointed out a number of modern concepts. As the civil service occupies a crucial position in the society and members tend to develop strong bonds among themselves, the associational aspect of the civil service acquires prominence. The focus then shifts to the pattern of interaction among members of the civil service, their activities as articulators of interests and arbitrators of values. State policies may reflect the dominant values of the civil service, and researchers are compelled to examine the civil service as a formative influence on the society.

RESEARCH ON THE CIVIL SERVICE

The civil service has been a popular topic of study over a long period of time. Two distinct streams of studies can be noted from the early days. First is the pyramidal system of organizing activities, i.e., the bureaucracy and the staffing of the system or the civil service. Therefore, the great Asian civilizations, the Egyptian and Greek systems can be seen as forerunners of the modern civil service. Studies examining this aspect of bureaucracy sought to focus on the methods and patterns of organization and operation of the administrative machinery. At a later stage, a different focus could be observed in which the prominent role played by bureaucratic organizations in various state activities was highlighted and it was possible to identify the place of bureaucratic institutions in a political system. Some of these studies indicated the effective operation of bureaucratic systems in China as well as a number of European countries.

Studies on the civil service can take various forms and approaches. Bureaucracy as a concept and an organization has been the subject of numerous studies. Various scholars have sought to analyse the structure and functions of bureaucracies to explain the phenomenon as well as prescribe convenient patterns for allocating duties and responsibilities. Starting with the efforts of Max Weber to identify the characteristic features of the rationally organized bureaucracy, studies have pointed out the dysfunctions of bureaucracy (Merton, 1952), modification and abandonment of organizational goals (Selznick, 1961), and conflict between authority stemming from hierarchy and discipline and that derived from expertise (Gouldner, 1957). Blau (1955) extended his analysis to suggest that internal and external factors influence structural-procedural

adjustments, while Crozier (1964) highlights the impact of national culture on the attitude and operation of the civil service.

A large group of studies seek to describe the civil service in specific countries. They concentrate on structures, functions and the role of the civil service in terms of its utility and ability to achieve the desired objectives of the society. This approach to the study of the civil service is popular probably because it allows scope to examine a system in isolation and reach conclusions based on the experience and operation of that particular system. Such studies tend to explain strengths and weaknesses of the civil service on the basis of cultural and historical facts and generally do not seek to conduct in-depth analyses of the structures and functions.

Another set of studies tend to be more critical in identifying weaknesses of the civil service or explaining the causes for its failure to perform. Usually, such studies are based on the civil service in poor and developing countries (although some also examine developed countries) which are infested with numerous problems. Poverty, corruption, low levels of literacy, national debt and a host of other ailments are conveniently explained away in terms of the weaknesses of the civil service. Alternatively, they analyse the success of the civil service in contributing to the performance of public administration in a country. However, such studies are difficult to find, although there is a growing recognition for the need of conducting research in this area.

A third genre of studies place the civil service at the centre of analysis as an important player in the political system. Such efforts highlight the role of the civil service in formulating and executing policies as well as its participation in political struggles. The civil service competes for power to control the nation and the powerful institutions by a variety of means. It may be successful in enhancing its power and position in the society by winning over allies and neutralizing potential threats from competing groups. Therefore, the environment in which the civil service operates deserves attention. In the case of Hong Kong, the political and social environment in the run-up to 1997 has exerted tremendous influence on determining the future of the civil service, and the developments in the initial years of the Hong Kong SAR will have far-reaching effects on the system.

This study seeks to combine the various aspects covered in the first and third types of studies listed above. However, taking into consideration the unique characteristics of the Hong Kong SAR and the role of the civil service, three main aspects deserve special attention. In view of the changed circumstances, the study will seek to provide an overview of the evolution and consolidation of the structure and organization of the civil service in Hong Kong. This will be useful in unravelling the factors that have contributed to the current system, and in explaining the pattern of development that has taken place along with other changes in the society. Thus, an effort will be made to present updated information on the composition, organization and operation of the civil service in Hong Kong. In the process, reference will be

made to the development of this institution over the years with the intention of identifying prominent trends. This will help to fill a gap in the existing literature on the current Hong Kong civil service.

Secondly, a comprehensive understanding of the civil service in Hong Kong cannot be achieved without considering some of the recent changes aimed at making the institution more efficient and responsive to the needs of the society. In the wake of global trends to roll back the state and cut down on public expenditure on the bureaucracy, various efforts have been introduced to achieve more and better results with less input. Efforts at improving the process of and enhancing the output of public administration and management have led to a number of changes in Hong Kong over the past decades. Various schemes have been put into place to improve the process of human and financial resource management in the civil service, and the role of the public sector has come under repeated scrutiny. This will provide the second angle for examining the role and position of the civil service in the territory.

Additionally, this study will also analyse the role of the civil service as an important participant in the system of governance. The preparation for transition and the period following the reintegration have resulted in increased interaction between politicians and civil servants. The emergence of an effective political executive in a system traditionally dominated by bureaucracy precipitated conflicts and brought to the fore a number of issues which were hitherto absent in the civil service of Hong Kong. The study will try to examine the nature of the politics-administration interface as reintegration has been achieved and Hong Kong looks ahead to more challenges in the near and distant future. This will constitute the third major angle in the framework of the book. Hence, the book will present information on the organizational arrangements and structure of the civil service in Hong Kong, and develop arguments with reference to its history, composition and nature, while making readers aware of recent efforts to effect improvements in the system. In order to strengthen the arguments of the study, it will be necessary to consider the political influences which have contributed to the development of and changes in the nature, orientation and role of the civil service in Hong Kong. The entire study will be presented within the context of Hong Kong's transition from a British colony to a special administrative region of the People's Republic of China.

THE CIVIL SERVICE IN HONG KONG

The civil service has been one of the key institutions in Hong Kong. It has been credited with the accomplishment of a number of tasks which have contributed significantly to the success of the tiny territory in becoming a major trading and commercial centre and in its reputation for efficient and effective service provision. Several studies have recognized the crucial role

played by the civil service in formulating prudent policies and effectively implementing them in order to develop a highly competent, competitive and dynamic society. However, studies on the civil service of Hong Kong which describe its structure and functions, relationships with the society and which provide general information about this vital institution are difficult to find.

Interestingly, the civil service is mentioned in a wide variety of publications on a regular basis. In general discussions of the Hong Kong political system and the policy process, as an aid to the understanding of the Hong Kong economy, or even with reference to the role of Hong Kong in the international community, the civil service features as an important element. A scan of the literature indicates that publications such as *Far Eastern Economic Review* and *The Economist* regularly publish items relating to certain aspects of the civil service in Hong Kong. But in terms of academic exploration of issues, there are only occasional articles in journals and newspapers and only some efforts to include various aspects of the civil service within the confines of single chapters in books.

In recent years, a number of articles on specific aspects of the civil service have appeared in academic journals. For example, Cooper and Lui (1990) examined the role of the administrative state, while Cheek-Milby (1989b) studied the changing political role of civil servants. Cheung (1992, 1996b) and Burns (1994b) explored the background, motives and progress of public sector reform, while Lui and Cooper (1996) studied the values of civil servants with reference to the relationship between bureaucracy, democracy and administrative ethics. Cheung (1994b) also considered the implications of the civil service pay system for efficiency and equity. Some recent studies provide useful analyses of specific topics as well, such as changes in the nature of public administration in Hong Kong (Huque, 1996; Lam, 1997). Also, Lam (1996) noticed 'mutual distrust, tension, and incongruence of values' between politicians and bureaucrats during the transition in Hong Kong. Cheung (1997a) anticipates a 'new mode of bureaucratic politics' after 1997 within which the civil service will be allowed to become dominant. Such studies indicate the urgency of further research on the civil service. While the existing studies are certainly helpful in contributing to the understanding of the civil service, they fall short of providing a comprehensive picture of the entire civil service.

So far two studies have attempted to provide a comprehensive coverage of the civil service of Hong Kong. The studies were published under the editorship of Scott and Burns with somewhat similar titles — *The Hong Kong Civil Service: Personnel Policies and Practices* (1984) and *The Hong Kong Civil Service and Its Future* (1988). Both are useful studies and can serve as valuable reference, yet it has been several years since their publication. The data used in the compilation of these studies were collected several years earlier, and researchers looking for updated data have to fall back upon publications released by the government from time to time.

The Hong Kong Civil Service: Personnel Policies and Practices provides a profile of the civil service and describes its process of recruitment, selection, staffing, training and appraisal. Interesting issues of job satisfaction, staff relations and pay determination were explored to allow the identification of trends for the future. *The Hong Kong Civil Service and Its Future* views the changing role of the civil service as important and includes more diverse issues. For example, the perennial issue of the roles of specialists and generalists and the role of professionals was considered along with the timely issue of succession planning. This volume recognizes the urgent need to consider Hong Kong's transition as crucial, and examines changing values of civil servants, the search for an open system of administration, and the future of the Hong Kong civil service. An appropriate attempt was made to provide the readers with an overview of the Chinese civil service system.

However, the Hong Kong civil service underwent periods of tension and turbulence during the 1980s and, as the time for transition drew nearer, rapid changes took place. There were conscious efforts to localize the civil service, ensure its stability, and retain personnel in order to achieve a smooth transition and continue to perform efficiently and effectively beyond 1997. At the same time, changes were taking place in the attitude and outlook of the civil servants, methods of organization, as well as value systems and beliefs. Recent developments have given rise to concern over the issues of accountability, transparency and responsibilities of the government as well as the civil service. The major influence that straddles all these issues is the relationship with the sovereign, the People's Republic of China.

Considering Hong Kong's progress over the last three decades and the prominent role played by the civil service in the process, there is a substantial amount of interest in the topic among scholars, practitioners, politicians and citizens. Hong Kong has a unique history: as a part of China which was ceded to the British Crown as a colony and was eventually returned to the motherland. The colony had been administered from a distance by the Crown, principally with the assistance of an efficient and dedicated civil service. The time has now arrived to reconsider values, orientations, strategies, and the role to be played by the civil service in the Hong Kong SAR. As stated earlier, the book will serve a number of purposes, but the emphasis will be on providing an up-to-date analysis based on the managerial and political changes that dominate the agenda of the Hong Kong civil service in the run-up to the next millennium.

DEVELOPMENT, TRANSITION AND CHANGE

A number of changes in the territory over the past few decades have caused the civil service in Hong Kong to undergo major changes, at a rapid pace, over a short period of time. Reorganization of the Government Secretariat took place in the 1970s on the basis of recommendations made by management

consultants. The expansion of social services, the opening up of the education system, especially tertiary education, increased exposure to external influence due to large-scale emigration and return of residents, and, more importantly, the continued rise in affluence has helped to reshape the image and ideals of the civil service in Hong Kong. Subsequent to the publication of *The Hong Kong Civil Service: Personnel Policies and Practices*, there have been enough movements within the civil service to warrant a new study. This should be the first task of a new study on the civil service of Hong Kong.

It is necessary to begin with an overview of historical developments that resulted in the inception and growth of the public service in Hong Kong. An updated view of the Hong Kong civil service will shed light on the current number of civil servants, their biographical profiles and their backgrounds. This is essential to develop a comprehensive picture of this institution. Any analysis of the Hong Kong civil service should proceed with a description of its structure and incumbents with reference to the costs involved, and the aims and objectives of the institution.

The period between the conclusion of the agreement for returning Hong Kong to China and the actual reintegration is of great significance. A number of challenges — both political and administrative in nature — confronted the civil service as well as the government of Hong Kong. An understanding of these challenges is essential to a sound analysis of the attempts made in preparing for the changes and challenges that were anticipated. An immediate task was the development and reorientation of a civil service with local talent in charge, and arrangements for public officials to acquire skills consistent with the needs of the new circumstances. The reintegration of Hong Kong with China sparked off numerous efforts to prepare the territory for the event.

The need for proactively pursuing change and the risk to the advantages gained over the years from a predictable and reliable system merit further attention. It is obvious that civil services have to undergo change as societies develop, as pressures are exerted upon the environment (from both internal as well as external sources), and as there is a general tendency to improve the methods and mechanisms of administration. The civil service in Hong Kong is experiencing such pulls and pressures from different directions and must decide on the relative advantages and disadvantages of introducing changes in response to such pressures.

As the civil service is crucial in providing a number of essential services, it is also important to dwell on the principles and arrangements of its training. In the interest of continued stability and good governance, the civil service launched several programmes to train, orient and prepare itself for the occasion. Since Hong Kong has been administered as a colony of the United Kingdom for a long time, it is not surprising that the philosophy, methods and strategies adopted in training civil servants are heavily influenced by the British tradition. This area constitutes one of the most formidable challenges as there

is a need for unlearning certain aspects while incorporating new ideas and attitudes to serve the Hong Kong SAR of the People's Republic of China. To initiate this process, an approach of educating civil servants about China and its socio-political systems was evident. At the same time, civil servants sought to learn Putonghua (Mandarin), the working language of the government of China. An overview of the various agencies involved in designing and imparting training for the civil servants will be useful in determining the extent of preparations made and their effectiveness in the light of the changed circumstances.

A factor that is likely to have a major impact on the composition of the civil service is the policy of localization. The policy was adopted in the late 1940s (Podmore, 1971), but was delayed and deferred in the process of implementation. There are several arguments for and against localizing a civil service. For instance, localization has the benefit of enhancing the morale of local civil servants, opening up opportunities for advancement and ensuring the provision of effective services as communication between the administrator and the administered becomes easier. On the other hand, localization can be seen as an antithesis to the merit system, affecting the morale of the considerable number of expatriates already in service. Moreover, the issue becomes complicated as it is difficult to define a 'local' person in an international city like Hong Kong. There are officials who were born in Hong Kong, but have acquired foreign passports later in life. Alternatively, there are 'non-locals' who have lived in Hong Kong for most of their lives and consider the territory as their home. It has to be decided whether a local should be defined on the basis of racial origin, length of residence or the ability to speak and write the local language, or a combination of some of these factors. An analysis of the process of localization will clarify further the current profile of the civil service and indicate the trend for the future.

Attempts at the localization of the civil service were part of the challenge of developing and implementing a plan for succession in preparing the civil service for seeing through a smooth transition. Succession planning is often neglected in the development and management of a civil service, but this can lead to formidable difficulties. In view of the need for continuously providing services, every civil service should have a carefully planned arrangement for dealing with the vacuum that may be created as a result of the demise or departure of key personnel. This has emerged as an issue of major importance as Hong Kong has been suffering from uncertainties over its future for a long time.

The level of pay and its method of determination are sensitive issues for most civil services around the globe. There are perennial disagreements between the government and civil servants over the remuneration package to be offered for employment in public organizations. The determination of pay involves careful consideration of the financial strength of the government, the relative value of each job, needs of the employees, possible impact on the

society and consumers, and presents challenges relating to motivation, retention and satisfaction of civil servants. Rapid progress of the Hong Kong economy has helped to deal with the issue with relative ease, although the cautious approach of prudent money management has given rise to occasional disputes. As there is increasing emphasis on linking pay with performance, it will be interesting to review the existing methods and mechanisms for determining pay in the civil service and preparations for the coming years. Although Hong Kong retains a free-market-based economy, it will have to operate within the framework of a socialist state in which entirely different considerations will influence the process of pay determination. The high level of efficiency of the Hong Kong civil service has been recognized and it is felt that public officials are adequately rewarded for their contribution. However, it is not a simple matter of remunerating public employees on the basis of the strength of the public exchequer. There has been a noticeable shift in emphasis, and the issues of efficiency and equity in pay determination now constitute an extremely important aspect of the management of the civil service in Hong Kong. In the current climate, it is necessary to examine the pay system of the civil service in terms of acceptability, equity and operational consistency.

The management of the public sector continues to assume increased importance as society develops and consumers become aware of their rights, leading to heightened expectations. Similar to many other parts of the world, Hong Kong has been exposed to new values and cultures in the field of public administration and management. The political consciousness of Hong Kong citizens has increased, and civil servants are brought into the political process due to their position of power in the society. For various reasons, governments are now inclined to assess the performance of public officials with inputs from consumers of services and in terms of value for money. Although Hong Kong society has been undergoing rapid changes, the civil service and ideas about the management of the public sector have been relatively slow to respond. Towards the end of British rule, a number of changes became apparent in a relatively short period of time. A new philosophy of managing the public sector has emerged and new values are becoming prominent in the provision of public services. Recent efforts at transformation and institutionalization of values and attitudes will provide further insight into the changes taking place not only in view of the transition, but in response to other demands as well. Efforts to bring about improvements in the management of the public sector deserves critical attention from this point of view.

As Hong Kong has become a part of China, major readjustments will have to be made in various aspects of the civil service. The transition from a largely autonomous territory of the British government to a special administrative region of China entails numerous adjustments. The civil servants will have to learn to work under the guidance of an omnipotent political party, although they have little experience of working with political parties in Hong Kong so far. The issue of loyalty will come to the fore as there will be several claimants.

The British government has contributed, in some way, to the development of Hong Kong, as well as the powerful position occupied in the system by the civil service. The motherland, i.e., China, can also lay claim to the loyalty of the civil servants, while the interests of Hong Kong could also emerge as an important issue. The nature of communicating, interacting and working with the Central Government in China will be crucial to the future of the civil service in Hong Kong. As the first Chief Executive of the Hong Kong SAR has assumed charge and chosen his team of advisers, it will be interesting to speculate on the future role of senior civil servants in the post-1997 government of Hong Kong.

OUTLINE OF STUDY

The book consists of nine chapters. The first chapter sets the tone for discussion in general terms. Reference is made, in particular, to the available literature on the civil service of Hong Kong and, in general, to the issue of change. The objective is to demonstrate the need for such a study and determine the agenda for research in pursuing a project of this nature. This is followed by a chapter devoted to the history and profile of the civil service in Hong Kong. The origin and historical development provide insight into the evolution of the civil service and its current state. Chapter three highlights some of the challenges encountered by the civil service in view of rapid changes taking place in the society as well as the transition of 1997. Chapter four sheds light on the steps taken by the Hong Kong civil service to prepare itself for the transition. New approaches had to be adopted in training civil servants, while providing them with opportunities for familiarizing themselves with the government and society in China. The other major task in preparing for the transition was the gradual localization of the civil service based on a well-designed plan. The chapter reviews the process and progress of localization in the civil service. Chapter five addresses the issue of planning for succession. In view of the reintegration and its associated uncertainties, the civil service had to be adequately prepared with a plan for filling up crucial positions that could fall vacant due to localization, retirement/early retirement or departure of senior civil servants. The management of succession is analysed in the chapter. Chapter six considers the principles and practices of pay determination and the management of performance in the Hong Kong civil service, while chapter seven examines efforts to improve management of the public sector through a series of steps that introduce new values and cultures in public organizations and their employees. Chapter eight looks ahead at the future role of senior civil servants who have played an important role throughout the history of Hong Kong. The concluding chapter draws upon the accumulated findings of the previous chapters to identify issues, problems and challenges faced by the civil service of Hong Kong in the context of transition and in ensuring continuity amid change.

This book is expected to provide an overview of the organization, issues, problems and prospects of the civil service in Hong Kong, and the fact that the review takes place immediately after the transition adds a new dimension to the study. In order to appreciate the dimensions of issues and problems, a number of areas must be given special attention in this endeavour. Thus, the study is expected to update the information on the civil service of Hong Kong and present it in a comprehensive manner. This is considered necessary in order to fill a gap in the existing literature by providing new information as well as a fresh analytical approach to the problems and challenges faced by the civil service in Hong Kong. Such an effort is significant because Hong Kong is going through a unique experience of decolonization in which the civil service is providing valuable support.

CHAPTER 2

THE CIVIL SERVICE IN PERSPECTIVE

Under the colonial administration, the civil servants in Hong Kong gradually emerged as a distinguished class or a ruling elite, who were not merely 'public servants' but also 'political masters' (Lee, 1995: 40). Considering the pre-eminent position of the civil servants in administering Hong Kong, it is evident that this group will have to play a key role in leading the territory through new phases of development as well as in the process of transition. This chapter discusses a number of issues related to the role of the civil service and its influence in the society; the characteristics of the Hong Kong civil service in terms of size and rate of growth and its organization; the age and sex of the civil servants; cost, salary levels and structure; and the nature and extent of localization. A general understanding of the profile of the Hong Kong civil service will be useful for subsequent analysis of its impact on controversial issues like localization and succession, as well as its preparation for the change from British colonial rule to a special administrative region of China.

The Hong Kong civil service, in particular the administrative service, has been praised for having 'developed an ethos that does not permit it to knowingly let a policy bound to damage Hong Kong's vital interests be made, or implemented, without first offering serious resistance . . . [and for keeping] the ship of state running on auto pilot, in the absence of the Governor or political direction either from above or from elected politicians' (Tsang, 1995: 10–1, 148–60). Furthermore, a senior civil servant for a total of twenty-seven years (now managing director of a franchised bus company), remarked that Hong Kong was run by 'a professional, elite, apolitical, impartial, reasonably open-minded, career civil service . . . despite the very difficult circumstances in which it has to operate, [the civil service] remains one of the most dedicated and hard-working civil services in the world, and one of the cleanest and most efficient' (Chan, 1995: 26).

Prior to the Sino-British negotiations on the future of Hong Kong, civil servants had already established themselves as a powerful, but conservative, force in society (Lee, 1995: 40). Both the British and Chinese governments recognized the importance of preserving the morale of the civil service to a smooth transfer of government. The 1984 Sino-British Joint Declaration provided a framework for maintaining the continuity and stability of the civil

service. As stipulated in Annex 1 (Section IV), the Chinese government recognized the continuation of an impartial, stable and effective public service as an essential factor in ensuring Hong Kong's future stability and prosperity. The Chinese government also emphasized the importance of maintaining the executive-dominated nature of the political system, which virtually suggested the preservation of the superior policymaking role which the civil servants had played under British colonial rule. In Hong Kong, policymaking is not the business of politicians but rather of officers properly appointed for the purpose. The executive branch of the government dominates all of the major processes, including policy initiation, formulation and implementation (Lee and Lam, 1992: 45). To conclude, the Hong Kong civil service is a vital and immensely powerful force in the government.

EVOLUTION OF THE CIVIL SERVICE

The civil service has expanded at a very rapid rate over the past decades. The number of people working for the government increased from 17 500 in 1949 to 69 000 in 1967. Over the next three decades, the number continued to rise. From 108 000 in 1977, it went up to 180 000 in 1988 and 182 675 in 1996 (Harris, 1988: 5). The government is the biggest employer in Hong Kong. In 1996, 3 percent of the population (6 189 800) or 5.8 percent of the Hong Kong workforce (3 143 100) worked in the civil service.

Burns and Scott documented the dramatic growth of the Hong Kong civil service which grew from 104 876 in 1973–74 to 173 633 in 1983–84, an increase of 65.5 percent over a ten-year period (1984: 17). After substantial growth in the late 1970s and early 1980s, the annual growth rate has slowed down since 1983. One reason given by Burns and Scott was the sensitive link between the economic situation and the rate of growth of the civil service. It is understandable that during times of economic difficulties, the growth of the Hong Kong civil service was confined to the minimum, which was barely adequate for the maintenance of law and order and essential services. The recession of 1973–74 was reflected in virtually no growth in the establishment figures for 1975–77. Subsequently, in view of the economic prosperity of Hong Kong, the civil service growth was noticeable in terms of establishment and strength until 1982–83. The uncertainties surrounding the future of Hong Kong led to a drop in land sales. Since government revenue was heavily dependent upon the sale of land, the Hong Kong government froze recruitment to the civil service in 1984.

Another reason for the decline in civil service growth was the gradual hiving-off of civil service functions to quasi-non-government organizations. In early 1991, staff of the Technical Education and Industrial Training Department were offered an option to transfer to the employment of the Vocational Training Council by 1 August of the same year. In December 1991, the Hospital Authority

was set up to take over the management and control of all public hospital services. Staff of the Hospital Services Department and Department of Health were given three years from 1 December 1991 to exercise their option to transfer to the employment of the Hospital Authority. As a result, a total of 10 459 staff left the civil service and transferred to these two autonomous organizations in 1991–92, 1992–93 and 1993–94, thus resulting in a reduction of the establishment and strength of the civil service.

The annual growth rates of the establishment for 1991–92, 1992–93, 1993–94 and 1994–95 were –4.46 percent, –1.71 percent, –0.76 percent and +0.49 percent, while the annual growth rates of strength were –2.5 percent, –1.93 percent, –0.77 percent and –0.4 percent respectively. The 1996–97 Estimates of Expenditure revealed that the establishment of the civil service would grow by 1.6 percent, which would represent the highest growth rate in five years. A total of 338 posts will be added to the Department of Health, 271 posts to the Fire Services Department, 162 posts to the Labour Department and 377 posts to the Social Welfare Department (*Hong Kong Economic Journal*, 2 March 1996). The decision to expand in particular fields rather than others indicates, in rough measure, a political preference on the part of decision-makers. Expansion in particular departments may be taken as a crude reflection of the government's values and its perception of critical problems facing the community.

In 1986–87, the cost of the civil service in terms of personal emoluments and personnel-related expenses accounted for about 46 percent of the total government recurrent expenditure. The percentage rose slightly in 1990–91 to 47 percent but dropped to 35.6 percent in 1996–97.

The term 'civil servant' covers a multitude of occupations carrying out tasks on behalf of the state. The varying worth and importance of these occupational groups are reflected in the different salary scales. The directorate and master pay scales cover both professional and general grades, as well as directorate-level personnel in the disciplined services. Occupations in these two types of pay scale range from junior clerks to Secretaries and Directors in charge of departments. The DPS consists of ten points, ranging from D1 at HK$92 650 per month to D10 at $216 650 (according to salary scales revised in April 1997). The MPS has the widest pay range. It includes 49 points, ranging from point one at $8 150 to point 49 at $83 105. The disciplined services pay scale covers five departments, namely Police, Fire Services, Customs, Immigration and Correctional Services, the members of which are subject to more stringent discipline and the conditions of service (working hours and entitlement to housing in particular) of which distinguish them from civil servants on other pay scales. Model Scale One consists of workers and artisans with some technical skills. It consists of ten points, ranging from point one at $9 245 to point 10 at $10 615.

The civil service is a typical hierarchy with a very narrow apex. The most senior civil servants are the 1 318 directorate officers who formulate policies,

advise the Chief Executive of the Hong Kong SAR and head the government departments. There are 3 005 officers in the senior management/professional category to help out with the executive function and 35 031 in junior and middle management/professional positions who form the broad-based operational level.

Ninety-nine percent of Hong Kong civil servants are ethnic Chinese, and most civil service positions have been 'localized'. By 1987, 53 percent of the directorate-level posts had been localized. In 1996–97, about 30 percent of the directorate officers and 15.5 percent of the senior management/professional positions were still occupied by overseas officers. The number of overseas officers varies across departments. The eight departments with the largest number of overseas officers are Architectural Services, Civil Aviation, Civil Engineering, Education, Government Secretariat, Intellectual Property, Legal, and the Hong Kong Police Force.

The Government Secretariat (the policy branch that houses most of the administrative officers) and the Hong Kong Police Force have the largest number of overseas officers because they were exempted from the localization policy until the mid-1980s. Since 1946, it has been the policy of the government to encourage complete localization of all grades of the civil service, except for administrative officers, the police inspectorate, and some confidential assistants and personal secretaries. It was decided in 1961 to normally appoint expatriates 'only on contract or agreement terms so that they could eventually be replaced on a permanent basis by suitable and qualified local candidates' (Lui, 1984: 63). The implementation of the localization policy progressed very slowly in the initial years, but picked up momentum in the 1980s. The debates for and against the localization policy will be discussed in chapter four. As a result of the forthcoming transfer of sovereignty, the proportion of overseas officers in the civil service dropped from 1.6 percent in 1979 to 1.3 percent in 1991 and to 1 percent in 1995. As at 1 April 1996, there were 1 611 overseas officers working in the civil service, representing 1 percent of the total strength (Civil Service Branch, 1997). In principle, it should be possible to replace outgoing overseas officers as and when they depart by able and experienced local officers.

About 60 percent of the civil servants in the Hong Kong SAR are under the age of forty. Since the normal retirement age is fifty-five under the old pension scheme and sixty under the new pension scheme, such a young and experienced civil service was able to play a critical role in maintaining continuity and stability during the transition. However, there are worrying signs of early retirement which may lead to a crisis of succession in the civil service. The reasons leading to early retirement and its implications will be discussed in chapter five.

In terms of sex ratio, there are about two male officers for every female officer. In 1996, there were 125 239 men (68.6 percent of the total) and 57 436 women (31.4 percent of the total) employed in the Hong Kong civil service. The percentage of women is largest among the lower ranges of the

MPS (39.1 percent) and the Model Scale One salary group (38.7 percent). Of the disciplinary salary groups (including the police pay scale), the largest percentage of women is at the rank-and-file level (9.4 percent) of the General Disciplined Service Pay Scale. The largest percentage of women in the Police Force is about 11 percent at the junior level.

Despite the fact that the Chief Secretary for Administration, Mrs Anson Chan, is a woman, the Hong Kong civil service is dominated by men. In particular, there are relatively few women in senior positions. Women make up a mere 16.4 percent (173) of the directorate officers, the group which plays the critical role of policymaking and management in the government machinery.

ROLE IN GOVERNMENT

Under British colonial rule the Hong Kong government was essentially an administrative structure and its centre-piece was the office of the Governor. The Governor, by virtue of his Commission, was the Queen's representative and Head of Government. The duties of the Governor were set out for his guidance in the Letters Patent and the Royal Instructions. His authority did not extend to the courts nor the armed services, which were commanded by a senior officer who ranked next to the Governor and had the title of Commander-in-Chief. The Governor had the Executive Council to advise him in his important decisions, and, with the advice and consent of the Legislative Council, made the laws of Hong Kong. The Executive Council advised the Governor on all matters of importance, carried out certain executive functions, examined all government legislation before being introduced into the Legislative Council, and even acted as an appellate tribunal in certain cases involving executive decisions. In a sense the Executive Council was the Governor's cabinet. And like most cabinets, it met in private and the proceedings were quite informal. Therefore, the Executive Council provided an excellent opportunity for full, frank and secure discussion of the diverse and important matters that came before it. The Legislative Council, on the other hand, was the supreme law-making body. It exercised its control not only over law-making but also over public finances, and its debates were held in public.

The Governor exercised his authority through the various heads of departments, but he did not guide or control them directly. This was accomplished through the Colonial Secretary (renamed the Chief Secretary in 1976), who served as the chief of administrative staff in the territory and as deputy to the Governor. As a former Colonial Secretary puts it, 'in terms of business organization, the Chief Secretary corresponds in some ways with the managing director, if one can imagine the Governor as chairman of the board of directors' (Burgess, 1962: 6). The Chief Secretary, under the direction

of the Governor, carried on the general administration of the government. He (or she) was also recognized by his (or her) colleagues as Head of the Civil Service. The Chief Secretary was, however, *primus inter pares*, or first among equals. There were other officers who held the rank of 'Secretary', and the Attorney General and the Financial Secretary were among them. The Attorney General was the Governor's principal legal adviser and the government's representative in all legal actions brought by or against it. The Financial Secretary was responsible for the fiscal and economic policies of the government. The responsibilities included presentation to the Legislative Council of the government's annual Estimates of revenue and expenditure. Each Secretary headed a policy branch, for example, Education or Social Welfare, in the Government Secretariat (which was originally the office of the Colonial Secretary) and had prime responsibility for a particular group of departments and offices.

Following the reintegration of the Hong Kong SAR with China, much of the civil service structure remains unaltered, although a new set of titles has been introduced. The Chief Executive has replaced the Governor as the head of the Hong Kong SAR. The Chief Secretary for Administration, the Financial Secretary and the Secretary for Justice now constitute the principal group providing administrative support to the Chief Executive of the SAR. The roles and functions of the top officials have basically remained unchanged.

The day-to-day operation of the government is carried out by about sixty government departments, offices, and agencies. Some departments (for example, Fire Services, Police, Social Welfare) supply goods and services directly to the public, while some departments provide support services to government as a whole (for example, Printing, the Land Transport Agency, the Data Processing Agency). A list of government departments is presented in Appendix A.

As indicated by the titles of the departments, the organization of the Hong Kong civil service is based on a functional structure. The activities of all these departments are supervised and coordinated by the Government Secretariat. All operations of the government are strictly controlled from the centre. Departments carry out the duties assigned to them by various ordinances and the decisions of the Executive Council. But all suggestions for changing policy (for example, to create new services, extend existing services, or change standards), and requests to recruit more senior staff, buy new equipment, put up new buildings, or spend money in a different way from that authorized in the annual departmental estimates have to be referred to the appropriate branch of the Secretariat (Miners, 1995: 88).

The Financial Secretary receives and assesses submissions put up by departments for fresh resources of money, manpower and public works at the time of the annual Estimates, and supplementary requests at other times, and supports them as they are processed through various committees and undergo detailed scrutiny by the Finance Branch (Miners, 1995: 89). The main task of

a Secretary is to formulate policies and programmes in the particular areas allotted to him or her and to see that these programmes are updated regularly. He or she is also responsible for monitoring the implementation of these programmes and is answerable for outcomes. The Chief Secretary for Administration oversees ten policy branches (now known as bureaus): Constitutional Affairs; Health and Welfare; Home Affairs; Housing; Planning, Environment and Lands; Security; Transport; Information Technology and Broadcasting; Civil Service; Education and Manpower. The Financial Secretary oversees the Finance Branch, the Monetary Authority and four policy branches, namely the Economic Services, Financial Services, Trade and Industry, and Works. Each policy branch has its own executive arm, namely, departments to implement policies. However, the number of departments for each policy branch may vary. For example, the Secretary for Security has nine, while the Secretary for Transport has only one branch.

Prior to 30 June 1997, the Governor of Hong Kong wielded considerable power and influence. The powers which were conferred on the Governor by the Letters Patent were awesome and could be compared to those once possessed by a King of England before the coming of democracy and the rise of political parties with ministers responsible to parliament (Miners, 1995: 68). Until 1984, the Governor had the power to appoint civil servants to a majority of the seats on the Legislative Council, and to influence their votes. According to Norman Miners,

> [a] Governor's legal powers to exercise control over the civil service were virtually untrammeled. All appointments, promotions, transfers and dismissals were made by him or in his name; the Public Service Commission exists to advise him on these matters but he was constitutionally entitled to reject its advice. He could give directives to all civil servants as to the policy they must follow or the actions they must take. If he chose to exercise the authority granted to him up to its full legal limits he could impose his arbitrary will on the whole machinery of government, completely reverse past practices, and set the whole colony in turmoil (Miners, 1995: 68).

In fact, of course, there were built-in obstacles against any such behaviour, and the civil service itself was an effective check. As Norman Miners puts it,

> [a] large part of the business of government is concerned with the detailed implementation of decisions taken long ago, and these basic policies cannot be re-examined and reversed overnight without considerable cost and administrative dislocation. This is also true of plans which have reached an advanced stage before a new Governor's arrival. Naturally, civil servants, like anyone else, prefer to keep to their accustomed ways and passively resist any inconvenient innovations. If any changes are to be made they can only be effected successfully with the active co-operation of the officers concerned... Any Governor who hopes to achieve anything worthwhile during his term of office can only do so with the full co-operation and whole-hearted support of the civil service (Miners, 1995: 69–70).

Two examples were cited by Miners (1995: 70) to illustrate the influence of the civil service in resisting unpopular initiatives set by the Governor. The first case took place in 1964 and involved the then Governor Sir David Trench. His attempts to set up a new system of local authorities, particularly in the New Territories, were aborted chiefly because of the opposition of senior administrators and heads of departments to any significant devolution of power from the centre. The second example was cited from an incident during the tenure of Sir Murray MacLehose. In 1972, he announced a bold ten-year programme to provide public housing for 1 800 000 people, which necessitated the construction of 45 000 residential flats every year. This target could not be met even once over the next ten years, and the largest number achieved was 35 700 flats in 1982. The major reason for the shortfall in the Governor's plans was the Financial Secretary's fears that fulfillment of the housing programme would overload the construction industry and lead to excessive demand in the economy.

Unlike many other states in the world, Hong Kong is not so much ruled as administered. Hong Kong has been described as an 'administrative state' which 'should not be thought of as a state devoid of legislative and judicial organs but as state in which administrative organization and operations are particularly prominent' (Harris, 1988: 70). There are a number of characteristics that are distinctive in an administrative state (Harris, 1988: 73–4). In the first place, political figures are largely absent, and the functions of statesmen or politicians have failed to develop. Hong Kong has been described as a 'bureaucratic polity' where the bureaucracy enjoys a great degree of immunity from control by political parties, elected legislature or politicians (Lau, 1982a: 25). Until the mid-1980s, there were basically no eminent politicians or political parties in Hong Kong. Although a minority group of 'elite' citizens were co-opted into the political process, they could never become a dominant group of politicians exercizing effective opposition to the powerful civil servants (Lee, 1995: 442).

Until the mid-1980s, all members of the Executive Council and Legislative Council were appointed by the Governor. Indeed, originally, these bodies were largely composed of civil servants, but the proportion reduced progressively over the years, while the proportion of people from outside the civil service increased. Nowadays, the non-officials outnumber the officials. But while the members of these bodies were of independent mind and were not obliged in any way to accept, or even defend publicly, proposals put forward by the civil service, in practice the Governor and his team of civil servants were generally able to carry the Councils and the community along with them, and had relatively little trouble in getting their policy proposals agreed and implemented (Chan, 1995: 22). At present, there is basically no institution which can provide an effective mechanism to monitor the decisions of the bureaucrats. The civil servants are, therefore, not merely responsible for decision-making and implementation, but also for playing the role of the politicians in defence of their own policy decisions.

Another characteristic of the administrative state is that it is relatively stable. Its rulers are permanent, practised, anonymous for the most part, and at best, impartial (Harris, 1988: 73). Hong Kong civil servants enjoy permanent and pensionable employment after confirmation of their positions. The system helps to provide expert experience to the public. The justification for permanency is that civil servants should be able to carry out their duties without fear of dismissal by their superiors. According to a retired senior administrator, Hong Kong civil servants are 'functionaries operating in an apolitical and impartial manner, and most of them see the civil service as a profession and a life-long career' (Chan, 1995: 21). Hong Kong may well be a rare case of a 'pure administrative state' in which the highest officials are generalists with 'professional' subordinates who have the professional or technical skills. The Chief Executive himself is a 'generalist' policymaker. Generalist administration is in accord with the notion that in the perfect administration, the highest administrators will discover that one mountain top is the same as all other mountain tops (Bagehot, 1963: 195). The Chief Executive will decide on the substance of a policy with the help of the members on the Executive Council. The senior civil servants are closely involved in such decision-making. The Chief Secretary for Administration, the Secretary for Justice and the Financial Secretary are all *ex officio* (as long as they hold that particular appointment) members of the Council.

The Executive Council usually meets once a week. An examination of the agenda of the Council illustrates the involvement of the senior civil servants in policymaking. There is always a lot of routine business to be attended to since many ordinances allow appeals to the Chief Executive-in-Council for an administrative decision. Another frequent item on the agenda is new legislation. Most proposals for changes in the law originate from departments. The Secretary responsible for that policy area normally prepares a paper setting out the reasons why such a change is desirable. Other Secretaries concerned are consulted and with the approval of the Chief Executive, the paper is then placed on the agenda of the Executive Council. If the proposal is accepted in principle, the Legal Department will begin the detailed work of drafting a bill. The Council may then approve the bill as drafted for introduction into the Provisional Legislative Council. All major policy decisions reached by heads of departments or Secretaries are brought before the Executive Council for approval.

If the civil service can be considered Hong Kong's eternal 'ruling party', then its key members are the administrative officers, who form the administrative service (Lau, 1997: 28). Known until the 1950s as the cadet service, the administrative service traces its origins to 1861 when Governor Sir Hercules Robinson initiated a scheme to train young British recruits in the Chinese language, so that they could act as government interpreters before being promoted on a fast track to suitable positions in the administration (Lau, 1997: 28). In time, this scheme laid the foundation for an elitist service

whose members filled the most senior posts in the Government Secretariat and in many of the large government departments. The administrative class is considered by the government as 'the linchpin' in the operation of the government. Internally, within the bureaucracy, administrative officers are regarded as omnipotent, capable of 'taking on many roles and responsibilities and solving the most difficult problems. They are professionals in the art of government' (Civil Service Bureau, 1997: 1).

The administrative class itself, however, constitutes only a tiny fraction of the civil service. In 1946 there were 19 administrative officers; the number increased to 127 in 1973, and 306 in 1981 (Harris, 1988: 5). As at 1 June 1997, the administrative class had an establishment of 537 posts and a working strength of 467 officers. The basic qualification for an administrative officer is a good university degree, but the coveted qualities are an analytical mind and leadership potential. The administrative officer grade is able to attract the best among university graduates, not only because of its prestige and status, and a promising career, but also because it offers a very attractive salary, starting at MPS 27 ($33 355 per month) whereas the usual entry point for a degree holder is MPS 16 ($19 860). The administrative officer grade comprises seven ranks, five of which are in the Directorate. The administrative officers are encouraged to make policy assessments and take up management responsibilities at a relatively young age, in preparation for their eventual rise to the top as heads of departments and policy branches. They are transferred from one department or policy branch to another and are able to acquire a broad range of experience in administrative matters. For example, the present (1998) Chief Secretary has served in the Urban Services Department, Agriculture and Fisheries Department, Finance Branch, New Territories Administration, and Social Services Branch. She then moved on to the Social Welfare Department where she became Director and then Secretary for Economic Services before assuming her present posting. As such, senior members of the administrative service who are policy secretaries or department heads actually play a dual role. They are concurrently the top administrators of their respective departments and 'quasi-ministers' who have to sell the policies they formulate to the public and steer the related legislative and expenditure proposals through the legislature (Lau, 1997: 28).

THE SERVICE CULTURE

Administrative culture and tradition are embedded in the structure and *modus operandi* of the bureaucracy. The Hong Kong government is founded on the classical Weberian model. Functions are rationally specialized; authority is centralized; and tasks are performed according to impersonal rules and procedures to ensure consistency and impartiality (Lui, 1988: 137). Supporting these bureaucratic features are a set of values which have become the

distinguishing norms of administration in Hong Kong. They are efficiency, neutrality and hierarchical loyalty (Lui, 1988: 137–9).

Efficiency entails the most economic use of resources to maximize results. Efficiency is of overriding importance to civil servants in Hong Kong. This is evident in the disproportionate attention the government pays to the input phase of the administrative process. Departmental requests for funds and manpower are carefully screened and controlled at the centre. All proposals have to be scrutinized by the Finance Branch, the relevant policy branches and, in cases where human resources are involved, the Civil Service Branch. The final power of decision rests with the Finance Committee of the Legislative Council. The utilization of resources is also tightly monitored. Every year the Director of Audit conducts checks on departmental accounts to make sure that there has not been any waste or misuse of public funds. Anomalies are referred to institutional and procedural safeguards for financial accountability, guided by the belief that the government should try to obtain the best value for its money. Neutrality is a corollary of efficiency. It requires civil servants to put aside their political allegiance and moral views in the execution of their duties, lest their prejudices deflect them from their publicly assigned responsibilities.

The Hong Kong civil service demonstrates remarkable compliance with hierarchical authority. Line implementation is highly effective. Insubordination is uncommon, and 'whistle-blowing' among civil servants is almost unheard of in the local context. The readiness of civil servants to accept orders from above is largely attributable to conventional Chinese attitudes of respect for authority and avoidance of conflict. It is also reinforced by strict bureaucratic rules and regulations which make violation of hierarchical orders punishable. Training is another important factor contributing to hierarchical obedience within the civil service. In Hong Kong, civil service training is a personnel management tool for reinforcing officially established standards of technical competence and norms of behaviour. It enables trainees to perform their duties more efficiently. It also helps them improve their communication and management skills. It does not, however, stimulate trainees to adopt a critical stance on the nature and purpose of their responsibilities (Lui, 1988: 139). Mushkat (1984b: 114) has raised queries over the capability of the administrative officers in strategic management. The issue of whether Hong Kong civil servants were adequately prepared for the transition will be discussed in chapter four.

In summary, the Hong Kong civil service is a relatively small bureaucracy with a hierarchical structure that allows effective central control. It is not a representative bureaucracy because it has been dominated by male officials, and the senior positions, with the exception of the principal officials, are held by a disproportionate number of overseas officers. The civil service has all along assumed a very prominent role in the development of the territory. The Hong Kong civil service is well-known for its efficiency and managerial accountability. With its relatively young but experienced officials, the civil

service should be able to play a critical role in maintaining Hong Kong's continuity and stability after the change of sovereignty from British colonial rule to a special administrative region of China.

CHAPTER 3

THE CHALLENGE OF TRANSITION[1]

INTRODUCTION

In the process of change of sovereignty over Hong Kong, the civil service institution must have counted as a major legacy from British colonial rule. For China as the incoming sovereign, the civil service has always been regarded as an important stabilizing element for good administration, which needs to be preserved despite the political change. Indeed she would like to retain the kind of administrative state dominated by senior administrative civil servants in the name of an 'executive-led' system. For the departing British administration, the civil service, together with the judiciary, stood as the embodiment of the 'Britishness' of Hong Kong's history. The service is modelled entirely on the British civil service system, from structure to personnel practices, from pay and conditions mechanisms to internal communication styles. Major reforms of the civil service since the Second World War drew lessons from British administrative reforms of the time; some were implemented simply with assistance from consultants or advisers recruited from the sovereign state. Even after the handover on 1 July 1997, senior civil servants have continued to use English as the principal language of intragovernment correspondence. For the ordinary people, the preservation of the integrity of the civil service institution is looked upon as a significant indication of continuity and confidence. This is demonstrated for example by the great relief expressed when the first Chief Executive Tung Chee-hwa announced his decision in February 1997 to retain all existing top local Chinese civil servants holding Secretary rank in their principal official posts, despite earlier speculation that some of them might be dropped or moved because of their close association with the departing British Governor Chris Patten.

On the surface the Hong Kong civil service has formed a permanent government of the territory for the whole of British colonial history and seems to be destined for a similar role in the post-handover era. However, despite exhortations for continuity and minimum change, the civil service has found itself at the crossroads of history as Hong Kong is about to enter the next century with a newfound identity and a changed environment. More immediate to a lot of civil servants, the political transition of Hong Kong has

brought about uncertainities and worries. Prior to the handover, there were fears of reprisals and of a large exodus of serving civil servants. A longer-term challenge has resulted from the need to adjust to a political environment transformed by both exogenous and endogenous developments. Within the civil service the search for efficiency and effectiveness along lines similar to the global public sector reform movement (cf Cheung, 1997b) has created yet another dimension of cultural readjustment. Change is something which the civil service as a whole can ill afford to avoid.

UNCERTAINTIES AND SUSPICIONS ON THE EVE OF HANDOVER

As Hong Kong entered the final six months of British rule, the government was rendered apologetic and grossly embarrassed over the early retirement without notice of one of its top officials, Director of Immigration Lawrence Leung. At the time of Leung's retirement, although both he and the Secretary for the Civil Service Lam Woon-kwong insisted that the option to retire was taken out of purely personal reasons, the whole saga surrounding his retirement caused widespread suspicion that he did not retire entirely voluntarily (Yeung, *SCMP*, 13 July 1996). During the subsequent Select Committee inquiry instituted by the Legislative Council which, like most members of the public, did not believe the official story, Leung revealed on 10 January 1997 that he was forced to retire or else the government would have exercised authority under Colonial Regulation 59 to compulsorily retire him (*SCMP*, 11 January 1997). The Secretary for the Civil Service was then forced to admit that Leung was suspected of improper business connections and to release to Legislative Council inquiry members under confidence findings of investigations made by the Independent Commission Against Corruption and the Police which had led to the government's decision to retire Leung. Even if the government had good reasons to force Leung to retire, it suffered a serious decline in credibility for misleading the Legislative Council and the public at the outset. Rumours still abound as to whether Leung's departure had anything to do more with political reasons connected to Leung's warm relations with Chinese government officials. During the Sino-British tug-of-war for Hong Kong civil servants' loyalty in the final days of British rule, every move by top civil servants would be tainted one way or the other by the master game — with individual top civil servants easily becoming victims or pawns of the two rival sovereign authorities.

Senior civil servants had to worry not only about sensitive issues of political loyalty and how to remain neutral between Britain and China during the transition, but also how to secure guarantees from the Chinese government and the Chief Executive of the SAR of their continued appointment and role beyond 30 June 1997, despite the traditional Chinese saying 'every new dynasty brings in new courtiers'. There were those who lacked sufficient faith in the

future and decided to make their way out sooner rather than later. In the same month as Lawrence Leung departed, six out of nine directorate officers (including the head, Irene Yau) of the Information Services Department — a department as sensitive as the Immigration Department — indicated their intention to leave the service (*SCMP*, 6 July 1996). Leung's deputy also retired early in January 1997. In the Police Force, another sensitive agency, a forecast predicted that in the worst-case scenario some 31 percent of officers in the top general and specialist streams might leave before the change of sovereignty (*SCMP*, 14 July 1996). These officers ranked from senior superintendent to senior assistant commissioner. The exodus rate was particularly high among expatriate civil servants. For example, in mid-1996, of the 540 expatriate officers on HMOCS terms, 37 percent had opted to retire and 15 percent were still undecided (*SCMP*, 13 July 1996).

The full impact of the change of sovereignty on the career decisions of senior civil servants could not be fully assessed at the time. Morale problems and succession difficulties continued to haunt the civil service and these were not helped by the relatively high level of directorate officers within the retirement zone in major departments in the run-up to 1997 (see, for example, Table 1).

Table 1
Directorate Officers in Retirement Zone in Selected Departments (February 1996)

Departments/Group of departments	Total number of directorate officers	Number within retirement zone
Education Department	19	14
Social Welfare Department	14	8
Housing Department	52	12
'Planning, Environment & Lands' and 'Works' groups of Departments	322	106

Source: Civil Service Branch (1996)

While those posts with departing officers could ultimately be filled somehow by someone, the rich administrative experience of the departing officers was irreplaceable. Not only that, rapid promotions and frequent transfers in order to fill top vacancies were not conducive to achieving a steady and stable senior civil service team.

An official survey conducted within the Police Force in 1995 on police officers of inspector rank and above did not paint a totally optimistic picture of the main law-keeping force. Of the 2 493 officers who had responded (a response rate of 92 percent), 82 percent overall indicated an intention to stay in service after 1997 (Table 2 below). At the superintendent level and above, however, the percentage was only 67.5 percent. If fully realized, this exodus of experienced senior police officers would certainly have an adverse impact on the effectiveness of the force.

These figures somewhat corroborated the picture emerging from an earlier study carried out in 1993 by Jane Lee and Joseph Cheng (Lee, 1994: 39–60), which found that of the 1 066 directorate officers interviewed, nearly half said they were worried about staying in the civil service after 1997. About 34.7 percent said they would not remain in the service beyond 1997, and only 36.4 percent indicated an intention to stay put. The remaining 28.9 percent were undecided.

As it turned out, such a doubtful scenario of civil service career plans did not produce as serious a situation as might have been expected in Hong Kong after the handover. Most civil servants have remained in their posts and continue to operate under the new SAR identity. Even expatriate officers, mostly British, have preferred to give the SAR government the benefit of the doubt by staying longer to wait and see. According to Secretary for the Civil Service Lam Woo-kwong, since the handover only 35 out of the 1 500 directorate civil servants had resigned or asked for retirement (*Ta Kung Pao*, 9 January 1998). The fact that both the Chinese Central Government and Chief Executive Tung Chee-hwa have gone out of their way to demonstrate to the local and international communities that Hong Kong remains largely intact — with street protests, opposition activities and critical mass media accepted as its way of life — has definitely helped to restore confidence. In November 1997, observers were pleasantly surprised to learn that Stephen Selby, a non-Chinese officer holding the post of Director of Intellectual Property, was able to represent Hong Kong as part of the People's Republic of China delegation at the United Nations (cf *Sunday Morning Post*, 30 November 1997). When Chinese Premier Li Peng and First Deputy Premier Zhu Rongji visited Hong Kong in September 1997 to attend meetings of the World Bank and International Monetary Fund, they both made the point of praising the performance of top civil servants. Whether such gestures will help to drive away pre-handover doubts and worries and restore the civil service to be a more forward-looking and optimist administrative force remains to be seen. However, it has to be recognized that the political transition leading to 1997 has brought about challenges of a longer-term nature.

Table 2
Career Intentions of Police Officers (Mid-1995)

	Senior Assistant Commissioner of Police		Assistant Commissioner of Police		Chief Superintendent		Senior Superintendent		Superintendent		Chief Inspector		Senior Inspector/ Inspector		Total
	L	E	L	E	L	E	L	E	L	E	L	E	L	E	
Plan to stay in the service	1	2	6	3	12	12	26	22	113	74	306	105	1151	212	2045
Plan to leave the service	–	–	–	4	1	12	5	17	11	23	15	24	46	15	173
Undecided	1	–	–	1	2	7	–	13	7	26	22	33	117	46	275
Total	2	2	6	8	15	31	31	52	131	123	343	162	1314	263	2493

L = Local officers
E = Expatriate officers

Source: *Ta Kung Pao*, 29 July 1995

THE CHANGED LOCAL SCENE: DEMAND FOR ACCOUNTABILITY AND LOCALIZATION

The starting point in examining Hong Kong's civil service is to treat it as an important institution rather than simply a workforce. 'Institutions' have been a focus of study in political science for a long time. Following Robert Putnam (1993: 8–9), *institutions shape politics* and *institutions are shaped by history*. These two fundamental points about an institutionalist approach are clearly observed in the case of the civil service in Hong Kong. The civil service under the British Governor was historically placed at the centre of power in a colonial system of governance characterized as a 'bureaucratic polity' (Lau, 1982a: 26–9) and an 'administrative state' (Harris, 1978: 53–61). For a long time local politics was virtually non-existent. Elite participation in matters of administration was allowed through a process of 'administrative absorption' into various government advisory bodies by the bureaucrats, supplemented since the late 1970s by limited co-optation at the local community level (King, 1981: 127–46). In the absence of accountable politics, the government was dominated by career administrator-bureaucrats who at the same time governed as well as administered. How to cope with societal demands had always been a key preoccupation of the administrative elite inside the civil service — such concern in the past being how to suppress 'politics' and maintain administrative domination.

From the 1980s onwards, because of the 1997 question and the conclusion of the 1984 Sino-British Joint Declaration, there had been some attempts on the part of the British administration to devolve the powers of governance to local people. It was not necessarily for the sake of democratization, but more in order to avoid letting the Communist Chinese government and its appointed governing agents in Hong Kong inherit all the autocratic powers previously enjoyed by the British Governor and his mandarins. Such a process of power devolution, in the name of developing a 'representative government' (Hong Kong Government, 1984a, 1984b), did not proceed smoothly, partly due to China's suspicion and opposition. Equally important is the fact that the principal actors of this process were members of the administrative elite of the civil service who still tried to keep paramount control in a practical sense during the transition. This resulted in political reforms being pursued with a mixed and sometimes not totally consistent agenda. Such a paradox of political reform is perhaps what Lee (1994: 39–60) depicted as 'a dilemma between accountability and autonomy'. What is interesting is that in its attempt to remain in power, the civil service elite was able to find support from the Chinese government which had high regard for the institutional performance of the colonial civil service and would like to see *no change* in it as an institution.[2]

However the demand for accountability is not simply a design of the departing British administration imposed on the civil service institution as

part of its decolonization strategy. It has a more home-grown origin dating from the 1960s.

Post-1967 administrative reforms

Constitutionally speaking, the British colony of Hong Kong had remained unchanged for the 150 years of colonial rule, having a government by bureaucrats led by a British-appointed Governor. In practice, public administration had undergone significant evolution in more recent years, from a pure model of bureaucratic dominance to a mixed mode whereby the administrative elite within the colonial civil service had come to share some powers with emerging new forces in the society. Since the 1970s, the civil service had experienced important changes and reforms, partly as a result of a change in the strategies of governance on the part of the British administration in the aftermath of the Communist-inspired 1967 riots which directly challenged the authority and legitimacy of the colonial government, and partly because of the need to cope with rapid socio-economic transformation of the city, which brought with it higher expectations from the governed and new demands from the dominant elites and the population at large.

The government's response to the political crisis was not to introduce democracy, but to introduce administrative rearrangements of a quasi-political nature. Traditionally the 'administrative absorption of politics' (King, 1981) was targeted by the colonial administration at the established business and professional elites as a means to shore up its social legitimacy. Since the 1970s such absorption had been enlarged to incorporate elements lower down, first through newly introduced city district offices and their area committees, and finally through elected district boards under the 1980 District Administration Scheme (Hong Kong Government, 1980; Lau, 1982b). From then onwards government officials, whether at the central level or the district level, were expected to be more sensitive to community opinions and sentiments, and to explain and defend openly government policies so as to achieve some degree of political accountability. With the development of representative government from the mid-1980s (Hong Kong Government, 1984a, 1984b) and the introduction of elected elements into the Legislative Council, there had been increasing pressures and demands for civil servants to be held accountable to the representative institutions for their actions. In reality, this meant the civil servants were not as able as in the past to maintain their paramount and autonomous position. Furthermore, both the 1984 Sino-British Joint Declaration and the Basic Law require that the executive be accountable to the legislature (Article 64 of the Basic Law).

Since the 1970s the Hong Kong civil service had also embarked on a more vigorous path of localization by opening up more middle-level ranks to local Chinese. By the 1980s, partly because of natural succession and partly due to

the signing of the 1984 Sino-British Joint Declaration which clearly required a localized civil service by the change of sovereignty in 1997, the pace of localization quickened. By 1996, all of the most senior civil servants at policy secretary level and above were local Chinese, except the Attorney General. As at October 1996, 72 percent of the 1 400 officers at directorate level were local officers (Hong Kong Government, 1997: 20).

The 1970s were clearly a decade of administrative innovations. With the government clearly setting out on a path of rapid expansion in public services and community building so as to satisfy the people on the 'output' side in the absence of significant political reforms on the 'input' side, there was a concomitant need to streamline the administrative machinery to cope with such an expansion, which also saw the rise of professional power in service departments. The 1974 reform of the central government machinery, based on the recommendations of the McKinsey management consultants (McKinsey & Co, 1973), introduced a 'policy' layer above the heads of departments so that the latter's policy and implementation activities were coordinated and monitored by new policy secretaries who became the principal officers of the government under the Governor, the Chief Secretary and the Financial Secretary.

The reorganization of the Government Secretariat in effect helped to enable the evolution of a cabinet of policy secretaries who increasingly operated and behaved as 'ministers', especially after the arrival in 1992 of Governor Chris Patten who expected these top-rank officials to promote government policies openly and to lobby the legislature vigorously in such regard. While the Hong Kong government shied away from political reforms in the aftermath of the 1967 riots, those reform measures which were subsequently implemented in fact served to give the administrative elite in the civil service a more politicized posture with which to better cope with external political challenges. Politics and administration were brought even closer together, rather than properly dichotomized.[3]

Two developments can thus be observed on the local scene. On the one hand, there was growing external pressure to render the civil service politically accountable and hence more sensitive to politics in society. On the other hand, there was a tendency for the upper echelons of the civil service, mainly those in directorate administrative posts, to become more politicized in their role orientation. Hong Kong's administrative development, in a sense, is in distinct contrast with the pattern of development identified by Aberbach, Putnam and Rockman (1981) in Western democracies, where top civil service bureaucrats are seen to have grown in power and influence, not only in the formulation of policy but increasingly in the brokerage and articulation of interests, functions which conventionally were regarded as within the exclusive province of elected politicians. In Hong Kong, the administrative elite which monopolized government and politics until very recently was being forced to share some powers with emerging local politicians.

Tensions arising from legislative politics

The civil service did not find it easy to adjust itself to accountable politics in the formal system. Tensions continued to exist between the civil service and the Legislative Council. Following the introduction of directly elected members in 1991, the Legislative Council had become more assertive and more demanding on the administration. Even appointed legislators had found it necessary to depart from their previous pro-administration stance and to increasingly question government performance, acting not differently from their directly elected colleagues, most of whom had a strong political party background. Chief Secretary Anson Chan set the government's tone of fighting back when she slammed legislators at the start of the 1994–95 legislative session for 'using every available public opportunity to criticize and belittle' civil servants (*Eastern Express*, 27 October 1994). She accused them of being negative and unwilling to listen, and of levelling criticisms which had 'a very demoralizing effect' on officials. The legislators, however, responded that it was incumbent upon them to monitor the performance of the administration and to raise criticism where necessary.

Chan's blast at the legislators was not an isolated incident. Before that the Secretary for the Treasury Donald Tsang (since promoted to Financial Secretary) made an open speech using the title of the award-winning movie 'Silence of the Lamb' (the Chinese word-for-word translation is 'Silent Lamb') to make the point about the helplessness of civil servants when facing unreasonable demands from 'greedy' legislators for greater welfare spending. The 1993 survey of 1 066 directorate officers also found that most of them tended to have a negative assessment of the legislators' performance, with 47.7 percent feeling 'fairly dissatisfied' and 9.8 percent 'very dissatisfied' with the legislature, regarding it as 'too politicized' or 'immature' (Lee, 1994: 39–60). What underlined their sentiments was probably a strong resentment towards legislators' demand for power-sharing and a relatively low regard for their ability. While 'senior civil servants are prepared to accept increased monitoring and supervisory powers exercised by legislators . . . [t]hey are not prepared to devolve decision-making powers to the legislators' (Lee, 1994). An absolute majority (80.9 percent) considered that only the Governor-in-Council or senior government officials should decide on major policies. Deeply ingrained in the culture of senior civil servants, particularly among members of the elite administrative class, was the belief that they knew what was best for the public interest.

It would be too simplistic to treat the top civil servants' offensive only as a result of their growing frustration of the combative nature of Legislative Council meetings. It may be true that sometimes legislators have resorted to political polemics to get their points across or to impress their voters. Legislators are also active in freely commenting on those more specialized issues which senior civil servants think should best be left to the latter's professional

judgement. This kind of politician-bureaucrat conflict is not, however, unique to Hong Kong. In developed democracies, such conflict forms part of the reality to which the two groups of policy 'actors' have to adjust, in order to work out a mutually acceptable working relationship. In practice, even in a system where politicians are supposed to make decisions and civil servants to implement them, their relationship is more symbiotic than what it is assumed to be in constitutional theory. Without the support of civil servants and their administrative and professional expertise, politicians will find it hard to make competent and implementable policies. In fact, civil servants in many cases are able to exert influence on their political masters from behind their shoulders. They have their little tricks to steer the politicians 'into line', and to educate them to recognize the 'public interest' or the 'longer-term interest of the nation', as career bureaucrats define them (cf the BBC television series *Yes Minister*). Nevertheless, the elected politicians, particularly those holding ministerial positions in elected governments, are the custodians of the popular mandate. Civil servants have to depend on them for the necessary political legitimacy to govern.

In the case of Hong Kong senior civil servants, historically they had enjoyed near-absolute power because of the territory's colonial system of governance. They are unlike their counterparts in Western democracies where the civil service is expected to be and can remain neutral. Under the colonial system top officials embodied both the role of civil servants as well as that of politicians. They had not been held accountable to any institution until very recently when the partially elected Legislative Council began to flex its muscles. Given their longstanding supremacy in power, it is not surprising that for some senior civil servants the transition towards a less overriding role in the policymaking process had become a frustrating, if not a painful one. Not all senior civil servants were negative towards the elected legislators. A policy secretary told the chapter author that he found nothing 'too political' about the Legislative Council, saying that even in the old days when the Council was entirely appointed, there were a lot of politics, although the politicking took place behind closed doors, in dining rooms and reception parties rather than in the form of open campaigning and pressure politics.

Public policymaking is about politics, the form and style of which vary according to the characteristics of the governmental system as well as the prevailing political culture. What makes a proper executive-legislative relationship difficult to achieve in Hong Kong's circumstances is partly the ambivalent role of elected legislators under the constitutional arrangements. Although elected legislators have a popular mandate and can claim legitimately to represent the will of society, their powers to initiate legislation and policy proposals have been very much constrained, whether by the colonial provisions of the Letters Patent and Royal Instructions before the change of sovereignty, or the present Basic Law. As experience of the past few years in the Legislative Council has shown, no matter what legislators proposed or how they proposed

it, so long as the government had made up its mind, it could still afford not to care about legislators' views or to succumb to their pressures. It is true that legislators could initiate private member's bills, but the Governor could always prevent such bills from being tabled if they related to public expenditure.[4] The only sanction legislators have at their disposal is to veto government expenditure proposals or the budget. To do that, however, would certainly affect the delivery of public services or even trigger a constitutional crisis, something to which legislators would be most reluctant to resort. So what is left is a highly dissatisfied and constitutionally impotent Legislative Council which has the legitimacy but not the real power, *vis-à-vis* a government made up of career civil servants who have the administrative expertise and power, but not necessarily the legitimacy. Neither side is contented with the existing constitutional arrangement, originating in the British system of colonial governance and now entrenched in the Basic Law, which is unlikely to improve in the foreseeable future. A politically downsized legislature is not going to attract political talent or those professionals who would like to take up public office. In the end a self-fulfilling prophecy is created, justifying some senior civil servants' distrust of politicians and elected legislators.

If senior civil servants are open-minded enough and are prepared to accept a role change, then a more evolutionary adjustment process can be facilitated by securing the cooperation and understanding of elected legislators. However, there is the danger that instead of working for such an adjustment, some ambitious senior civil servants are only too keen to suppress the demand for power-sharing from legislators in an attempt to recentralize administrative power. For them, the colonial government under Chris Patten had been too generous in its final years in responding to political pressures, thus unduly stimulating the appetite of local politicians and political parties and resulting in a challenge to the longstanding 'executive-led' system. Sensing the Chinese Central Government's suspicion of political democratization in Hong Kong and its grave reservation about developing party politics, these senior civil servants are tempted to paint a totally negative picture of legislative politics in the hope that the new sovereign in Beijing may then exercise its influence to curb the expansion of legislative power.

Challenge from the new governing elites

With the change in sovereignty and government in 1997, there is another challenge to the previous dominant position of the civil service coming not from the legislature but from China-appointed/groomed political forces. It is not only the Chinese Central Government which is trying to absorb gradually the Hong Kong administrative system into the overall PRC administrative structure, but the various dominant elites in Hong Kong (businessmen, professionals, etc) are also attempting to capture the bureaucracy in a new round of redistribution of power which was opened up by the change of

government. These local elites are able to have easy access to Beijing and are making use of their political influence as key advisers to the Chinese Central Government (through mechanisms such as the SAR Preparatory Committee) and their connection to senior officials in the Central Government to assert their demands for power-sharing with the bureaucrats. Whereas, as explained earlier, the senior civil servants have fought hard to resist the rise of legislative power, they now find that they have to engage themselves in a more delicate 'battle for influence' with the new elites who, unlike elected politicians, seem to enjoy the blessing of Beijing.

What transpires from such a complicated political scene is a civil service which is neither depoliticized or politically neutral as implied in the typical Weberian model, nor administratively authoritarian as it used to be under the British colonial tradition, but an institution which does not fit nicely into any specific paradigm.

THE EMERGING NATIONAL SCENE: DEMAND FOR LOYALTY TO THE SOVEREIGN AUTHORITY

Before 1997, Hong Kong did not operate within any sense of a national scene. Although a British dependent territory, the majority of its population who were predominantly Chinese by race would not recognize the British sovereign as their national government. In terms of cultural and sentimental allegiance, most would identify with China and yet were loath to identify politically for fear of Chinese Communism. The political situation therefore had left Hong Kong virtually running itself as though it was a city state having a separate quasi-diplomatic identity and being represented on its own in international organizations such as the World Trade Organization, the World Bank/ International Monetary Fund and the Asia-Pacific Economic Cooperation Forum. Reunification with mainland China under the People's Republic, while allowing the SAR to retain existing external roles as guaranteed by the Sino-British Joint Declaration (Clause 3 (10)) and the Basic Law (Article 151), has brought Hong Kong into the larger political scene of China. For the first time there is a real national scene in which Hong Kong operates. China is prepared to let Hong Kong loose in the international arena only insofar as the city respects that national link.

Convergence and political loyalty

When Liao Chengzhi, the late Director of the Hong Kong and Macau Affairs Office of the PRC State Council, suggested back in the early 1980s that all that was required after China resumed sovereignty over Hong Kong in 1997 was to remove the British flag and the British Governor, he was not simply playing with hyperbole in reassuring Hong Kong people. That was literally what Chinese

leaders had in mind at that time as the best scenario for recovering the British colony. Under such a scenario the Chinese Central Government would inherit all the existing British sovereign powers over Hong Kong and ensure that the Chief Executive of the future SAR be primarily accountable to Beijing. The civil service would remain intact as long as it was prepared to switch loyalty to the new sovereign and to govern Hong Kong effectively, as it did under British colonial rule. Though not spelt out explicitly, both the Sino-British Joint Declaration and the Basic Law provide for the continued appointment of civil servants as 'principal officials', the ministerial equivalent of the SAR government. This would *de facto* extend the fusion of 'political' and 'administrative' roles of top civil servants, somewhat an anachronistic feature of colonial governance. The so-called 'executive-led' principle, resulting from long years of the political reality of British colonial rule, was ironically beatified by Beijing to the extent that any challenge, no matter how legitimate, to governmental powers and decisions emanating from the administrative elite would be regarded as harmful to the territory's stability and prosperity. In other words, what the Chinese government preferred all along was a *bureaucratically controlled* Hong Kong under Beijing's leadership, with a local Chief Executive being placed in trust of the responsibilities of governance.

Party politics is not to be particularly encouraged. The New China News Agency Hong Kong Branch Director Zhou Nan made the point, when interviewed by *Time* in June 1996, that even if a political party managed to secure a majority of seats in the legislature, it had no right to form a government. China's stance was based not so much on the constitutional nicety of the Basic Law, which provides for separation of powers between the executive and legislature, as on a fundamental distrust of political parties which could gain entry into the organs of political power only through legislative elections. Such anti-politics sentiments were fully articulated within the China-appointed SAR Preparatory Committee which decided in July 1996 that candidates for the post of Chief Executive could not be member of a political party.

Under China's political blueprint, the civil service served as a very important point of 'convergence' for Hong Kong. Indeed, one of the earliest achievements of Sino-British cooperation in the Joint Liaison Group was the agreement reached in 1986 over the New Pensions Scheme for Civil Servants by which the Chinese government generously took over, on behalf of the SAR government, all pensions responsibilities for employees of the British Crown after 1997. The 'through-train' model which marked the Sino-British consensus on Hong Kong's transition was meant to apply not only to the extension of office of members of the pre-1997 Legislative Council, but also to other branches of government — including the Executive Council, the Judiciary and senior officials of the civil service. China's willingness to accept more or less intact pre-1997 institutions and their incumbents was of course not unconditional. It was premised on the understanding that during the latter

part of the transitional period, the Chinese side would have an increasing say, if not outright veto power, over transitional matters, including those relating to the appointment of Executive Councillors, senior judges and top civil servants. China was also to be consulted fully on the composition of the 1995 Legislative Council, namely the way various types of elections were to be conducted. If there was extensive Sino-British mutual consultation over Hong Kong's transition, a high degree of institutional continuity could have been achieved.

The breakdown of Sino-British cooperation following the row over electoral reforms in 1992–94 caused the formal termination of the 'through-train' arrangement. China began actively to pursue what was called the 'second stove' strategy by forming the PWC of mainland Chinese officials and Hong Kong appointees in mid-1993 to unilaterally plan for the setting up of the SAR, leaving the British side very much in the cold. China also strongly objected to key senior civil service appointments made by Governor Chris Patten — in particular those of Chief Secretary Anson Chan, Financial Secretary Donald Tsang and Secretary for the Civil Service Michael Sze — without prior consultation with Beijing. For a while it looked as though the civil service was in danger of being torn apart by the two conflicting sovereign powers each demanding political loyalty from the civil servants. Beijing's distrust of senior civil servants was played up by some pro-China hardliners in Hong Kong who argued that these civil servants should be interviewed and that their personal files be studied by the Chinese government to enable the latter to decide who should be worthy of reappointment in 1997. Such a screening process would have meant the end of automatic transition of civil servants as implied by the Joint Declaration.[5] In the meantime, Chris Patten instructed that civil servants should not officially meet with the PWC, a move which China interpreted as a sign of further sabotage by the British. Increasingly senior civil servants found that they were caught in a no-win situation in the Sino-British tug-of-war. Morale and confidence in the future were very much put at risk.

It was against such a gloomy background that news of the Chief Secretary Anson Chan's 'secret' visit to Beijing in early July 1995 was greeted by most civil servants with great relief. With Lu Ping, then Director of China's Hong Kong and Macau Affairs Office, repeatedly refusing to meet with the Governor in the aftermath of the Sino-British political row, the Hong Kong community and business leaders had been urging a meeting between Lu and the Chief Secretary as the next best solution to breaking the deadlock. Although there were reservations about the secretive nature of the visit, the fact that top Chinese officials including Vice Premier Qian Qichen and Lu Ping were finally willing to receive Chan (long accused by the local pro-China press as being Patten's protege) was considered to be a change of heart in China's transitional policy towards Hong Kong. The visit also came right after agreement was reached by the two sovereign governments, on financial services support to the New Airport project and on the constitution of the Court of Final Appeal

to be set up in 1997. By taking on board some of the recommendations of the PWC on the composition and powers of this court, the British government had *de facto* recognized the status of the PWC. Such developments led some to conclude that since there had been some mutual readjustment of policy by both Britain and China, tension over the civil service would subside.

What was witnessed was a vigorous campaign by China to shunt the British aside and proceed on her own way to 'win' over the civil service. The strategy mooted in Liao Chengzhi's days remained in force. For many Chinese officials, capitalist Hong Kong could not be managed well by sending out cadres from the Mainland. Hong Kong's stability and prosperity could not be guaranteed without the cooperation of local civil servants and there was no way to replace pre-1997 British-employed civil servants on a large scale. The only pragmatic option left was to separate these civil servants from British authority and to deal with them directly. Circumstances were also ripe for such an approach, because as 1997 drew nearer, senior civil servants prepared to stay in office would be most anxious to forge links with the future sovereign and not to let the Sino-British impasse block their career paths. Thus in the last two to three years before the transfer of sovereignty, despite the frustrating political atmosphere, delegations of senior civil servants continued to make their trip to Beijing for training and study. The Hong Kong government intensified China-oriented activities for middle- to senior-rank civil servants, such as Putonghua classes, China courses, and dissemination of information on contemporary China (including the history of the Chinese Communist Party). Civil service unions, of both local and expatriate staff, also took the initiative to meet officials of the New China News Agency Hong Kong Branch and the Hong Kong and Macau Affairs Office, as well as members of the PWC and the Preparatory Committee, to express their anxieties and to pledge their commitment to continued service. The 'expert groups' which operated under the Sino-British Joint Liaison Group to deal with the technical aspects of various bilateral issues also provided an important forum for Hong Kong civil servants (then acting as experts on the British side) to interact and develop friendship with their Chinese-side counterparts.

With the collapse of the 'through-train', the Chinese government accused Chris Patten of playing the 'civil service card' by hurriedly appointing a number of key officials and imposing such appointments upon the future SAR government. While there might be some ground for such an accusation, it could equally be said that China was also eagerly playing her own civil service card. Indeed Chinese officials went out of their way in wooing civil servants and securing their support, as part of a general strategy to alienate them from the Governor. For example, the PWC set up a special Civil Service Sub-Group to look into civil service matters and to listen to representations of the civil service unions. The Association of Former Senior Civil Servants, most of the leaders of which were appointed Hong Kong Affairs Advisers by China, was encouraged to bring together Chinese officials and senior civil servants through

official banquets and informal gatherings. In a keynote speech made by Lu Ping during his visit to Hong Kong in May 1995 for PWC meetings, he specifically addressed the question of the civil service as one of the five 'hot topics' in town. He made a number of reassurances. In the morning of 1 July 1997, all pre-existing civil servants could return to their original offices and continue to work as usual, without having to wait for any new instructions. Those civil servants who had obtained British passports under the British Nationality Scheme introduced for 50 000 Hong Kong families in the aftermath of the 1989 Tiananmen crackdown would not be discriminated against. However, if they aspired to appointment at the principal official level (namely the Secretary rank and its equivalent), they would have to give up their British nationality or right of residency. While the Chinese Central Government's authority to appoint principal officials of the SAR under the Basic Law was to be substantive rather than symbolic, Beijing would try to appoint these officials on the basis of merit. The local New China News Agency — in essence the Hong Kong Working Committee of the Chinese Communist Party — also toned down its previous jingoistic stance. In an article entitled 'Earnest Expectations for the Civil Service' published in the August 1995 issue of *Bauhinia Magazine*, the agency's mouthpiece, it was emphasized that the Chinese side had all along worked for continuity and stability of the civil service. Existing civil servants were to be the key component of the post-1997 governing team, and it was not realistic to expect the setting up of a new civil service after 1997 and getting rid of existing civil servants.

At first sight China's policy seemed to contain an element of protection for the existing civil service system. Indeed, following an agreement reached between the Chinese and British foreign ministers, 'get-together' sessions had been organized since November 1995 to enable top civil servants from various policy branches and departments to meet officials of the Chinese government, so as to improve mutual understanding. Although dubbed by some commentators as 'political interviews', these sessions were useful occasions for Chinese officials to reassure the civil servants that their continued service was to be valued and that they would not be made victims of the Sino-British conflict. In the event, the first Chief Executive Tung Chee-hwa had secured Beijing's appointment of all incumbent local Chinese officers at the Secretary and equivalent ranks to the same posts in the new SAR gvernment.

However, one should not read too much from China's move as to assume that the Chinese Central Government is to let Hong Kong civil servants have a free hand in running the territory. The reunification of Hong Kong with China is not simply a constitutional act. It also entails a fundamental shift in the nature and status of the civil service institution. One argument can be that since the Hong Kong SAR will operate separately from mainland China under the concept of 'one country, two systems', the Hong Kong civil service should be able to remain as before, i.e. to continue to work for the Chief Executive, through whom it is to be constitutionally accountable to the local legislature.

Following such an assumption, it can be suggested further that with the gradual democratization of Hong Kong's political system, eventually the civil service can behave more like a politically neutral institution similar to its Western counterparts; only the very top civil servants, namely those occupying posts designated as 'principal officials' and thus required to be responsible for policy formulation, would be similar to politically appointed ministers in Western systems. This in effect would be an extension of the post-McKinsey development at the Secretary level.

The above argument rests entirely upon the critical assumption that the Chinese Central Government is to adopt a hands-off approach towards the Hong Kong SAR and to leave the local civil service wholly autonomous and separate from the Mainland civil service/cadre system. However there can be another interpretation of the notion of 'one country, two systems'. The Hong Kong SAR is not going to be an independent state, but rather a constituent part of the PRC which by constitution is under the leadership of the Chinese Communist Party. In essence, the Hong Kong SAR is an extension of the Chinese state even though the SAR government is to be constituted locally. Indeed the Basic Law (Article 43) provides that the Chief Executive is also accountable to the Chinese Central Government in Beijing (i.e. the State Council). Beijing would expect total political loyalty from SAR civil servants in much the same way as the former British sovereign did from colonial ones. Judging from Chinese officials' repeated pronouncements prior to the handover about requiring civil servants to work with the unpopular provisional legislature set up by China to replace the Legislative Council elected in 1995 (e.g. *SCMP*, 30 March 1996), it was clear that the Chinese government would be determined to impose tight political order and control on Hong Kong upon the territory's return to China to ensure absolute loyalty to Beijing from the local polity.[6]

Political disagreement between Britain and China over electoral reforms in Hong Kong during the final years of British rule not only led to the derailing of the 'through-train' arrangement for the Legislative Council, but also resulted in a virtual breakdown of Sino-British cooperation in other aspects of the political transition. Highly suspicious of British intentions, and in order to ensure full control over Hong Kong after the changeover, the Chinese government started its own alternative plans of transition. However for all its efforts to create new political institutions for the SAR such as the Provisional Legislative Council, the civil service was one institution — and probably the only one — which the SAR had to inherit from the British colonial administration. Indeed, in the midst of all the uncertainties created by the derailing of the political through-train, the continuity of the civil service was the last means to ensure smooth administration in the change of sovereignty. It could well be a genuine intention of the Chinese government that minimum changes be made to the senior civil service in order to avoid any detrimental impact on morale or stability. Yet the irony was that inasmuch as Chinese

officials were keen to keep the civil service intact, they were at the same time unsure of the loyalty of senior members of this institution, which, in their eyes, had been somewhat 'Pattenized' in the last few years (especially in terms of top-level appointments).

Despite frequent remarks by senior Chinese officials praising the high quality of Hong Kong's civil service, the Chinese government would still worry that senior local bureaucrats might try to defy China's political will. What China was looking for was a civil service that could act as the Chinese Central Government's governing agent in much the same way as the civil service did in the old British colonial days. While on the one hand trying to protect the civil service from challenge by local politics, through the suppression of political democratization and the sidelining of elected politicians in the name of preserving Hong Kong's so-called 'executive-led' features, Beijing on the other hand might attempt to tighten its political control over the civil service. As a result, a kind of China-centred politicization was likely to displace local politicization. In the process, Hong Kong's public administration was to find itself in a quagmire of confusing 'political' paradigms.

Reintegration without mainlandization?

The political reunification with mainland China has brought about not only issues of political loyalty to and control by the Chinese Central Government. There is also worry about Hong Kong public administrative practices being induced or coerced to give up their British legacies and to become closer to PRC practices and systems, hence becoming infected with the diseases of bureaucratism, cronyism, inefficiency and corruption so often associated with mainland Chinese cadres. Such a possibility could only be highly speculative at this stage. While it is true that under 'one country', the Hong Kong SAR public administrative system definitely has more frequent and more intensive interaction with its mainland counterparts, and as a result is likely to be more exposed to the Mainland administrative discourse in much the same way it had been subject to Anglo-Saxon administrative ethos and experiences in the past because of the British lineage, the risk should not be overrated.

Moreover, one important development to note is the current administrative transformation in China which since the late 1980s has seen the launch of a new state civil service system (Burns, 1989; Lee, 1991; Dong, 1994) as an attempt, no matter how constrained politically, to build up gradually a modernized state personnel system to replace the traditional cadre system. The main significance of civil service reform in China lies with the pursuit of efficiency and rationality. Such an attempt, if put in an international perspective, is not much dissimilar from the worldwide administrative reforms of the 1980s to 'debureaucratize' state organizations in order to enhance institutional competence (cf Caiden, 1988). However, in another sense, civil service reform in China can be seen as a process of 'bureaucratization' because it denotes a

transformation of the administrative machinery from one dominated by Marxist-Leninist revolutionary features towards the rational-meritocratic Weberian model of bureaucracy. As Lee (1991: 396) commented, the previous Chinese bureaucratic system 'was a strange mixture . . . It was organized hierarchically with full-time cadres, but it lacked the characteristics of impersonality, technical expertise, and political neutrality'. The post-Cultural Revolution reforms in cadre management have seen the rise of what Lee termed 'the bureaucratic technocrats'. Despite these reforms, however, one has to bear in mind that the Chinese Communist Party continues to assert political authority and control over the new civil service system which would bear 'Chinese characteristics', namely that it has to uphold the Four Cardinal Principles (the most important of which being the leadership of the Chinese Communist Party) and to form a constituent part of the Chinese Communist Party's organizational line. As such, the technocratic rationality of the new Chinese civil service sytem has to coexist with the political rationality of the Chinese Communist Party state ethos. This is a feature which will distinguish fundamentally the mainland Chinese system from other civil service systems of a liberal type, including that of Hong Kong.

Given that the Hong Kong SAR civil service can be regarded as an integral part of the PRC's administrative arm, a new understanding of post-1997 relationships can be construed based on a more holistic picture of China's civil service system which now consists of at least three distinct sectors:

1. *the traditional cadre sector* which still characterizes most administrative systems on the Mainland, though it is in the gradual but slow process of transformation into a 'state civil service system with Chinese characteristics';
2. *the new state civil service sector* established in major cities (like Shenzhen, Shanghai and Harbin), coastal areas and the more advanced parts of the Mainland, following the model set out in the Provisional Regulations on the State Civil Service (State Council, 1993); and
3. *the Hong Kong SAR civil service sector* which is much closer to the Western civil service prototype in character and which will become the most liberal and cosmopolitan part of PRC administrative life.

In such a tri-layered regime, two forces are likely to be in action over Hong Kong — *the force of mainlandization* which might try to pull Hong Kong into the dominant system on the Mainland, and the opposite *force of modernization* which attempts to steer the Mainland system towards adopting those 'modern' characteristics of the Hong Kong system. Indeed, the whole civil service reform movement in mainland China is geared towards emulating the civil service systems in Hong Kong and Singapore which are managed like any modern Western civil service institution but which still retain a strong element of bureaucratic domination (cf Cheung, 1996d).

Some commentators expect the decade after 1997 to see a growing convergence of the political and economic systems of mainland China and

Hong Kong, such that the Mainland economy will become more market-oriented, while Hong Kong's formal political system will likely take on more political characteristics of the Mainland (Burns, 1996). Still, Hong Kong's polity is likely to remain much more pluralistic than that of the Mainland, and the two civil service systems will remain formally separate, despite greater interaction. The reintegration of the Hong Kong civil service with its mainland Chinese counterparts may present problems of adjustment and coexistence, or even threats of mainlandization. Yet there is a brighter side to the change in that the Hong Kong civil service can arguably act as a model for administrative reform in mainland China, in much the same way as the Hong Kong economy provided an engine for economic growth in southern China during the 1980s. Hong Kong's administrative system may turn out to be the most advanced sector of the future PRC public administration, where there is greater room for international linkage and learning, and greater scope for administrative innovation, though possibly with less political free space in the short term.

THE GLOBAL SCENE: CHALLENGE FROM THE INTERNATIONAL PARADIGM OF NEW PUBLIC MANAGEMENT

International influence

Throughout the past two decades or so, Hong Kong's public administration has been responding not only to challenges posed by domestic social and political changes, as explained above, but also to trends and developments in the international public administration scene. From the 1970s, the Hong Kong civil service has been almost constantly in a process of reform, from localization and civil service training in the 1970s, to improved recruitment, open directorate, breakup of superdepartments (such as the Medical and Health, Public Works, and Trade Industry and Customs departments) in the 1980s, and financial devolution and full-fledged public sector reform in the 1990s.

While a British-administered territory, Hong Kong, despite having a predominantly Chinese population, had been disproportionately exposed to the use of English language as a medium for discussions in public administration. Some may argue, on grounds of policy diffusion through emulation, penetration or harmonization (following, for example, Ikenberry, 1990 and Bennett, 1991: 215-33), that Hong Kong was obliged to follow administrative practices in Britain and, by extension, other Anglo-Saxon societies. The 1974 McKinsey reorganization of the central government machinery was compared by some (Harris, 1988: 135-41) to the impact of the 1968 Fulton Report on the reform of the British civil service, in that both McKinsey and Fulton tried to achieve efficiency in government operations through reform of the 'process'. Similarly the introduction of DMCs under

the District Administration Scheme of the 1980s, whereby interdepartmental representation at DMCs provided a useful focal point for corporate management and coordination of the activities of various service departments at the district level, can be compared to similar notions of local government reform made popular by the 'corporate revolution' in Britain during the 1970s (Haynes, 1980: Ch III). The agenda for administrative change definitely arose from domestic problems and issues, but the government frequently found it useful to adopt internationally fashionable or British-tried practices and systems to help deal with such problems and issues. The same can be said of the current public sector reform.

Since 1989 the Hong Kong government has been catching up with Western developed countries in the pursuit of privatization and public sector reform. Major reform initiatives included: the setting up of self-accounting trading funds and rationalization of public corporations and non-departmental public bodies; devolution of resource management responsibilities; greater emphasis on the policy 'management' functions of the central policy branches; procedural and structural changes within the civil service to promote awareness of costs and results; and the transformation of civil servants from administrators into better managers (Finance Branch, 1989). What makes Hong Kong an odd case in the current global trend of public sector reform is the fact that apparently reform had neither been driven by social or economic problems, nor was it a result of a perceived decline in administrative efficiency (Cheung, 1996b).

The Western public sector reform has taken place within the context of an economic slowdown, government crisis, and expenditure cutbacks, taking shape as part of a general government strategy of load-shedding and contraction. Those factors commonly associated with the rise of the newly popular efficiency paradigm, coined as NPM (Hood, 1990, 1991; Pollitt, 1993) — such as the oversizing of government, macroeconomic and fiscal problems, New Right ideology, and party-political incumbency (Hood, 1996) — were essentially absent from the Hong Kong scene. On the contrary, the Hong Kong civil service had long been held in high esteem by both the general population and private business. The question is begged as to what specific institutional failures were being suffered by public administration in Hong Kong, driving the government towards a series of rhetorically rigorous public sector reforms. The anti-bureaucratic thesis of the 'reinventing government' paradigm of NPM, though apparently fitting the moods of contemporary times in Western societies where the bureaucratic paradigm is diagnosed as the problem of government failure (Frederickson, 1996), does not really fit Hong Kong where public bureaucratic power had never been fundamentally challenged, at least not by those senior mandarins who appeared to be fervent reformers of the public sector.

The official reason, as articulated in the government Efficiency Unit's publication *Serving the Community* (1995), was that 'stimulated by Hong Kong's

economic success, the community is quite rightly demanding more and better public services'. Hence the civil service had to respond to these pressures, not only to improve financial and performance management, but also to address the more qualitative aspect of its work, in particular customer and staff issues (Efficiency Unit, 1995a: 3). Essentially, departments were encouraged to adopt a more businesslike approach to the delivery of services. In the name of performance management and devolution, government departments were given greater authority in such matters as non-directorate appointments and promotions, and more flexible use of their budgetary resources. There was also consideration of introducing fixed-term contracts and some form of performance-related pay, to be tried out first in non-departmental agencies such as trading funds. All departments and other agencies had to publish performance pledges to inform customers and clients of the standards for service delivery and the channels for complaints or feedback (cf Cheung, 1996a). The public sector reform framework identified four core principles, namely 'Being Accountable', 'Living Within Our Means', 'Managing for Performance', and 'Developing Our Culture of Service', under each of which there were specified initiatives (see Table 3 below).[7]

Table 3
Management Framework under Public Sector Reform

Being Accountable	* Answering to the Legislative Council and Others * Keeping the Community Informed * Providing Access to Information
Living Within Our Means	* Applying Fiscal Guidelines * Assessing Community Needs * Planning * Resource Allocation * Reviewing Performance
Managing for Performance	* Refining Performance Measures * Managing by Programme * Improving Efficiency * Managing Public Finances * Managing Human Resources * Managing Support Services * Developing Department Plans * Reviewing Progress
Developing Our Culture of Service	* Making Performance Pledges * Using Feedback to Improve Services * Securing Staff Commitment

Source: Efficiency Unit (1995a: 18)

The impact of such reforms on enhancing the productivity and efficiency of public service delivery of course should not be disputed, but it has yet to be ascertained over time. There may indeed be good fiscal reasons for the Hong Kong government to begin emphasizing the delivery of more (or the same) with less because of budgetary constraints built into the Basic Law to keep down public expenditure and to achieve a balanced budget (Article 107) and growing public sentiments against taxation and fee increases as articulated by popularly elected politicians. However, whether in Hong Kong or elsewhere management reforms should not be understood outside their social and political contexts. Despite the commonly held belief in public sector reforms, both among their supporters and critics, that such reforms are efficiency-inspired, Cheung (1996b) has argued that what 'efficiency' has contributed to public sector reform is that it has provided a rhetoric of *realpolitik* to enable complex patterns of political and intrabureaucratic interests to be articulated within the practice of public administration. In the case of Hong Kong, public sector reform measures can be viewed as a set of strategic responses to reshape the public sector institutional configuration, so as to 'remanage' the changing realities of both external and internal constituencies within the new political environment.

Domestic needs

In the run-up to 1997 the decline of the colonial government's authority and relative autonomy had adversely affected its cooptative or integrative capacity *vis-à-vis* society, thereby further contributing to a weakening of governmental power. A weak government is not in a strong position to push for drastic reforms. However, it was within such unfavourable circumstances where the government might find it increasingly difficult and costly to accommodate political pressures and external demands of all kinds under the prevailing institutional framework and hence had to actively seek a coping strategy through reforms. This is perhaps what can be seen as the paradox of reform. Earlier discussion on the political future of the civil service institution has focused on the attempt of the senior civil servants to recentralize and reassert power during the political transition. In terms of public sector reform, the reform measures could be seen as a strategic response in reshaping the public sector institutional configuration for the purpose of reinventing and relegitimating public bureaucratic power (Cheung, 1996c). This development might yet signify an attempt at what Lau (1987: 38) suggested as a 'recentralization' of powers within the government in face of political changes, and *not* simply a process of managerial decentralization and devolution as the NPM logic would imply.

The need to manage *internal constituencies* (from the standpoint of central agencies such as the Finance Branch and policy branches of the Government Secretariat) related to finding a more settled form of branch-department

relationship. The McKinsey reform of the 1970s had already created policy branches as new centres of influence in the government. These policy branches (now retitled 'policy bureaus' under the new Basic Law official parlance) needed to establish some kind of order in which to structure interaction with 'their' departments. Performance management provided a ready platform for such reordering. On the other hand, departments as an executive agency sought to enhance their operating autonomy even under the supervision of their policy secretary, and to be free to deal with their clientéle and map out their own managerial strategies. Emerging professional power in some departments also demanded a better power-sharing regime with their administrative officer counterparts who used to enjoy policy supremacy in the government (as demonstrated in the case of the Hospital Authority reform — see discussion in Cheung, 1994a). Two sets of 'bureau-shaping strategies' (in the sense used by Dunleavy, 1991) were in action, and public sector reform provided the ground for both teams of bureaucratic actors inside the civil service to interact and reach a more settled basis of institutional relationships. Policy branches had their policy and resource control functions fully recognized, in exchange for granting managerial autonomy and micro-budgetary powers to departmental managers. The reform had thus been underlined by a paradoxical process of decentralization of services, yet requiring greater central control and monitoring.

The incentive of the Finance Branch (which used to be the most powerful central agency, following the tradition of the British Treasury — Drewry and Butcher, 1993: 39–41) to 'let go' and to agree to considerable devolution under public sector reform in the 1990s could similarly be construed within bureau-shaping considerations rather than simple conviction as to the virtues of efficiency. This does not mean that efficiency did not feature in the thinking of some Finance mandarins. However, financial devolution could be seen more as the Finance Branch taking on a new strategy in asserting its influence than giving up control altogether, in face of demands from policy secretaries for greater say over their policy programme areas and the growing 'politicization' of Hong Kong's policymaking scene. Because of the 1997 transition and the rise of electoral politics in recent years, it would be a more rewarding approach for the Finance Branch to free itself gradually from day-to-day budgetary politics, particularly in terms of accountability to the legislature which became fully elected in September 1995, and to refocus on greater strategic control over public expenditure through the 'Star Chamber' chaired by the Chief Secretary. The job of financial accountability was transferred to policy secretaries and heads of departments and agencies.

The central force in Hong Kong's public sector reform, like previous rounds of administrative reform, came from the administrative class of civil servants who formed the administrative elite and who since the 1970s held more and more political management and quasi-ministerial functions. The reform was imposed top-down within the bureaucracy and was not a result of

external demand. Indeed public sector reform had not attracted much attention or debate even within the Legislative Council. It was more an intrabureaucratic strategy to solve the institutional problems faced by the administrative elite. With the growth and diversification of government services, and the rise of local politics since the 1980s, the administrative elite began to encounter more and more challenges to their power from elected politicians and the fast-expanding strata of specialized civil servants in the departments. Generalist-specialist tensions and the concomitant branch-department rivalries have become an increasingly prominent feature of public management. Public sector reform could be seen as the policy centre (i.e. top administrative officers) trying to re-rationalize their power positions within the contexts of both external and internal governance.

In terms of managing *external constituencies*, public sector reform initiatives playing up the consumer focus entail a new definition of accountability and responsiveness, quite different from the conventional one emphasizing political accountability to the legislature. A consumer focus, accompanied by managerial autonomy, both of which being ideas borrowed from the 'excellence' school of private management thought (e.g. Peters and Waterman, 1982), in effect can empower public service managers inasmuch as they can in theory empower consumers (Cheung, 1996a). Under the new thinking, managers can play an active role in determining performance standards and targets and in gauging the needs of consumers. They can now claim to discharge their accountability through strengthening links with users of services in the absence of, or even at the expense of, any real progress in political accountability and representation. The autonomy of these managers will be enhanced further if they are at the same time professionals who can use professional accountability (i.e. being accountable to professionally determined standards and values) as another source of managerial empowerment. The rise of medical managerialism under hospital management reforms in Hong Kong (Cheung, 1994a) and elsewhere (cf Degeling, 1993) is a good illustration of such a possibility.

The whole impetus for public sector reform and a client-based culture in public services must also be examined within the context of the political transition. In the process of transition, the development of some kind of representative and accountable system of governance became a major priority on the government's agenda. However, Sino-British disagreement over the nature as well as the pace of political development meant that the political legitimation of Hong Kong's governance remained problematic and controversial. With the Chinese government unwilling to regard Hong Kong's elected legislators as proper representatives of the local public, and the British administration equally not prepared in the final years of British rule to give up its executive (thus bureaucratic) dominance in public policy processes in the name of preserving an executive-led system, a new client-led emphasis in public service management might prove to weaken further the role of elected political representatives within the public service domain. Increasingly the

external environment is being defined in terms of a 'market' rather than politics, thus allowing public sector reform to provide a convenient tool for civil servants to downplay the political colour of public services and hence the importance of elected politicians. By depoliticizing public administration and public services, public sector reform could also be seen as a useful tactical means for the administrative elite to keep away politics from China during the political transition. When bureaucratic autonomy and domination could not be sustained by the traditional executive-led system of colonial governance, or by a practice of political neutrality under an elected democracy, the newfound principle of managerial freedom advocated by the global NPM movement became the last doctrine available to the senior civil service to shield Hong Kong's public administration from external political capture.

Hong Kong's response to marketization and globalization, within the newly popular paradigm of NPM that emphasizes a set of more market-oriented and consumer-led structures and processes, therefore embraces a complex range of purposes and motives, not just an innocent concern for efficiency. More significantly, it marks an attempt to maintain institutional performance which can be largely free from political interference, whether from local politics or from the overspill of mainland Chinese politics that appears almost inevitable in the future. Whether such an approach can work in practice has yet to be proved over time. The fact that Hong Kong will endeavour to keep a strong presence within the international arena and to maintain its links with the English-speaking world, notably the US, Canada, Britain and Australasia, means that its public administration practice will continue to be exposed to the wider public management paradigm that is spreading through the English medium. In terms of administrative culture and practices, the Hong Kong civil service will be sandwiched between mainland China and the international public administration community. As presently observed, it is steered more by insights from the latter. It will be such an *international* feature of the Hong Kong civil service institution which will keep it distinct within the People's Republic framework.

CONCLUSION

The Hong Kong civil service is at a crossroads, not only in terms of being pulled by both the forces of 'mainlandization' (becoming part of the PRC institutional framework although under the 'one country, two systems' principle) *and* 'globalization' (retaining if not strengthening its linkage with the West within the context of a global paradigm). It also needs to preserve its distinct local identity and accountability (hence the importance of 'localization') and its efficiency edge (responding to the 'marketization' challenge posed by NPM and coping with future fiscal pressures on public services), if it is to maintain itself as a viable post-1997 system. As observed in

the above discussion, demands on the civil service as the centre of administration have come not only domestically but more challengingly from the external sovereign power whose impact on the integrity and operational effectiveness of the system cannot be underestimated.

Wolfang Seibel (1996: 74) described the key feature of the German administration as follows: 'What characterizes German public administration since the eighteenth century is its early modernization relative to the political regime.' A well-developed administrative system in advance of its political institutions was instrumental in allowing Germany to function even when the political regime collapsed, as it did in 1918 and again in 1945. There is a high degree of similarity between Seibel's depiction of German public administration and the administrative state of Hong Kong in both colonial times and the present SAR era. The fact is the 'political' regime was virtually non-existent for most of the 150 years of colonial rule, thus enabling the civil service administrative regime to expand in powers and functions, taking upon itself roles which otherwise would have been played by properly constituted democratic institutions. Until the transfer of sovereignty the civil service institution had performed relatively smoothly, despite political conflicts domestically and between Britain and China over the direction of the transition, and occasional social and economic crises (such as the 1987 stock market collapse), becoming the single most important factor of stability for Hong Kong. Its ability to survive the many turmoils and challenges lay with its self-reforming capacities. Such capacities were partly imposed by sheer circumstances under which there were just no other effective institutions in society to share with it the responsibilities of governance. They were also partly created by senior administrators who saw themselves as the real rulers and who were willing to take the necessary adjustment and renewal initiatives, whether political, administrative or managerial, when times and situations so demanded (as in administrative and quasi-political reforms of the 1970s and 1980s and management reforms of the 1990s). After the establishment of the SAR, the 'political regime' is still not much in sight — the Chief Executive has yet to create an executive institution of his own, and the Provisional Legislative Council could not function properly as a representative institution because of its provisional nature and its lack of legitimacy. Various political parties and groups, newly emerged during the pre-1997 transition, have yet to find their effective roles in the new SAR scene of governance. Circumstances dictate that the civil service institution will remain the sole governing institution; but it will have to change and renew itself in order to face up to new challenges and difficulties.[8]

Civil servants have to continue confronting real dilemmas of accountability and autonomy. Institutionally the senior civil service is seen trying to reassert its authority by politically downsizing the legislature and to restructure institutional arrangements through public sector reform so as to maintain a degree of effective control over the external environment. However, for

individual civil servants, they still need to ask the most fundamental question: *Where is their loyalty going to?* The new sovereign power in the capacity of the Chinese government? The Chief Executive appointed by Beijing? The locally elected Legislative Council? Or themselves (in the form of managerial and professional autonomy)? In the British colonial days things were relatively straightforward. Civil servants were bureaucrats who administered the territory on behalf of the Governor. But now with notions of citizen rights, democracy and accountability commonly accepted as the foundation of a modern society, whether it likes it or not, the civil service will have to cope with more challenges to its previously unquestioned supremacy. It also has to accept the presence of a real national scene which previously was next to non-existent in the era of British rule. The political and administrative worlds of the SAR civil service definitely have become more complex and multifaceted.

ENDNOTES

1. Some of the challenges to the civil service in transition were first discussed in Cheung (1996e).
2. See discussion in chapter eight on the future political role of the senior civil servants.
3. Refer to chapter eight for more discussion on the 'ministerialization' of the senior civil service after the McKinsey reform.
4. Article 74 of the Basic Law further prevents legislators from introducing bills which relate to the political structure or operation of the government. The consent of the Chief Executive is required before bills relating to government policies can be moved.
5. Except those non-Chinese nationals who would be debarred from appointment as 'principal officials' of the SAR government.
6. After 1 July 1997, civil servants accepted the *fait accompli* of the Provisional Legislative Council. In August 1997 the Court of Appeal ruled that the provisional legislature was legal on the grounds that the sovereign act of the PRC was beyond legal challenge at an SAR court.
7. Refer to chapter seven for more discussion of the scope of management changes under public sector reform.
8. Public confidence in the competence and efficiency of the civil service was somewhat shattered in December 1997 when the 'bird flu' crisis was handled poorly. See also chapter eight and its endnote 13.

CHAPTER 4

PREPARING FOR CHANGE

Hong Kong civil servants, due to their position and the nature of the functions they perform, occupy a prominent position in Hong Kong's political life. They are involved, directly or indirectly, in the formulation and implementation of policies as well as their subsequent evaluation. The civil servants of Hong Kong have always been considered as an important group of political actors in the executive-led system where public officials have a crucial role to play in public affairs. Senior civil servants bear the major share of responsibility for policy formulation and resource allocation. Article 99 of the Basic Law stipulates that '[p]ublic servants (commonly known as civil servants) must be dedicated to their duties and be responsible to the Government of the Hong Kong Special Administrative Region'. The prospect of the continued success of Hong Kong depends, to a large extent, on the ability of the civil servants to adapt to new arrangements of government and administration under the changed circumstances.

Two prominent features of the Hong Kong civil service could be readily identified in the years leading up to 1997. The civil servants were extremely efficient and competent, and had received extensive training in Hong Kong and the West. These training programmes were based on values predominant in Western liberal democratic systems, and their knowledge and appreciation of the Chinese society and style of administration were never tested. In view of the reintegration, it was felt necessary to educate the civil servants of Hong Kong in these areas as well as to develop their language proficiency to complement this task. The second feature was the overwhelming presence of expatriate officials at and near the top of the hierarchy. Efforts had to be initiated to prepare the grounds for a smooth transition through which the top positions could be filled by local civil servants who would be discharging their duties at a better, or at least, equal level of competence as the expatriates.

This chapter intends to provide a brief account of the two central challenges that confronted the civil service of Hong Kong in the run-up to the transition and beyond, with the objective of demonstrating the preparation undertaken for handling the responsibilities associated with change. At the same time, it is important to consider some of the steps undertaken in recent times to prepare civil servants to adapt to the new environment and continue to perform

at a comparable level of excellence. It is obvious that civil servants need a considerable amount of reorientation and training in adapting to the new system. In addition, to ensure conformity with the Basic Law, it was imperative to prepare a group of capable local senior civil servants to take over the responsibility of providing administrative leadership in the Hong Kong SAR. The challenges will be explored by examining two major areas of the training of civil servants and the effective implementation of the localization policy for the civil service.

Various forms of training were provided by the government in preparing the civil servants for the transition and for taking up the challenge of performing efficiently in the Hong Kong SAR. In this chapter, only the centrally funded training programmes will be evaluated with the objective of ascertaining their potential to meet the needs of the circumstances. The CSTDI was established on 1 April 1996 by the Hong Kong government, and this institution is responsible for the formulation and implementation of the civil service training policy. In view of this new development, it will be interesting to assess the training provided by its predecessors to prepare Hong Kong for the reintegration with China.

TRAINING AND EDUCATION

The major training programmes of the Hong Kong civil service are usually directed at the administrative officers, and proficiency in official languages has recently been an issue of great concern. Since officers at the administrative grade are intimately involved in the policymaking process, they can be regarded as the cream of the civil service. The administrative officers are generally conversant with the English language partly because they were trained in English[1] and partly due to the heavy bias towards the language in the selection process. Such elitist positions used to be dominated by graduates of the University of Hong Kong which was the first university established by the colonial government. Generally, considerations were given to the efficient performance of a variety of tasks, and the system was heavily biased in favour of generalist administrators. The epitome of an efficient and effective civil servant was one who would be managerially accountable to the supervisor, adhere to organization rules and regulations, and uphold the value of political neutrality (Lui, 1988: 131–66).

A great majority of the civil servants in Hong Kong may not even have been conversant with Putonghua,[2] the official language of the Chinese government, because Cantonese is the dialect commonly used in the southern part of China and in Hong Kong. Furthermore, the Chinese characters used in China are simplified, while in Hong Kong the full form is prevalent.

Written communication in Chinese has not been practised widely in the Hong Kong civil service until the 1980s, although it was recognized as an

official language in 1971. But, due to various reasons, Chinese assumed a secondary status relative to English. Recruitment examinations were held in English and a compulsory paper on Chinese was introduced only in 1995. English was the main language and even replies to the public's correspondence could be written in that language by the Hong Kong civil servants. This indicates the established hierarchical relations among languages. Language 'is one of the most powerful means of colonial control', and that is why English naturally emerged as the exclusive language in the highest levels of administration (Fabian, 1986: 48, 63). Therefore, the language issue generated a considerable amount of debate before the reintegration in 1997.

Apart from the issue of language, it was felt that the civil servants of Hong Kong might not be familiar with the legislative, executive and judicial arrangements in the Chinese system of government. The term 'civil service' is a rather recent invention in China. The Chinese government has been dominated by Party cadres for a long time. The Communist Party still penetrates the management of the civil service. It uses political criteria, including loyalty to Party policies, as an important basis in making decisions on personnel matters (Burns, 1988b: 223). This is markedly different from the Hong Kong civil service where civil servants are required to put aside their political allegiance in the execution of their duties. This chapter provides an account of some of the efforts undertaken by the Hong Kong civil service to deal with the challenge of the transition and the new administration of the SAR.

DEVELOPMENTS AND TRANSITION

Hong Kong's transition from a colony of Great Britain to a special administrative region of the People's Republic of China is an event of great significance, and peaceful transfer of sovereignty with minimal disruption had always been the objective. This entailed careful planning and execution. The Hong Kong civil service faced the enormous challenge of transforming the spirit, attitude and nature of a colonial bureaucracy to one suitable for handling the new and complicated tasks confronting Hong Kong.

A number of factors should be taken into account in comprehending the significance of transition. The transformation from a colony to an autonomous region of China calls for readjustments and reorientation for administrators. Instead of concentrating on the maintenance of strict control over law and order, and the encouragement of revenue generation and its collection, the emphasis will now have to shift to the development of a system compatible with the needs and aspirations of the citizens. The nature of administration will have to be different from the old colonial style, and administrators will have to be prepared to make such adjustments. Although the steps towards political democratization have been retraced, the new orientation and culture in the public service appear to have taken root.

The ideological basis of administration will also need some adjustment. Although the Basic Law stipulates that Hong Kong will be able to continue functioning under a capitalistic system, it will exist under the governmental framework of Communist China as an integral part of the country. There are causes for increased interaction between Hong Kong and China, and a fusion of Communist and capitalist methods of operation may be necessary. Under such circumstances, the civil servants of Hong Kong will have to acquire intensive knowledge of both systems in order to facilitate governance.

Public administration in Hong Kong had been, in the past, based on the British Common Law system. Administrative and judicial decisions were formalized within this framework, and its assumptions had guided the thoughts and actions of public officials for a long time. As Hong Kong has reintegrated with China, Chinese law is gradually being recognized as a potential force, and administrators will have to acquire a sound knowledge of the Chinese legal system in order to function and make decisions effectively. China has an elaborate legal system which is extremely complicated and difficult to understand from outside. 'China does have a set of institutions for the preservation of social order and governmental authority, but these institutions operate on very different principles from institutions usually called "legal" (Clarke, 1995: 92).' Chan (1992) has discussed the issue of delegation of power to administrative authorities and their pattern of exercising such power. It is obvious that the legal framework and its application still differ vastly between Hong Kong and China.

Although Hong Kong had been administered as a colony, its distance from London had enhanced its autonomy and the civil servants had been used to a centralized system, the control over which was exercised by the Governor on the spot. For all intents and purposes, Hong Kong has been governed as a unitary system, with all administrative decisions made centrally. As the territory is now a region of China, the complexities of a central-local relationship will eventually emerge. In spite of the assurance of 'no change' for fifty years, in certain areas such as cross-border trade and maintenance of law and order, jurisdictions may have to be redefined and it is possible that some form of control by the centre may be introduced. This calls for a further reorientation, and administrators will have to get used to the practice of seeking approval from Beijing in planning and implementing major activities.

In spite of the promised 'one country, two systems' arrangement, there is no doubt that the degree of interaction between Hong Kong and Chinese public officials will increase significantly. This prospect underlines the need for the development of skills among Hong Kong civil servants for dealing with their Mainland counterparts. Effective communication with Chinese officials requires formidable command of Putonghua. Moreover, Hong Kong civil servants will also have to be well conversant with the social, cultural and traditional values and practices in China. The level of knowledge about Chinese society will be crucial in collaborating with officials from the Mainland.

Another new challenge facing Hong Kong civil servants will be their relationship with the Communist Party of China. Public officials in Hong Kong had never had reason to be concerned over political leadership and guidance in governing the territory. Bureaucratic values reigned supreme, and administrators had a relatively free hand in formulating and implementing policies without paying much attention to political ramifications. Conversely, in China, the Communist Party plays a dominant role not only in determining policies but in the operation of the civil service as well. Therefore, acquiring knowledge about the Communist Party and developing a working relationship with it will also be important for the civil service in Hong Kong.

Social, economic and political developments, as well as the transition of Hong Kong, have thus given rise to a number of issues and problems which will have to be dealt with by enhancing the capability of the administrators. The civil service of Hong Kong realized the urgent need to prepare itself for the challenges and has already embarked on the task by designing and implementing a number of training programmes specifically planned to accomplish this objective.

PREPARATION THROUGH TRAINING

Before the establishment of the CSTDI, training of Hong Kong civil servants was placed under the jurisdiction of the SSCC and the CSTC. These agencies were responsible for the bulk of training-related activities in the public sector, and were combined in early 1996 to establish the centrally coordinated CSTDI. This amalgamated structure will continue to play a very important role in shaping the quality of the civil service in the coming years. However, an overview of earlier arrangements is necessary for an understanding of the nature of training before and after the transition.

Senior Staff Course Centre

The SSCC was set up in 1984 with the primary mission of designing and running a three-month SSC. After a comprehensive review of the SSC in 1993, a condensed nine-week course was introduced to replace the three-month SSC in April 1994. Applicants for the course would normally be within the top few points of the MPS (MPS 45–49) or equivalent, or the first two points of the DPS (D1–D2), and between the ages of thirty-five to fifty with at least ten years of service experience. Participation was limited to forty civil servants per course. Three courses were offered each year and the primary goal of the nine-week SSC was 'to produce graduates who are more effective managers when they return to their place of work. As well as developing new skills and acquiring knowledge, graduates are expected to develop attitudinal and behavioural changes which will make them better managers' (*The Senior Staff*

Course, 1994: 2). The underlying philosophy of the SSC was 'action learning' with an emphasis on learning by doing. Each participant worked in an eight-member group to resolve a real-life policy problem for a real client. A desirable side-effect of the training was that participants managed their own learning experience and developed the ability to learn from problems and opportunities on the job.

The SSC was structured around a number of themes, processes and events. The first week of the course was spent in residence at a remote location. One objective was to establish new behavioural norms for participants and another was to provide participants with an understanding of key managerial concepts. This was accomplished through a range of instructional sessions. As much of the SSC involved working in groups, the first week also focused on group formation and preliminary planning for the tasks to be taken up by the groups.

The core studies included three distinct elements to be completed by all participants. The core study on Policy Making Environment examined the internal and external environment of Hong Kong which broadly covered social, political, economic, technological, legal and industrial issues, and China-related affairs. The core study on Current Organizational Issues provided participants with an understanding of newly developed ideas such as Total Quality Management, Management Information Systems, and other efficiency-enhancing techniques. The third core study was composed of Personal Skills Workshops in which participants developed skills and techniques of leadership and presentation, and strategies for dealing with the media.

Other compulsory components included Group Projects and Overseas Visits. For Group Projects, the eight members of the training group were assigned the task of examining a major policy problem or conducting a policy appraisal. Trainees of the SSC were also required to spend a week outside Hong Kong. The visit programme was designed not only to study the major economic, social and political features of other cities, but also to compare experience through meeting counterparts from other countries. Starting from 1987, one group in each course visited a city in China. Cities visited include Beijing, Shanghai and Nanjing.[3] The final component of Optional Elements required each participant to undertake one of three streams — an Individual Project, a Task Directed Group, or a Reading Programme. Participants pursuing the Individual Project as an elective were required to examine a management problem from their own departments. The problems were shared and participants worked in groups of five to solve the problems using action learning under the guidance of a study adviser. A Task Directed Group consisted of four or five participants working with an adviser on one of the topics covered under Current Organizational Issues of the Core Studies. Participants who selected the Reading Programme were required to conduct a literature review, make a presentation to course members and prepare a report. During the last week of the course, a number of presentations were made on a broad range of issues based on the Group Project and the elected stream.

Civil Service Training Centre

The aim of the CSTC was to 'provide training services to departments and to help civil servants acquire the necessary skills and knowledge in management, language and other areas in response to demands of their jobs' (*Civil Service Training Centre Prospectus*, 1995: 9). The operational objectives of the CSTC were: to assist the Civil Service Branch in formulating training policies for implementation in the civil service; to advise government departments on training matters; and to enhance the effectiveness of the civil service by providing training in management, computer, China studies and language for civil servants. The CSTC was divided into five different units: Administration, Development, Management Training, Language Training and General Grades Training.

In 1994–95, 24 500 officers attended training courses run by the CSTC. These courses covered the areas of management, use of computers, China studies and language. Some courses were designed to meet specific needs of groups within a department or grade. Other courses were run on a regular basis and were open to nominations from interested departments. Apart from running in-house training courses, the CSTC also sponsored civil servants to attend external, local and overseas courses on management, language and China studies. In 1994–95, 212 officers were sent on overseas executive management development courses or China studies programmes, or awarded Government Training Scholarships, while 2 418 officers benefited from courses at local institutes on management, language or China studies. The CSTC also acted as a resource centre for departments by providing information and assistance on training-related matters. In 1994–95, seventeen surveys were conducted and thirty-four tailor-made courses were designed for departments. Among the various types of training programmes, courses on China studies and Chinese language were of utmost relevance to the transition.

China studies

The China studies programmes were developed during the early 1990s, and included Directorate Seminars, China Interface Seminars for Directorate Officers, the Tsinghua University Course and Hong Kong-China Interface Courses to be run by the local universities. The Directorate Seminars were open to all officers on the DPS. These half-day seminars were held about six to eight times a year and topical issues were covered along with the legal, economic and political aspects as well as Hong Kong-China interface.

The China Interface Seminars were targeted at directorate officers on point D2 or above of the pay scale, and particularly aimed at administrative officers.[4] Participants were selected on the basis of invitation from the CSTC followed by nomination by heads of departments or grades. Virtually all of the administrative officers have attended the China Interface Seminars. The

seminars were spread over five half-day courses and were organized approximately three times a year. Speakers for the programme included distinguished academics, senior government officials and China experts. The aims of the seminars were 'to assist participants to gain an overall picture of key aspects of the Chinese political, administrative and economic system and their impact on Hong Kong; to develop an understanding of some of the skills required in interacting with the Chinese Government and its officials; to develop an understanding of the major incidents/factors affecting the process of the transition and the government of Hong Kong after 1997 and to increase confidence in translating their China knowledge and skills into practical results' (*Civil Service Training Centre Prospectus*, 1995: 33). The contents of the seminars were revised from time to time to reflect current concerns and the relevance of changing China-related issues. Recent programmes included topics like Chinese politics, China's economy, strengthening cooperation with China, the Basic Law in practice, the Hong Kong Civil Service and its future, and negotiating with China.

Local universities were also commissioned by the CSTC to organize similar programmes on China studies. Application to attend these programmes had to be made through heads of departments in response to the CSTC training circulars. Courses lasted for six half-days. The courses offered by the University of Hong Kong and the Chinese University of Hong Kong were targeted at officers on MPS 45 and above, including directorate officers, while the courses offered by the City University of Hong Kong and the Hong Kong Baptist University were open to officers on MPS 34 to 44 (or equivalent).

The Tsinghua University Course stipulated a five-and-a-half week stay at the Tsinghua University in Beijing, China. It comprised four-week classroom training and a ten-day field visit. About twenty-five participants could be accommodated in each course and there were four or five courses a year. The contents of the course included modern and contemporary Chinese history, political and legal systems of China, the Chinese civil service system, social systems of China, and the Basic Law. Simplified Chinese characters and the writing of official reports in Chinese were also covered in the programme.

In an interview with the authors in 1995, the Civil Service Training Director remarked that there was an awareness in the late 1980s of the need for a vigorous programme to introduce China to Hong Kong civil servants. Although occasional talks on China had been held since the 1980s, a systematic and intensive programme on China studies began only in 1991. The primary targets of China studies were senior government officials like administrative officers and directorate-grade personnel. Knowledge of China was expected to cascade down to junior officers in the course of time. Two video programmes accompanied by booklets on the Chinese Communist Party and the political and administrative systems of China were prepared for departmental screening and distribution to all civil servants. Two more video programmes and booklets on the Open Economic System and the Chinese Civil Service System were prepared.

Chinese language

As Hong Kong was a British colony, the government had all along been biased towards the use of the English language. Although Chinese had been regarded as an official language since 1971, tests on the language remained optional for civil service recruitment examinations. Beginning in 1995, a pass in Chinese language in civil service examinations was made mandatory. Due to lack of practice, government officials may need refresher courses on Chinese official correspondence. Furthermore, Putonghua is the official spoken language in China while virtually all Chinese civil servants in Hong Kong speak Cantonese. Therefore, civil servants interacting with Chinese government officials need to be fluent in Putonghua. The government announced a policy for all civil servants to be trilingual and biliterate which means that they should be able to speak Putonghua, Cantonese and English, and be able to write in English and Chinese whenever the situation demands. Since the government had been biased towards the English language for historical reasons, training in languages before the transition focused mainly on Putonghua for Chinese civil servants, Putonghua and Cantonese for the overseas civil servants, and official correspondence in Chinese for all civil servants. Chinese characters can be classified into full-form and simplified characters. Since the Chinese government corresponds in simplified characters while full-form characters are widely used in Hong Kong, training on the writing of simplified characters was also provided by the CSTC.

In addition, the CSTC provided a range of language courses on Putonghua, Cantonese and Chinese official correspondence.[5] Since 1984, all administrative officers are required to attend 100 hours of Putonghua and 60 hours of advanced Putonghua training in the first and second years of their service. The same type of training is also applicable to directorate and departmental officers at MPS 45 and above. In order to operationalize the policy of all civil servants becoming 'trilingual and biliterate', a working group chaired by the Secretary for Civil Service has been set up and is working on measures to encourage civil servants to use written Chinese.

The establishment of the CSTDI has facilitated the integration of the training programmes under the management of one agency while the basic aims and objectives of training remain unchanged. The focus continues to be on the familiarization of civil servants with Chinese society, its political and administrative systems, as well as the development of linguistic abilities consistent with the needs of operating as a component of the Chinese system.

This section has concentrated on the training programmes designed and put into practice by the predecessor agencies of the CSTDI. The focus was essentially on the language and society of China. It remains to be seen if the new structure for planning and implementing training programmes will result in major changes in approach or content. Admittedly, some of the inadequacies identified in the training programmes for Hong Kong civil servants will be

difficult to deal with. Political complexities cannot be resolved readily and individuals cannot be trained to think in a different way within a short period of time. Therefore, the need for reorientation of administrators or resolving the contradictions between capitalist and communist systems is best left for the future to sort out. Central-local relations, relationship with the Chinese Communist Party and the task of balancing the interest of Hong Kong with that of China are likely to become prominent issues in the years after the transition.

It may be beneficial to use more trainers from China and place officers in intensive immersion courses in Chinese institutions to facilitate the process of familiarization. Secondments to Chinese government agencies will certainly enhance the level of understanding. Moreover, it is the responsibility of both parties involved, i.e. Hong Kong and China, to work in cooperation with one another for a smooth transition. The basic differences between the two systems should be acknowledged and the high level of autonomy guaranteed by the Basic Law will allow time for adaptation.

The present efforts to provide language training and familiarize civil servants with Chinese society and administrative practices are steps in the right direction. These programmes are already being appreciated by the civil servants immediately after the handover of Hong Kong in 1997. But there will remain the need to introduce major training programmes to help civil servants adjust to the new environment, challenges and unexpected problems that are likely to emerge.

Civil Service Training and Development Institute

The CSTC and SSCC were amalgamated to establish the CSTDI as the central training agency during 1996. During its brief existence, the CSTDI has initiated a number of training programmes for preparing Hong Kong civil servants for the new environment. It assists the Civil Service Branch in formulating and implementing 'training policies and regulations; supporting initiatives launched by the Government; providing advisory services on human resource development to departments; and providing general training to meet job and departmental needs of civil servants' (CSTDI, http://www.info.gov.hk/cstdi/outline.htm).

A number of units have been organized in the CSTDI to provide the optimum training facilities for civil servants. While one unit deals with general administration, others are given specific responsibilities. The Training Schemes Section monitors regulations on civil service training and managing external management education programmes. The Information Technology Training Section organizes training on the use of information technology. The English and Communication Training Unit offers training aimed at the improvement of English language and communication skills. The Chinese Language Section is responsible for providing training in Putonghua, Cantonese and written

Chinese. The China Studies Section 'organises training aimed at familiarising civil servants with the political, social and economic systems of China' (CSTDI, http://www.info.gov.hk/cstdi/outline.htm). In addition, three other units offer training for public officials who perform managerial and supervisory functions (Management Training Unit), for general-grade staff (General Grades Training and Development Unit), and for senior civil servants (Senior Management Development Unit).

Training is conducted through a variety of methods by the CSTDI. There are regular training programmes which are quite similar to those previously offered by the SSCC and CSTC. Customized programmes are also available to help meet specific requirements of departments, and are frequently used to 'support departmental reform initiatives, change management programmes, or meet job-specific requirements' (CSTDI, http://www.info.gov.hk/cstdi/outline.htm). Some of the training programmes currently offered by the CSTDI are included in Appendix B.

The establishment of the CSTDI has helped streamline the training programmes for the Hong Kong civil service. It is now possible to coordinate the various programmes under the umbrella of a single organization. The CSTDI has taken a forward-looking approach to training, and has developed training packages not only aimed at continuous improvement of the tasks performed by civil servants, but also at preparing them to face new challenges as Hong Kong enters a new phase.

LOCALIZATION, EFFICIENCY AND EQUITY

In spite of claims made to the contrary, the process of public employee selection is inherently politicized (Kearney and Hays, 1985: 60). If politics is the authoritative allocation of values (Easton, 1953), then the values represented are public jobs and the pay and benefits attached to them, while the allocative process is represented by the goals and techniques of employee selection. Discriminatory practices can be found in civil services in most countries of the world and such practices have existed throughout history (Elliott, 1985: 44–9). Depending on the distribution of power in the political system and proximity to the crucial actors, certain groups of civil servants are likely to find themselves in more or less advantageous positions. Governments have tried in various ways to deal with the problem of discrimination in public services. Differential treatment of civil servants is a fascinating subject of study, particularly in Hong Kong in view of the major changes faced by the society. A government's view on localization of the civil service may be influenced by forces in the environment and add to the complexity of the issue. In the case of Hong Kong, there is a constitutional requirement to place local civil servants in crucial positions, giving rise to the risk of losing able and experienced expatriate officials. From this point of view, Hong Kong is not only a most interesting

case but idiosyncratic as well in some respects. Hong Kong's preparation for transition included elaborate attempts to localize the civil service.

The term 'localization' is generally used in Hong Kong to refer to the adoption of measures aimed at increasing the number of local civil servants and promoting them to key positions with the objective of replacing expatriates in the civil service. It was 'invented by the Colonial Office [of the British government] to describe the process by which expatriates in the government services were replaced by local people anywhere in the world . . . ' (Symonds, 1966: 12). Localization becomes an issue in situations where a large number of key posts are held by officials who are not citizens or permanent residents of the country. Table 1 illustrates the strength of the Hong Kong civil service by salary group and terms of service.

Table 1
Civil Service by Terms of Service

	Directorate Pay Scale		Senior Management/ Professional (MPS 45–49)		Overall	
	Local	Overseas[1]	Local	Overseas	Local	Overseas
1996	925 (70.2)[2]	39 (29.8)	2 538 (84.5)	467 (15.5)	181 064 (99.1)	1 611 (0.9)
1994	815 (63.6)	466 (36.4)	2 278 (79.0)	604 (21.0)	178 685 (98.9)	2 010 (1.1)
1992	763 (60.1)	506 (39.9)	2 134 (75.8)	681 (24.2)	183 371 (98.8)	2 314 (1.2)
1990	728 (59.7)	491 (40.3)	1 958 (74.2)	681 (25.8)	185 908 (98.7)	2 485 (1.3)

1. 'Overseas officers' refer to all civil servants who are employed on overseas terms and conditions of service.
2. Percentage in brackets.

Source: Civil Service Branch. 1997. *Civil Service Personnel Statistics, 1996.* 32–3. Hong Kong: Civil Service Branch, Government Secretariat. Mimeo.

As at 1 April 1996, there were 1 611 overseas officers working in the civil service representing 0.9 percent of the total strength. In terms of absolute number, the government bureaucracy was proportional to the composition of locals (having an overwhelming majority of 98 percent) and expatriates in Hong Kong, but it was definitely not representative in terms of occupational levels. As indicated in chapter two, overseas officers occupied the most senior positions in the civil service; around 30 percent of the directorate-grade officers and 15.5 percent of the senior management professional group were overseas officers. Nevertheless, such figures represented a dramatic acceleration in the

pace of localization in recent years. For instance, in 1989, overseas officers occupied a predominant proportion of 43.8 percent and 28.3 percent in the directorate grade and senior management professional groups respectively.

The slowest growth in the proportion of Chinese civil servants has been in the directorate grade. This is the result of the relatively low intake of Chinese officials in the 1950s, especially in the administrative grade from which many of the top posts were filled. Between 1947 and 1960, only seven local Chinese civil servants were appointed as administrative officers, compared to forty-one expatriates. The Administrative Officer Grade established in 1861 by Sir Hercules Robinson, then governor of Hong Kong, was originally known as the Cadet Scheme (Lethbridge, 1978: 221). There was never any possibility of accepting local recruits into the Hong Kong Cadet Service which became known as the Administrative Officer Grade after 1960 when all candidates were required to be of pure European descent on both sides of the family in order to be eligible for the civil service examination (Miners, 1986: 85). The Hong Kong government thus recruited highly educated young men from professional families in Great Britain and offered them attractive careers as colonial civil servants in the East.

No serious attempt was made to increase the number of posts held by local Chinese in the Hong Kong civil service until 1930 when the desirability of replacing European staff by Chinese first became a public issue after the publication of the *Report of the Salaries Commission.* The unofficial members of the Legislative Council opposed the increased salaries proposed for public servants and the new taxes needed to finance them. The then Governor, Sir William Peel, appointed a retrenchment committee to advise on financial redistribution in government personnel and administration. The committee carried out a thorough investigation of all departments and made detailed recommendations for reductions in staffing and replacing Europeans with Chinese wherever possible (Miners, 1986: 84).

However, progress in replacing Europeans with local staff was slow. European staff could not be dismissed to make way for Chinese before they reached the age of retirement, so vacancies arose only from natural attrition and increases in public service positions. Some heads of departments were reluctant to employ local staff and the low salaries offered to local appointees in comparison to those paid to Europeans of the same grade might also have discouraged local applicants. In 1938, the government did find it necessary to make an upward adjustment in the pay of certain Chinese medical doctors who had graduated from the University of Hong Kong, in order to prevent them from resigning and going into private practice. Their maximum salary was increased to $10 800, but this was still below the starting salary of GBP 700 (which was then equivalent to HK$11 200) for an European doctor (Miners, 1986: 85). It was not until 1961 when the government laid down the policy that

> where external recruitment is necessary expatriates shall normally be engaged on contract terms and shall not be appointed to the pensionable establishment unless there appears to be no possibility of Chinese with the appropriate qualifications being available in the next few years. The only general exceptions to this policy were that a proportion of the vacancies for administrative and police officers should regularly be filled by expatriates on permanent terms. In the administrative grade the aim was that half the posts at all levels would always be filled by expatriates (Miners, 1991: 93).

The administrative officer grade is an important component of the Hong Kong civil service as it is responsible for making policies. As a British colony, Hong Kong was executive-led and never directly accountable to its citizenry. Since Britain, though a colonial regime, could not legitimately claim to have the consent of the people it governed, British citizens were recruited into the Police Force in order to maintain law and order and prevent mutiny and subversive actions. Until 1984, approximately 50 percent of new recruits into the police inspectorate, for example, were expatriates (Burns, 1988b: 101). Furthermore, promotion criteria were sometimes interpreted in a way that was disadvantageous to locals. The emphasis which expatriates in the Legal Department place on experience (which they possess, while locals generally do not) is not shared by their local colleagues (Burns, 1988b: 101). Many local people with talent therefore have opted for the private sector, which can provide better employment packages and prospects. As we have argued elsewere, '[c]olonialism, by definition, cannot completely implement a merit system' (Lee and Huque, 1995: 112), in the sense that selection of candidates was partly based on political patronage and political loyalty, even though civil servants were expected to abide by the principle of political neutrality in performing their duties (Lui, 1988: 138).

The government started to actively pursue a policy of localization after the signing of the Joint Declaration between the Chinese and British governments in 1984. According to the Joint Declaration, serving foreign nationals can remain in employment after 1997, except at the highest 'principal official' levels. These positions are to be occupied by Chinese nationals, who are permanent residents of the Hong Kong SAR, and do not have the right of abode in any foreign country. According to Article 101 of the Basic Law of the Hong Kong SAR, the principal official-level posts include the posts of Chief Secretary, Financial Secretary, Attorney General, fourteen policy secretaries, Commissioner of the Independent Commission Against Corruption, Director of Audit, Commissioner of Police, Director of Immigration, and Commissioner of Customs and Excise.

Since 1984, no expatriate has been appointed on permanent and pensionable terms in the civil service. However, contract appointments, where some special expertise is required or when it is impossible to find qualified candidates locally to fill a vacancy, are still offered to expatriates subject to the

agreement of the Public Service Commission. The localization policy was implemented through two separate arrangements for the principal official level posts. The percentage of local officers in the directorate grade increased from 49 in 1985 to 59.7 in 1990 and 70.2 in 1996. Since 1993, the government had taken active steps to move up prominent locals to take up senior posts. Anson Chan, for example, became the first local official to be appointed to the post of Secretary for the Civil Service in mid-1993, and was then promoted to Chief Secretary a few months later. Li Kwan-ha was the first Chinese Commissioner of Police and was replaced by Hui Ki-on when he retired in July 1994. In November 1994, the Hong Kong government made some more changes by appointing Peter Lai to take over from Alistair Asprey as Secretary for Security, and Bowen Leung as Secretary for Planning, Environment and Lands. By 1997, all of the nineteen Secretaries were local officers, compared to eight out of fifteen in 1990, and four out of eighteen in 1985.

In principle, the localization policy should be supported. There are several reasons for localizing a civil service. Local officials are familiar with the community, are able to assess local needs and aspirations, and cost less in comparison with expatriate officials (Burns and Scott, 1984: 31–2). Demand for a movement in that direction is inevitable as a society progresses and an educated middle class emerges to stake a claim to crucial positions in the civil service. Localization can also be supported in view of the fact that the citizens feel more comfortable being served by local officials, and particularly for Hong Kong, it is necessary that civil servants speak the local language. As local talent develops, there seems to be no justification for providing expensive pay packages to expatriate staff who would perform similar tasks as the locals.

However, it can also be argued that expatriate officials are appointed only when qualified local applicants are not available for a particular job. It is common for employers to look abroad for employees with specialized skills. The merit principle stipulates that preferential treatment based on the place of origin may affect the quality of the civil service. The best candidates may have to be excluded if they do not meet requirements of nationality or residence. In some cases, the cost of localization may be prohibitive (Burns and Scott, 1984: 32). Therefore, the issues in localizing the Hong Kong civil service need to be examined with reference to the merit principle, equal opportunity, the presence of locals in the bureaucracy, and the protection of human rights. An interesting aspect of the problem is the definition of 'local', since 'localization' in Hong Kong appears to be synonymous with 'sinovization' of the civil service. The debate continues in Hong Kong and elsewhere.

The Basic Law was enacted to prescribe 'the systems to be practised in the Hong Kong Special Administrative Region, in order to ensure the implementation of the basic policies of the People's Republic of China regarding Hong Kong' (*The Basic Law:* Preamble). The process of negotiating for transition, signing of the Joint Declaration and, finally, the promulgation of the Basic Law set in motion a huge-scale preparation for the momentous

change. It signalled the beginning of the decolonization process as well as preparation for the reversal of sovereignty. It entailed careful planning as all parties were concerned about the economic prosperity of Hong Kong which, to a great extent, depends on the ability of the civil service to perform its functions in an objective and efficient manner.

The increasing demand for localization of the Hong Kong civil service resulted in intense debates over the issue. This became evident from letters appearing in local newspapers and statements by the associations of local officials. The government made an effort to pursue a simple method to localize the civil service by opening up an avenue through which expatriates could demonstrate their commitment to Hong Kong by changing over to local terms and conditions of service. A survey conducted by a political party indicated that there was strong opposition to the move to allow expatriate officials on contract appointments to switch to local terms and conditions of service. About 60 percent of the respondents expressed support for the suggestion from Legislative Council members to freeze the proposed change in policy (*Ming Pao*, 12 September 1993).

There are different views on the interpretation of the practice of 'localization', on the definition of 'locals', and on the perception of the civil servants themselves, both local and expatriate. There are arguments in support of, as well as against, localization. There are technical issues relating to a merit-based civil service, equal opportunity for all civil servants, and the representation in the bureaucracy of various sections of the society. At the same time, there are political issues stemming from the viewpoint of human rights, definition of 'locals', and the 'sinovization' of the civil service (Podmore, 1971: 37). However, the debates in Hong Kong have centred around the issues of merit, equity and human rights. These issues will be examined to consider the possible impact of the localization debate on the civil service of Hong Kong.

Localization has been an accepted principle of the civil service of Hong Kong for a long time. The *Report of the Salaries Commission, 1947* advocated that the civil service be composed of local people as far as possible. The case for recruiting officials from overseas could be made only in the event of non-availability of qualified and suitable local candidates. The sentiment had been voiced time and again and various modifications took place at various times in order to ensure that the process of localization continued. It was decided in 1961 to normally appoint expatriates 'only on contract or agreement terms so that they could eventually be replaced on a permanent basis by suitable and qualified local candidates' (Lui, 1984: 63). Other steps consistent with the policy of localization included a reduction in the disparity in salaries and benefits between local and expatriate officials, awarding equivalence to locally obtained qualifications, and provision of overseas training opportunities for local staff, and the policy had 'become an integral part of the whole system of recruitment and selection in the Hong Kong government' in the early

1980s (Lui, 1984: 63). The implementation of the localization policy progressed very slowly in the initial years but picked up momentum in the 1980s. By 1985, 'the actual number of expatriates has approximately tripled; but since the whole service has expanded more than sevenfold, the proportion of expatriates in it has been more than halved . . . ' (Miners, 1986: 98). In 1993, though, as we saw above, expatriates continued to have a strong presence at key policymaking levels. Differences in perks have also been reduced following conscious efforts. However, due to the economic boom in Hong Kong, spiralling rates of inflation, shooting property prices and rentals, and a number of other factors, officials serving on local terms have been dissatisfied with the progress of localization. But a more plausible reason is probably the fact that local civil servants feel frustrated over the blockage of their career paths by expatriates who continue to enjoy a differential package of remuneration as well as a pleasantly large share of the top posts.

The planned reversal of sovereignty had given rise to sentiments not consistent with supporting an expensive and exclusive group of expatriate civil servants. The Local Crown Counsel Association of Hong Kong voiced this sentiment in a strong rebuttal of the government's decision to allow change of terms for expatriates. The group argued that expatriates 'should be phased out not because they are non-Chinese but because they are not locals' (*SCMP*, 15 August 1993).

The gradual introduction of democratic institutions and practices has generated interest in the methods and mechanisms for governing Hong Kong. The attractive pay and benefits enjoyed by the expatriates have been questioned as local officials are capable of performing at the same level but at a lower cost. The government has responded to such sentiments and there are signs of equalization of terms and conditions of service. A policy was announced in 1961 to appoint expatriates only on contract or agreement terms so that eventually they could be replaced on a permanent basis by suitable and qualified local candidates. Expatriation allowances, previously paid to overseas staff, were abolished by July 1969. The appointment of Chief Secretary from among the local civil servants in 1994 was seen as a demonstration of the government's intention to step up the pace of localization. In November 1994, the government announced the promotion of three local civil servants to the Secretary level and restated the aim 'to complete the localisation process by the end of next year' (*SCMP*, 23 November 1994). However, it was also pointed out that taxpayers 'will have to foot a $15 million golden handshake to five top expatriate civil servants who have fallen victim to localisation policies' (*Hong Kong Standard*, 24 November 1994).

The localization debate has brought to the fore a number of interesting issues that will be examined in the next section. Does localization violate the 'merit principle'? Is it worthwhile to appoint expensive expatriate officials? Should locals have strong representation at all levels of the civil service? How can 'locals' be defined? Will localization lead to the violation of human rights?

Will Hong Kong go through an exercise of 'sinovization' in view of the resumption of Chinese sovereignty?

THE ISSUES

The debate on localization of the civil service in Hong Kong centres around major values of merit, equity and human rights. Advocates for the principle of merit are concerned that administrative efficiency will be adversely affected should expatriates be replaced by locals, assuming that the positions will be filled up by less qualified locals. Such concern can be discounted based on the fact that the Hong Kong government has adopted only the principle of appointing the best applicants for the job since 1984 when the Joint Declaration between the Chinese and British governments was signed. That marked the beginning of the operationalization of the long-standing policy of localization in the civil service of Hong Kong.

Colonialism, by definition, cannot completely implement a merit system. When the government policy was traced from its origin in 1948, the merit principle had been ignored in the recruitment and selection of civil servants, although 'lip service' was paid to it. In 1955, for example, the *Hong Kong Government Annual Report* claimed that 'the highest ranks of the public service are open to local men (sic) with *suitable qualifications* [authors' italics]' (*Hong Kong Government Annual Report*, 1955: 227). Similar criteria were stated in 1968 when the government confirmed that 'the fundamental tenet underlying the government's general recruitment policy is the appointment whenever possible of *suitable and qualified* [authors' italics] bona fide local candidates to vacancies in the Public Service . . . ' (Hong Kong Government, 1968: 15). Even though the localization principle was adopted as early as the late 1940s, the pace of localization had been very slow and did not accelerate until 1984 when recruitment of expatriates was officially stopped (Burns, 1988b: 101).

One of the main reasons for the slow development of localization was the colonial nature of government that led to the recruitment of British officers into the administrative service and into the police. The Public Service Commission noted, in its report for 1956 and 1957, that only seven local candidates had been appointed Cadet Officer II, the title used in that period for the junior grade of the administrative class. The report concluded that 'the limited number so far appointed is not due to the lack of vacancies but to the dearth of candidates of the right calibre . . . In judging candidates [by the Public Services Commission] for *so important a post* consideration is given not only to academic qualifications but also to *bearing and personality* [authors' italics]' (*Hong Kong Government Public Services Commission Report 1950–52: 7*). Unfortunately, the important qualification of 'bearing and personality' was not defined. Thus examinations, the primary objective tool in upholding the merit principle, failed to meet important standards of reliability and validity.

Reliability concerns stability and consistency while validity refers to relevance and inherent accuracy: does the test measure what it is designed to measure (Shafritz, Hyde, Balk and Rosenbloom, 1986: 167)? The key dimension to validity is job relatedness and being practical in character. So the failure in appointing locals to these positions simply because they did not possess the proper bearing and personality not only indicated a major flaw in the examination system, but also defeated the merit principle in the sense that selection of candidates was partly based on political patronage and political loyalty, even though civil servants in Hong Kong supposedly should abide by the principle of political neutrality (Lui, 1984: 138).

As explicitly indicated in the *Public Services Commission Report*, the administrative class is an important grade because the administrative officers are the policymakers in Hong Kong. And Hong Kong, having been a British colony, was executive-led and had never been accountable to its citizenry.[6] The government was able to formulate and implement recruitment policies without the need to consult and accommodate local officials, and promotion criteria were determined with the intention of favouring expatriate officers. With the expansion in local education opportunities, the universities and polytechnics have produced a significant number of graduates well equipped with the necessary skills to serve in the civil service. Statistics from Table 1 show that expatriate officers could well be replaced by competent local officers. Hence, it can be argued that there was a history of discrimination against locals, and the localization policy serves only to reverse that discrimination. As a matter of fact, the merit principle is qualified by the localization principle in the sense that the civil service should be 'closer to the people it serves, and therefore more useful to the community.'[7] So, 'closeness' to the community is an appropriate dimension to consider when the merit principle is to be properly applied. Since over 98 percent of the people served by the government of Hong Kong are Chinese, knowledge of the Chinese language and culture is essential to the effective delivery of public services.

Apart from the fact that the merit principle is thus upheld by localization of the civil service, it is also important in terms of values of equity and social justice. It was argued that local people were being discriminated against and did not receive equal pay for equal work. The whole concept of pay that includes not only wages or salaries but other fringe benefits such as housing and all kinds of allowances ranging from education to baggage is being used to support this point. Employing an expatriate incurs expenses from passages, accommodation, long holidays to substantially higher salaries.[8] The following is an account of a typical expatriate:

> A Cambridge Graduate with 10 years experience at the English Bar arrived in Hong Kong in 1978 with his wife, two children and a 30-month contract . . . . Fifteen years later this expatriate is still in Hong Kong and does not want to leave . . . . His family has grown to six children. He lives in the Mid-Levels [a prestigious district in Hong

> Kong], and the spacious housing is subsidised . . . . The expatriate becomes an Assistant Principal Legal Counsel in the Legal Department of Hong Kong, earning about $66 000 (about GBP 6 000) a month. He is also entitled to a minimum six weeks annual leave, home passage for his family, paid education for four of his children and private medical insurance. Furthermore, there has been the gratuity. At least five times during his Hong Kong working life, he has been eligible to receive 25 percent of the salary paid to him at the end of the 30-month life of his contract (*SCMP*, 2 September 1993).

Table 2 contrasts a typical package of remuneration between expatriate and local officers.

Table 2
Perks of the Job — How They Compare

Salary points	Days of Annual Leave		Passage		Housing	
	Local	Expat	Local	Expat	Local	Expat
D7–10	55.5	55.5	First class annually		NDQ	
D4–6	55.5	55.5	Econ. class annually		PTA	NDQ
D1–3	31	55.5	Econ. once every 2 yrs	Economy annually	HFS	PTA
MPS 45–49	31	55.5	–	Economy	HPS	HPS
MPS 34–44	31	38	–	Discount ticket	PTA, HFS, RA HPS	
MPS 14–33	31	49	–	Econ. once every 2.5 yrs	HLS, HPS	
MPS 1–13	22	49	–	Econ. once every 2.5 yrs	–	–

D = Directorate Grades
NDQ = Non Departmental Quarters
HFS = Home Financing Scheme
HLS = Housing Loan Scheme
MPS = Master Pay Scale
PTA = Private Tenancy Allowance
HPS = Home Purchase Scheme
RA = Rental Allowance

Source: *SCMP* (31 July 1993)

On the notion of equity and social justice, supporters of representative bureaucracy advocate that government bureaucracies should be passively representative of all major groups found in society at large, both in an absolute sense and in terms of the level of occupation, so that public policy decisions would be more likely to support and promote the interests of those affected by them (Kearney and Hays, 1985: 63). There is no doubt that the society in

Hong Kong is not as multiracial, multilingual and multireligious as societies in the United States and elsewhere, and the Hong Kong civil service is comprised of mainly locals. However, when we look at the distribution of power — and rewards — they are clearly biased in favour of the expatriate minority. In the Legal Department, for example, in 1996 more than 80 percent of the directorate positions which pay more than $68 000 per month were held by expatriate officers. This indicates that even though the government bureaucracy might have been representative in terms of absolute number, it was definitely not representative in terms of the level of occupation and the distribution of power.

Another area of contention in the localization debate is the possible violation of the human rights of the expatriate officers by not renewing their contracts. In the course of implementing the localization policy, the government decided to terminate some of the overseas officers' contracts in 1992. This prompted the expatriates to consider taking the government to court for denying them equal access to public service employment. On the legal front, some expatriates were able to threaten legal action because the Bill of Rights is an expurgated form of the International Covenant on Civil and Political Rights. The covenant, which binds sovereign states, guarantees equal access to public services by 'citizens'. The Bill of Rights changed the term to 'permanent residents' apparently for political reasons. The indirect result is that the group of beneficiaries became wider than that intended by the covenant. Article 21(c) of the Bill of Rights stipulates that 'every permanent resident shall have the right and the opportunity, . . . to have access, on general terms of equality, to public service in Hong Kong' (*The Hong Kong Bill of Rights*: 14). This leads to an argument over who is to be considered a 'permanent resident'.

The Association of Expatriate Civil Servants argued that their members should be considered 'permanent residents' after they had been in Hong Kong for more than seven years, because the Electoral Provisions Ordinance gives voting rights to all those who have resided in Hong Kong for more than seven years. If such a definition of 'permanent resident' was adopted, the expatriates would have been able to escape restrictions imposed on their opportunities for promotion, transfer to local conditions of service and join the permanent establishment. By contrast, the government abides by the definition provided by the *Immigration Ordinance* which stipulates that '[a]ny person who is wholly or partly of Chinese race and has at any time been ordinarily resident in Hong Kong for not less than 7 years', as well as all BDTCs who have 'a connection with Hong Kong' will be regarded as permanent residents of Hong Kong (*The Laws of Hong Kong*, cap 115, Immigration Ordinance: Schedule I). In practice, an overseas officer could become a permanent resident by naturalizing as a BDTC after living in Hong Kong for five years (*Hong Kong [British Nationality] Order 1986*, Appendix III, s2(1)). When the case of the expatriates was brought to court, the ruling was that the administration's decision was lawful, because even the International Covenant

on Civil and Political Rights on which the Bill of Rights is modelled, accepts that citizenship can only be defined by a country's own nationality laws.

The Court of Appeal passed a judgement in November 1996 saying that some restrictions over the change of status of overseas officers from contract to pensionable terms were unlawful. However, the government, the overseas officers and the local officers held uncompromising views over the need for proficiency in the Chinese language. The Secretary for the Civil Service expressly stated that, while certain jobs may not necessarily require the knowledge of Chinese, the government cannot accept the complete scrapping of the requirement, because that will affect the credibility of the government as Hong Kong has now been returned to the Mainland. The Association of Expatriate Civil Servants applied to the courts for rulings on the details, and was able to establish a case 'to challenge the legality at a full judicial review', although its attempt 'to review the opening-up policy where senior officials are forced to compete for their own jobs with junior colleagues' was unsuccessful (*Hong Kong Standard,* 29 April 1998).

The fact is, in most sovereign countries, civil service employment is open only to the nationals of those countries. The localization policy in Hong Kong can be seen as a form of affirmative action. Mr Justice Keith applied the rule, laid down by Mr Justice Bokhary in a Court of Appeal case, *R v Man Wai Keung,* that a departure from 'literal equality' could be justified if:

1. sensible and fair-minded people would recognize a genuine need for some difference of treatment;
2. the difference embodied in the particular departure selected to meet that need is itself rational; and
3. such departure is proportionate to such need (*SCMP,* 5 November 1995).

In fact, the expatriates knew that they were hired on contracts, the renewal of which is subject to the unavailability of a local replacement. Hence, there should not be any expectation of automatic renewal of contracts upon their expiration, particularly when the government decided in 1961 that 'whenever there was any possibility of local candidates obtaining the necessary qualifications for a post within the next few years, expatriates would be appointed only on contract or by agreement for a limited period, not on permanent terms' (Podmore, 1971: 41). Furthermore, expatriate civil servants who were forced to retire or whose promotional opportunities were affected because of localization were adequately compensated. Since colonialism had been the ground for the dominance of expatriates in the higher echelons of the administration, it would have been unreasonable for the court to now stick to the letter of the law in assessing affirmative measures aimed at redressing the faults of past colonial policies.

Thus, the issue of localization of public service does not stand in contradiction to the principles of merit, equity and social justice, and may not

necessarily qualify as a matter of human rights. However, the Hong Kong government's manner in dealing with the issues may lead to a number of consequences for the civil service which will have an impact on the future of the civil service itself and on the whole future of the Hong Kong SAR.

GOVERNMENT ACTIONS AND IMPACT

Although the localization policy was announced in the late 1940s, it did not seem to become an issue then because the political situation did not allow the policy to be emphatically pursued. There was actually a conflict of interest since the decision-makers who were mostly expatriates themselves had to decide whether overseas officers' contracts should be renewed. Elliott suggested that 'we must first have the presence of a number of gatekeepers within the bureaucracy who will be in a position to learn the avenues of bureaucratic power and who will be willing to open the gate for others into the middle and upper strata of the federal bureaucracy' in order to develop a representative bureaucracy (Elliott, 1985: 44). Hong Kong did not have adequate scope to develop such 'gatekeepers'.

The Hong Kong government's response to the overseas officers' threat of legal action was to extend the expatriate-term contracts for naturalization purposes to be followed by a local-term contract that lasted for thirty months. This took the matter right up to mid-1997 and is now under the jurisdiction of the Hong Kong SAR government. The president of the Association of Expatriate Civil Servants stated that such a decision generated 'anger and dismay in the civil service which was extremely divisive' (*SCMP*, 3 September 1993). The local civil servants branded the decision 'a total neglect' of their career prospects and claimed their future promotions could be blocked as a result. The chairman of the Senior Non-Expatriate Officers' Association remarked that the change was 'tantamount to abolishing the localisation policy and would seriously affect morale' (*SCMP*, 31 July 1993). In a random survey of 193 local civil servants, about 80 percent of the respondents expressed dissatisfaction with the government's decision to extend the contracts, and a major grievance was that promotion opportunities for local officials would be blocked due to the continuation for the overseas officers (*Ming Pao*, 14 August 1993).

This can be illustrated with an example. At the level below the directorate scale in the Architectural Services Department, there were some 350 locals, and fifty-seven out of eighty-five expatriates were on contract terms (*SCMP*, 21 August 1993). The local civil servants expected these fifty-seven officials to be phased out to make way for them in the higher positions. However, the new rules affected this prospect. One possible reaction from the local civil servants has been to opt for the private sector which can provide better employment packages and prospects. This did add to the drain of talent from the public

sector. The civil service of Hong Kong has lost a considerable amount of talent due to emigration throughout the 1980s, and the move from the civil service to the private sector might continue and will have a further impact in terms of efficiency.

The government's decision will also affect the stability of the civil service. The Chinese government had denounced the move to allow expatriate officials to change over to local terms of service, and reiterated that they were not going to adopt the definition of 'permanent residents' used by the Hong Kong government on this issue. Its interpretation of permanent residents is defined in Article 24(4) of the Basic Law 'for persons not of Chinese nationality, they should have ordinarily resided in Hong Kong for a continuous period of not less than seven years and *taken Hong Kong as their place of permanent residence* [authors' italics] before or after the establishment of the Hong Kong Special Administrative Region' (*The Basic Law:* 14). So the new policy will also affect local officials who will be expected to take up senior posts after 1997. The issue is yet to be resolved and is expected to feature prominently in the debates on the future of the civil service in Hong Kong.

Since Hong Kong is a Chinese city and since the localization debate must be considered in the context of decolonization, there are reasons to argue that the Chinese should be given priority over other candidates for senior positions in the civil service. The Chinese government's position on these issues is reflected in the comments of a Hong Kong Affairs Advisor for the People's Republic of China. In an interview published in a left-wing newspaper, he stated that localization complemented the process of decolonization, opening up to the locals important positions that were previously occupied by the conquerors. Here, the term 'locals' refers to the 'Chinese', and this is how local citizens, civil service trade unions and the Chinese government interpret the term 'localization'. This seemed to be the basis for the origin of the localization policy in 1946. Therefore, it can be said that the step to allow expatriate officials to change over to local terms was a major policy change, instead of an 'administrative measure' as announced by the government (*Ta Kung Pao,* 11 August 1993).

Some supporters of localization argue that positive discrimination has also been lawfully practised for years in other jurisdictions. Therefore, it may be suggested that the government should adopt a simple and clear definition of 'locals' to denote 'the overwhelming majority of the population which is Chinese in origin' as suggested by Podmore (1971: 36). The use of this simple definition will help to remove some of the confusion over the definition of 'locals' in the process of localization.

THE ADEQUACY OF PREPARATION

The government of Hong Kong had been extremely busy in preparing for the

challenge of transition, and a smooth transition does not mean that further preparations are no longer necessary. One of the major challenges will be to orient the civil service, an institution vital to the continuation of stability and prosperity in Hong Kong, to the new circumstances. The government of Hong Kong was keen on developing a civil service to serve Hong Kong on the basis of political neutrality, honesty and integrity, and meritocracy (Law, 1995). Law noted the emergence of a flexible approach towards human resource management in Hong Kong, but there must be unified and concerted efforts towards the training and development of civil servants in order to make the transition from a colonial service to that of an autonomous region successful.

It is obvious that conscious efforts were made by the government of Hong Kong to face the challenge. The efforts can be broadly categorized into language training and imparting information about the system of governance and society in China. The focus on language training was certainly a right step towards preparing Hong Kong for the transition. Command over three languages (Putonghua, Cantonese and English) and familiarity with China will, no doubt, greatly enhance the ability of the Hong Kong civil servants to perform their jobs. There is in fact a practical need for civil servants of the Hong Kong SAR to be conversant with Putonghua and simplified Chinese characters. As Hong Kong is now part of China, there will be frequent contacts with Chinese government officials and media reporters from the Mainland. Official correspondence also has to be in Chinese. On the ideological level, the mastery of the Chinese language is of utmost necessity in the wake of the decolonization of Hong Kong.

The CSTC played a particularly important role in the training in the Chinese language as the Hong Kong government was actively pursuing a 'trilingual and biliterate' bureaucracy. The Chinese Language Division was upgraded in September 1995, and the Secretary for Civil Service intended the division to assume a more important and proactive coordinating role in upgrading civil servants' language ability. In the past, the Chinese Language Division was only responsible for providing translation and simultaneous interpretation services as well as managing the Chinese Language Officers and the interpreters. After reorganization, the division is expected to review, enforce, monitor and advise on the use of the two lingua francas and to re-examine the role of the Chinese Language Officers.[9]

However, the emphasis on language training may have an impact on the localization of the civil service in Hong Kong. The language requirement will be a key instrument in screening applicants for promotion and, in most cases, it is likely to affect the expatriate civil servants. This might have an adverse effect on the morale of public officials in Hong Kong. The leader of the Association of Expatriate Civil Servants chastised the government for placing 'ideology' ahead of 'practicality' and argued that it would 'alienate foreign professionals' (*Hong Kong Standard*, 14 September 1995). Nevertheless, a better understanding of the Chinese language, the Chinese systems and increased

contact with public officials from the Mainland will better prepare Hong Kong civil servants to deal with new problems as they arise.

On closer scrutiny, the arrangements for training appear to be deficient for a number of reasons. Most of the China studies programmes, apart from the Tsinghua University attachment, organized by the SSC and CSTC inevitably appear to be limited and rather basic. The SSC was basically a team-building and problem-solving management course which did not necessarily focus on reintegration with China. Although it did have a component of overseas visit that was likely to include one of the cities in China, understanding of the systems gained through such brief one-week encounters was questionable. The more systematic Tsinghua University course comprising four weeks of classroom training and ten days of field visit should be more effective in inculcating a good understanding of the Chinese system which is markedly different from the system in Hong Kong. Yet, enrolment of 100 to 125 officers per year on the Tsinghua University course was very limited and its impact might not be lasting. The government should consider secondment of Hong Kong civil servants to the Chinese government for a period of six months to one year, so that the individuals can better understand the differences between the two systems through daily contacts and administration.

Although the reintegration of Hong Kong with China is viewed as a natural process, there have been no concrete plans to introduce fundamental changes to the system of administration to make it meaningful. In recent years, the Hong Kong government has been emphasizing the development of a service-based culture and consumer-oriented approach in the delivery of public services. But such a culture and such an approach are mere replication of practices adopted in the United Kingdom. There is no indication of any effort to integrate them into the overall philosophy of the civil service of Hong Kong. This could be explained in terms of the late stage of the transition, but major changes will have to be considered as the old system is replaced with a new one.

Central-local relationships will gradually emerge as a major issue in the course of time. Current training programmes do not provide guidelines on how priorities are to be ranked and how differences with the centre are to be sorted out. As time goes by, civil servants in Hong Kong will be confronted with the new challenge of balancing the interests of Hong Kong and Beijing. Hong Kong civil servants will need some reorientation in order to perform as part of a larger framework of government. This is an issue that will require attention in the future.

A related issue is the role of the Chinese Communist Party in the governance of Hong Kong after the transition. As the Chinese system calls for close and harmonious relations between the political party and the bureaucracy, the tradition of political neutrality championed by the Hong Kong civil service will come under scrutiny. There are definite advantages of complete harmony and cooperation between the civil service and the ruling political party.

However, it also carries the risks of maladministration and abuse of the system. The issue has been worrying politicians and administrators in Hong Kong, but no clear strategy has been adopted to deal with this problem.

Many of the policies and decisions relating to the administration of the territory are conditioned by uncertainty over the future of Hong Kong. The process of localization may be viewed as a move to improve the delivery of public services, an opportunity to allow Chinese officials to occupy crucial positions, or a struggle to obtain equal remuneration packages for local civil servants. Considering the nature and composition of the civil service, it is evident that all three are highly desirable objectives.

Localization of the civil service has been on the agenda of the Hong Kong government for a long time, and the time has come for it to be actively pursued. Since civil servants exercise a considerable amount of power in Hong Kong, and most key positions were held by overseas officers in the past, implementation of the localization policy has not been easy. There have been arguments and counter-arguments centring around the questions of merit, equity and human rights which have implications for the future of Hong Kong. The debates generated around the localization issue will have far-reaching impacts on the civil service. It can lead to divisions between overseas and local civil servants, and the morale of both groups will be affected. Inevitably localization causes stress and strains within the civil service. There will be a loss of talent and experience. There may well be some short-term problems, but no one can doubt the high level of ability of local civil servants or the excellence of their experience gained in the expatriate-dominated civil service. But the world moves on — and so must the expatriates!

ENDNOTES

1. English has always been used as the official language for meetings as well as the medium of instruction at the University of Hong Kong.
2. 'Putonghua' is the official term used to denote 'Mandarin' by the Chinese government.
3. Information obtained from interview in July 1995 with Mr Bruce Gates, director of SSC.
4. Information obtained from interview in July 1995 with Mrs Mary Szeto, Civil Service Training Director.
5. CSTC language courses include:
   Chinese Writing Skills — An Overview (1 day);
   Workshop on the Use of Chinese in Official Correspondence (2 days);
   Effective Writing in Chinese Official Correspondence (3 days);
   Writing Minutes of Meetings in Chinese (3 days);
   Workshop on Syntax in Chinese Official Writing (3 days);
   Workshop on Chinese Speech Writing (2 days);
   Use of Chinese Reference Books (2 days);
   Simplified Chinese Characters (2 days);

Induction course on Chinese Official Writing for Departments (1/2 day);
Hanyu Pinyin Course (18 hours);
Elementary Putonghua Course (42 hours);
Elementary Putonghua Self-Learning Package (42 hours);
Intermediate Putonghua Self-Learning Package (42 hours);
Techniques in Handling Telephone Calls in Putonghua (1 day);
Job-Related Putonghua Course (42 hours);
Intermediate Putonghua Course (42 hours); and
Advanced Putonghua Certificate Course (60 hours).

6. For a detailed discussion on the lack of accountability in the Hong Kong civil service, see T.T. Lui, 1988, pp. 143–8.
7. Quoted from a letter by A.J. Scott, then Secretary for the Civil Service. The letter was published in *SCMP* on 6 April 1977.
8. Passages and accommodation entail huge expenses. Hotel accomodation and hotel subsistence allowance are provided to overseas officials for an indefinite period until departmental housing is available. In 1982, the cost for passages for the civil servants was $9 million and the cost for hotel accommodation and subsistence allowance was $5 million.
9. The existence of the Chinese language officer grade reflects the legacy of colonial administration in Hong Kong. The primary duty of these officers was to translate official correspondence, such as replies to the public and minutes of meetings, from English to Chinese. In the early days of colonial rule, replies to Chinese enquiries were in English. The policy was later changed to sending English replies with a Chinese version in the 1970s.

CHAPTER 5

MANAGING SUCCESSION

Effective government, more than we commonly realize, depends on precedent, past experience and accumulated wisdom. Continuity and confidence borne of the ability to draw on reservoirs of experience are central to the efficiency and ethos of a mature civil service, and are part of a country's cultural and administrative capital. Experience brings wisdom, and both contribute to the pride and esprit de corps which again are characteristics of the best government machines. All these are intangible assets built up over generations. They are usually taken for granted until continuity is challenged by rapid or unexpected changes in personnel, in circumstances or in the governing rules. Hong Kong is generally considered to be the closest approximation of an ideal type of 'bureaucratic polity'. The civil service of Hong Kong has been remarkable for its continuity, stability, efficiency in delivering services, high status in society, and relative freedom from corruption (Lau, 1982a: 25). The relatively high pay offered to civil servants and the high level of job security, in addition to the social status enjoyed by public officials in a Chinese society, have resulted in a low level of personnel turnover in the civil service. A study on civil service retirees revealed that the majority of them had served in the Hong Kong civil service for twenty to thirty years (Leung, Brewer and Lee, 1996: 4). Stability in the civil service is reflected in the low overall attrition rates, which ranged from 4.4 percent to 5.9 percent from 1988–89 to 1995–96. Despite the relatively low level of turnover in general, statistics recorded a tremendous increase in the rate of retirement from 11.7 percent of the total attrition in the Hong Kong civil service in 1988–89 to 49.9 percent in 1995–96 (see Table 1).

A more alarming fact is that an attrition rate of around 10 percent was recorded for directorate-grade officers from 1992 to 1996. This included over 1 000 officers on the DPS who were senior professionals, the heads and deputy heads of departments, and the administrative officers who are generally considered to be the elite group in the public service. These officials occupied the most important positions in the bureaucracy, including those of Secretaries of policy branches and heads of departments. The trend of a large number of senior civil servants leaving the civil service at a crucial juncture of history may have grave implications for Hong Kong. It is necessary to plan for filling the vacuum created by the sudden departure of officials who were hitherto

Table 1
Attrition in the Hong Kong Civil Service, 1988–96

	Percentage of Total Attrition							
	95/96	94/95	93/94	92/93	91/92	90/91	89/90	88/89
Resignation	35.5	38.1	39.7	42.1	38.6	68.2	73.3	66.2
Retirement	49.9	38.3	36	24.9	15.2	19.6	11.8	11.7
Completion of Agreement	4.5	3.3	3	7.8	2.4	3.9	6.7	10.8
Dismissal	1.5	1.2	1	0.7	0.6	0.7	0.9	1.2
Termination of Service	6.1	17	18.1	22.5	41.9	5.4	5.5	8.0
Death	2.5	2.1	2.2	2.0	1.3	2.2	1.8	2.1
Total	100	100	100	100	100	100	100	100

Source: Civil Service Branch. *Civil Service Personnel Statistics*. Various issues. Hong Kong: Civil Service Branch, Government Secretariat. Mimeo.

considered to be indispensable. Arrangements must be in place to anticipate possible causes of departure of civil servants, identify factors that cause them to leave, and make efforts to eliminate those factors. If it is not possible to prevent civil servants from leaving public employment, there should be a carefully designed plan for filling up positions left vacant by such departures. It is important to ensure that the replacements are capable of performing their new tasks at an acceptable level of competence.

In view of the significant attrition in these key positions as Hong Kong made the transition from a British colony to a special administrative region of the People's Republic of China, this chapter aims to examine the factors that can be seen as contributing to this potential problem of succession. The problem was partly caused by the colonial legacy of the historically slow rate of localization and the sudden acceleration in replacing senior civil servants on grounds of nationality in the years prior to the handover of sovereignty. In principle, the outgoing overseas officers could be replaced by senior local officers. However, the increasing rate of early retirement among senior local civil servants exacerbated the problem of civil service succession. These two linked issues of accelerated localization and a wave of early retirements created obvious additional problems for the government at a time which, in any case, would have been challenging and problematic. The possible causes of early retirement include early reaping of personal benefits, namely pensions, and political developments that seemed likely to change the traditional roles of the bureaucrats.

SUCCESSION PLANNING IN THE HONG KONG CIVIL SERVICE

Succession planning, in the words of George Thomason, is 'usually stated to be concerned with the identification of more junior personnel with capacity and capability to move into more senior positions (usually with some development), in order that the organization has some appreciation at any one moment not only of what stock of trained manpower it has available for its current needs, but also what stock it has potentially to meet future exigencies, assuming that the future need will replicate the current stock by number and skill' (Thomason, 1978: 139). Various factors may contribute to the turnover of civil servants, who may choose to look for better opportunities in terms of pay, power, prestige and prospects of advancement. A number of public officials will reach retirement age every year, and the possibility of prolonged illness or disability should be taken into consideration.

In societies with a high level of uncertainty, as Hong Kong experienced over the two decades before the handover, civil servants may seek the opportunity of working in a different society or emigrate to other countries. Such circumstances also give rise to concern over pension and retirement payments, and civil servants have to make hard choices. Often the uncertain circumstances are perceived as a threat to the comfortable position enjoyed by the civil servants, and may influence their decision to leave the service in order to retain the benefits earned up to a certain point. A civil service dominated by a large number of non-local officials at the highest level is more susceptible to a high rate of attrition at a time of change when final outcomes and implications are unpredictable.

In the case of Hong Kong, another factor worth consideration is the position and power of civil servants in the society. Public officials for a very long time have played a very important role in governing Hong Kong, and their contribution has been recognized by successive governors and the first Chief Executive. They have been able to wield a considerable amount of power, participate actively in the policymaking and policy implementation process, and defend their position and privileges without challenges from other groups in the society. A number of constitutional and political reforms proposed in the early 1990s sought to impose various methods and mechanisms for control on public officials. Moreover, the period witnessed the emergence of a new breed of political leaders who were willing to challenge the actions and authority of the civil servants. The possibility of losing the retirement package which was built up over years of service was also a source of worry, since there were speculations about the future of Hong Kong's economy after Britain withdrew and about whether the PRC would allow the SAR government to honour pledges made under British colonial rule. Naturally, civil servants would prefer to accept the accrued benefits and leave before the financial capability of the government weakened, hence putting their pension funds at risk.

There were signs of the emergence of such problems immediately after the signing of the agreement in 1984 to return Hong Kong to China. Consequently, the Hong Kong government took steps to formalize a process of succession planning in 1985. Since then, the Staff Planning Division of the Civil Service Branch had supervised the completion of succession plans for directorate-level posts in all government departments. In late 1985, the division called for department heads to submit formal five-year plans which forecast year by year the incumbents of each directorate post (Burns, 1988b: 90–3). At this stage, there were four factors which were viewed as potential contributors to the creation of a vacuum at the higher levels of the civil service: the tendency of officials to emigrate or at least secure a foreign passport so as to be able to leave if the situation got worse; the tendency to retire once the age limit was reached or to retire early to ensure receipt of the benefits package; the departure of expatriate officials who had served for a long time; and the perceived threat to the civil servants as their role in the political system was undergoing noticeable changes.

THE ROOTS OF THE PROBLEM

Emigration

The succession planning process continued annually until 1995 when the Civil Service Branch decided to increase the frequency of reviews with heads of departments from once every year to once every six months. Anticipated retirement dates were the primary consideration in succession planning, but such forecasts were becoming increasingly difficult, and the process was affected by the British government's policy to grant British nationality to 50 000 households in Hong Kong.

The British nationality package was introduced in 1990, and it aimed to help retain those people in key positions within the government and the private sector who were considered indispensable to the continued prosperity of the territory. The government claimed that by providing these people with an option to leave Hong Kong if it became necessary, the scheme would help prevent them from leaving the territory. The nationality package was designed partly to hold the civil service in place after the Tiananmen incident in June 1989. Consequently, about one-third of the quota (approximately 15 000 to 18 000 households) were used up by civil service families, who were either in disciplinary forces or sensitive posts like administrative officers, or other long-serving senior staff (Cheung, 1990: 91).

At the same time, there were officers who did not wish to opt for the quota offered by the government, but preferred to ensure a safety route out of Hong Kong, in case such an action became necessary. Several public officials were among many other Hong Kong residents who applied and qualified for

residence in other countries, and subsequently obtained their second passports. Whether both these groups of officers would remain in the civil service after 1997 very much depended on their continued confidence in the new SAR government. Cheng and Lee's survey of the directorate officers in 1994 showed that about 36 percent of them were worried about their careers in the civil service after 1997. Moreover 64.3 percent of the officials had British passports, while another 10.9 percent held other kinds of foreign passports. More significantly, irrespective of whether or not they were holding foreign passports, about 34.7 percent of them claimed that they would not remain in the civil service after 1997.

Retirements and personal financial interests of civil servants

Retirement is a normal process in a civil service, and it has to be taken into account in succession planning. Considering the average age of the Hong Kong civil servants, this is not a major issue at this point. However, there is a provision for civil servants to choose early retirement with most of the benefits after serving for a specified period of time. Since civil servants in Hong Kong are compensated very generously in comparison to their counterparts in other parts of the world, an official can accrue an extremely attractive retirement package in a relatively short period of time. Combined with the uncertainty over the future of Hong Kong and the potential loss of power in the system, this provided a strong incentive for the civil servants in Hong Kong to opt for early retirement.

In October 1994, the Secretary for the Civil Service, Michael Sze, admitted that he was worried about the number of staff retiring from the civil service in the run-up to 1997 (Hong Kong Government, 1994). His concerns were proven to be valid, because, as shown in Table 2, the number of civil servants choosing early retirement had been on an increase.

Table 2
Attrition Due to Early Retirement in the Hong Kong Civil Service, 1990–96

	95/96	94/95	93/94	92/93	91/92	90/91
Age below 50	518	494	337	330	284	223
Age 50 to 55	394	380	248	253	258	202

Source: Civil Service Branch. *Civil Service Personnel Statistics.* Various issues. Hong Kong: Civil Service Branch, Government Secretariat. Mimeo.

Statistics indicated that the number of civil servants who opted for early retirement before the age of fifty more than doubled from 223 in 1990–91 to 518 in 1995–96, while the figure for officers who retired between the age of

fifty to fifty-five leaped from 202 to 394 over the same period. This trend of early retirement posed great difficulties in the management of succession. Statistics on officers due for retirement revealed that about 30 percent of directorate-level officers and another 30 percent of overseas officers were eligible for retirement under the old pension scheme, the normal retirement age of which was fifty-five (with an option to retire at fifty or forty-five on compassionate grounds). The old scheme contained a 25 percent lump-sum gratuity. The new pension scheme allows for retirement at sixty with an option to retire at fifty-five, plus 50 percent lump-sum gratuity.

By November 1995, 30 percent of the 1 301 directorate-grade officers were already in the 'retirement zone'. Those in the 'retirement zone' included fourteen out of the nineteen substantive directorate officers in the Education Department; eight out of fourteen in the Social Welfare Department directorate; 106 out of 322 in the common directorate of the Planning, Environment and Lands and Works Group of departments; and twelve out of fifty-two in the Housing Department (*Hong Kong Standard*, 23 February 1996). Although the new pension plan does not necessarily lead to a higher retirement rate in affected departments, it has increased the likelihood, as officers in the zone have a right to retire on twelve months' notice. At least ninety-eight officers at directorate level indicated in January 1996 that they would leave in the next twelve months (*Eastern Express*, 19 January 1996). Moreover, the notice period can be waived in exceptional circumstances where it is in the public interest and when there are adequate compassionate or personal grounds such as: degeneration in health; unanticipated changes in family circumstances; when the officer's service is urgently needed by a quasi-government body or public organization and it is in the public interest; retirement plan tying in with children's education overseas; or receipt of emigration visa requiring departure at short notice.

The Secretary for the Civil Service, Lam Woon-kwong, confirmed that from April 1994 to July 1996, 30 out of the 209 retirement notices were granted the waiver. At least three of these officers had given less than one month's notice; the notice period of less than a week given by the immigration chief Lawrence Leung Ming-yin was the shortest in recent years (*SCMP*, 12 July 1996). Instances of early retirements and applications for waivers added to the problems of uncertainty and unpredictability in succession management. As the Hong Kong civil service operates within the confines of an internal labour market supply, staff morale and the value of organizational experiences can be disrupted severely by such sudden departures at short notice. Two major factors leading to early retirement include the rapid political developments that are changing and are likely to change further the traditional roles of the bureaucrats, and civil servants' attention to personal financial interests in securing pension benefits.

One of the issues that the civil servants had expressed great concern about during the Sino-British negotiations on the future of Hong Kong in the

early 1980s was the security of retirement pensions. In 1987, a new pension scheme agreed upon by both Britain and China was implemented. This agreement recognized pensions as a statutory entitlement rather than payment 'at pleasure' of the Crown. The new scheme provides an improved formula for the calculation of pension, and allows retirees to draw up to 50 percent instead of 25 percent (under the old scheme) of the pension in a lump-sum gratuity at the time of retirement. Additional features of the scheme include the extension of normal retirement age from fifty-five to sixty and the introduction of a 'deferred pension' for civil servants leaving the service after ten years but prior to retirement age (Cheung, 1990: 93).

The new scheme was generally welcomed by civil servants, as those at senior ranks could retire with a much higher lump-sum gratuity payment. Many civil servants who were eligible for pension benefits took advantage of this opportunity. Given that these benefits could guarantee a reasonably comfortable life for senior civil servants who retired, it was understandable that many directorate officers who fell within the retirement zone would opt for early retirement, instead of taking the risk as they saw it of not being able to draw their pension benefits after the transition. Some had left for emigration reasons, while others had opted for a second career either inside or outside the public service. Stuart Harbinson, acting Deputy Secretary of the Civil Service, revealed in October 1989 that in the year 1988–89, approximately 1 500 civil servants left the civil service for emigration reasons, constituting 14 percent of the total loss. This was an increase of 5.2 percentage points over 1987–88 (*Ming Pao*, 22 October 1989). In 1994–95, civil service statistics indicated that 67 percent (302 out of 448) of the applications for early retirement cited 'emigration' as the reason (*Sing Tao Daily*, 29 June 1995).

On the other hand, there has been a growing trend of retired civil servants starting a second career. Michael Sze Cho-cheung, the former Secretary for the Civil Service, retired with $3.5 million in a lump sum when he left the government to join the TDC. In addition to his monthly pension payment of $63 000, he has been earning a monthly salary of $290 000 from the TDC, topped up by housing benefits. Michael Leung Man-kin, the former Secretary for Education and Manpower, received a lump-sum gratuity of $7.1 million and a monthly pension of $42 000 upon retirement. Since becoming the Commissioner of the Independent Commission Against Corruption, he has been earning about $160 000 a month in addition to other benefits (*Hong Kong Standard*, 15 September 1995).

A number of retired public officials have joined the private sector. To quote a few examples, John Chan, the former Secretary for Education and Manpower became the managing director of a franchised bus company; Yeung Kai-yin, the former Transport Secretary, became the executive director of a construction company; and Sir David Akers-Jones, the former Chief Secretary, became the chairman of a multinational insurance company. A group of retired civil servants have formed a consultancy firm to sell their expertise on

government matters. According to the association's secretary, Wilfred Wong, the former Deputy Director-General of Industry, they will utilize their expertise on government policy to advise private companies on their lobbying strategies. The firm will keep a register of all willing members of the association, and match the registered members' experience and expertise with clients' needs. The association has 160 members, with 80 percent having retired at the directorate level. Sixty of them are former department heads (*Eastern Express*, 10 May 1996).

Changes in the role of civil servants

Traditionally, Hong Kong civil servants performed both the roles of politicians and bureaucrats. The merging of the two roles was particularly evident in the legislature, in which civil servants constituted a large part of its membership and effectively controlled its proceedings. As a consequence, Hong Kong was labelled an 'administrative state' in which no elected politicians or political parties had developed. In essence, the civil servants were the only political institution in the colony and monopolized all functions in the polity, from policymaking to policy execution and from law-making to law enforcement (Cheek-Milby, 1989a: 257).

However, since the early 1980s, there have been a number of changes which have provided a much more turbulent and complicated political environment for Hong Kong civil servants (Scott, 1986: 447–69). Dramatic changes took place which increased public participation in governmental decision-making. The first step in political reform was taken in 1982, when universal suffrage was introduced to the elections to the eighteen District Boards.[1] The first elections for the territory-wide law-making body, the Legislative Council, took place in 1985. Twenty-four out of a total of fifty-six members were indirectly elected through functional constituencies representing the economic, professional and social sectors, or by an electoral college composed of District Board members.

A series of political reforms followed the conclusion of the agreement between China and Britain on the future of Hong Kong. A major step was taken in 1991, when the first eighteen directly elected seats were introduced into the Legislative Council. For the first time in the constitutional history of Hong Kong, directly and indirectly elected legislators formed the majority. In 1995, all members of the Legislative Council were elected, either directly through geographical constituencies (twenty out of sixty), indirectly through functional constituencies (thirty out of sixty), or from the electoral college (ten out of sixty) composed of District Board members (Leung, Brewer and Lee, 1995: 207). The introduction of elections, and consequently party politics, into the Legislative Council meant that it was increasingly difficult for the senior civil servants to maintain their unchallenged dominant role, as they faced increasing scrutiny and challenge from elected legislators who claimed

to possess a higher degree of popular support and were keen to share, if not take away, their policymaking powers (Cheung, 1991: 50). One senior official who had left the government admitted to some disquiet over these new changes:

> There is now much more public debate on government policies and measures, a much sharper division of views and much more vocal dissent and criticism. The initiative seems increasingly to have left the hands of civil servants, who no longer appear to be calling the shots. Civil servants are often cast, or perceived to be, in the role of the beleaguered public whipping-boy — trying very hard, and perhaps not always successfully, to explain and sell unpopular policies and decisions — rather than the traditional powerful mandarins to whom people pay homage. The government is often perceived and criticized as being somewhat rudderless and uncertain of its own ground. Members of the Legislative Council and of the other political parties — the District Boards, the Municipal Councils, and various fledging political parties — appear to be gaining the upper hand as well as the centre stage (Chan, 1995: 22).

Cheng and Lee's (1994) survey of the directorate officers revealed that senior civil servants were dissatisfied with the Legislative Council, and considered the legislators as 'too politicized and immature'. The data indicated that civil servants were ambivalent in their attitude towards the process of democratization. On the one hand, they agreed that the executive government should be accountable to the elected Legislative Council, but on the other hand, they resented the interference from the elected politicians, regarding them as 'incompetent, senseless and sometimes even against the public interest' (Lee, 1995: 45). No group, however, likes its power and position to be challenged. The civil servants had it too easy for far too long.

All these changes affected the *modus operandi* of the civil service (Chan, 1995: 26–9). In the past, Hong Kong used to work through a system of appointments and cross-memberships between various bodies. Intricate relationships were established between the executive, including the civil service and its non-civil service advisers, and the legislature. These relationships provided a reasonable assurance of legislative support for the executive's policies and decisions. The introduction of elections and party politics into the Legislative Council brought about fundamental changes in the traditional relationship between the executive and the legislature. Civil servants increasingly had to engage in persuasion, lobbying, and going directly to the people. They had to provide accounts of their activities to the public, and face a great deal more controversy. As a consequence of this, the civil service inevitably lost some of the initiative and control that it was once able to exercise. Today, branch Secretaries can no longer take complete control of their own agendas and priorities. They cannot even control their own diaries as much as they would like to. Their political role has become much more prominent, and more time and energy have to be devoted to political activities.

This can be illustrated with statistics (Chan, 1995: 27–8). Within the ten-year period between 1982–83 and 1992–93, the number of Legislative Council sittings nearly doubled from twenty-two to forty-two, and the average length of each sitting more than doubled from two to five hours. Thus, the amount of time that many senior civil servants had to spend at sittings of the Legislative Council increased fourfold because branch Secretaries had to move government bills, answer questions from members, and take part in debates, even though they were not formal members of the Legislative Council. The number of questions that they had to answer, that is, the number of main or original questions which were notified in advance, more than trebled from 194 to 612. The number of supplementary questions, that is, the impromptu follow-up questions, also rose from just over 300 to 868. And the number of motion debates initiated by members who were not civil servants rose from 2 during 1982–83 to 62 during 1992–93.

Apart from attending formal sittings of the Legislative Council, there are numerous panels, bills committees, and other standing or ad hoc committees of the Legislative Council, and civil servants are usually required to attend meetings of these bodies whenever issues relevant to their own responsibilities are discussed. But despite the huge increase in workload between 1983 and 1993, the number of branch Secretaries remained unchanged at sixteen. The total size of the civil service did not grow very much either. Over this same ten-year period, the total strength of the civil service grew by a total of 9 percent, or an average of 0.8 percent a year. All in all, today's civil servants do much more by way of selling and defending policies and have relatively less control over their initiation and formulation. Still there is always a possibility that the civil service policymakers cannot arrive at a compromise with the Legislative Councillors, hence leading to an open confrontational situation as illustrated in the following case:

> The resignation of Lau Chin-shek from the Legco (Legislative Council) in December 1994 has provoked a constitutional crisis in Hong Kong's executive-dominated political system. An Employment (Amendment) Bill was submitted to the Legco by Michael Leung, Secretary for Education and Manpower, for three readings. The bill was a result of the compromise and negotiations between the government and the labour representatives in (sic) the government-appointed Labour Advisory Board. Lau, the labour representative in the Legco, considered the amendment too mild and inadequate to protect the interests of the labouring class. His amendment was successfully passed in the second reading. Leung, however, immediately withdrew the bill before the third reading began, claiming that the Legco was against the wishes of the representatives of the Labour Advisory Board. Lau therefore protested and resigned immediately from the Legco (Lee, 1995: 46).

This was possibly the first instance in Hong Kong's history in which government officials openly confronted the elected legislators. While Leung's move was aimed at preserving the dominant role of the executive government, he was criticized heavily for not respecting the decision of the elected Legislative Council and acting against public interest. Peter Wong Hyo, chairman of the 95 000-strong Hong Kong Chinese Civil Servants' Association, conceded that most civil servants faced new pressures due to the changing political system. With the new party politics in the Legislative Council, many civil servants have become targets of criticisms but no channels exist for the officers to express their grievances (*SCMP*, 10 April 1993). Bureaucrats who were accustomed to their traditional roles found it difficult to face these challenges.

The departure of expatriates

The process of localization, discussed in detail in chapter four, has resulted in the departure of a large number of civil servants at the higher levels. In addition, expatriate officers had also been subject to the same feelings and sentiments over the uncertainties associated with the reintegration, and sought to protect their accrued benefits. This group represented a combined experience of many years, and were viewed by many as one of the most useful contributors to the success of Hong Kong. It was necessary to plan for filling the positions left vacant by the expatriates with capable local civil servants.

There have been various kinds of efforts to deal with this issue. The tradition in the early years of colonial rule of appointing only Europeans to the most senior levels, and the neglect in subsequent years to neutralize its effect had to be faced by the government in 1997. In the years of financial prosperity, Hong Kong had been able to attract talents from various parts of the world. Being one of the most open civil service systems, it was possible to recruit the best available talent, and the attractive terms and conditions of service added to the influx of personnel, both public and private, to Hong Kong. As this group of people faced the prospect of an uncertain future for Hong Kong, the civil service had to be prepared for a large-scale turnover. There have been efforts by some officials to continue in service, and the issue has been taken to courts on various grounds including right of residence, definition of 'local', and even discrimination. However, the net result has been the departure of a large number of civil servants, willingly or unwillingly, and those who remain in the service have to sidestep to make way for the advancement of local officials.

Early retirement was also a common phenomenon among the overseas officers. Of the 1 741 overseas officers in 1995, 545 were members of HMOCS who could opt for retirement between July 1996 and June 1997. Because of the loss of British sovereignty protection, they were entitled to retire before 1997 regardless of their age. About a quarter of these officers were in the directorate grade (*Hong Kong Standard*, 28 November 1995).

By early June 1996, 182 officers serving under HMOCS indicated they would leave Hong Kong by 1 July 1997 upon the reversal of sovereignty to China. Upon leaving Hong Kong, each officer would be entitled to a maximum payment of GBP140 000 (HK$1.7 million at 1996 exchange rate) from London. Of those who indicated their intention to leave, 116 were from the police force, 4 from the Judiciary, 36 from other departments, and 26 were administrative officers (*Hong Kong Standard*, 7 June 1996). Expatriates not belonging to HMOCS also started leaving the territory. Membership of the Association of Expatriate Civil Service dropped from 780 in November 1995 to 500 towards the end of June in 1996.

ISSUES IN SUCCESSION

As a result of the localization policy and the voluntary choice of early retirement by many HMOCS officers and senior local officers who were expected to take up the vacant posts left by the expatriates, many relatively junior officers enjoyed accelerated promotions. This can be illustrated with two examples. First, the present Secretary for the Civil Service Lam Woon-kwong is 44 years old and has enjoyed three promotions since 1993. He was Deputy Secretary in the Education and Manpower Branch from March 1993 to February 1994, Deputy Secretary for the Civil Service for one year, Director of Education for nine months, and then enjoyed a salary jump from D3 (directorate level three) to D8 on reaching his current position. Lam admitted to being pleasantly startled and that 'the civil service reshuffle is faster than normal for special reasons', as he had expected 'to stay with the Education Department for two to three years' (*Hong Kong Standard*, 15 September 1995). In addition, he is the only person promoted to the position rather than transferred from another post on the same policy grade. Another high-flier is the Secretary for Economic Affairs, Stephen Ip (also of the same age as Lam Woon-kwong), who has been promoted annually since 1994. At the time of writing, the Secretary for the Civil Service had just announced that the government was still short of twenty to thirty experienced administrative officers (*Hong Kong Economic Journal*, 16 October 1997). The manpower shortage was worsened by the departure of more than forty HMOCS officers in the preceding eighteen months, and those officers were veteran civil servants. He also urged heads of departments to consider the posting of other professional and general grade officers to fill up the vacancies left by administrative officers. The rapid promotion of juniors should add youth and zest to the civil service, but there are others who have reservations about their experience and readiness for the important positions.

Rapid reshuffling of the policymakers will not only deprive the Hong Kong government of continuity and stability which are crucial to the development of public policies. Rapid movement of bureaucrats out of the public sector into private business or politics could also lead to the

subordination of the bureaucracy to outside influence, as bureaucrats have to establish proper relationships with their prospective employers or patrons while still in office in order to make future transitions. Consequently, the government has tightened its guidelines governing the jobs civil servants can take after they retire. The rules stated in the circular issued by the Civil Service Branch on 'Acceptance of Outside Appointments After Retirement', which was originally published in 1990, were changed in the wake of the controversy over a former police commissioner's employment with a local construction company when he began his pre-retirement leave in July 1994 without seeking approval from the government. The former commissioner defended himself by saying that he did not need to apply to the government for approval because his job was not related to the company's business in Hong Kong. As a result, the apparent loophole stating that civil servants required the Governor's prior approval only before taking a job or 'engaging in any business activity the principle part of which is carried on in Hong Kong' was closed with the new rule requiring officials to seek the Governor's consent if the companies they work for are based in Hong Kong.

CONCLUDING OBSERVATIONS

This chapter has presented the problem of succession in the civil service as an issue of concern. The competence of the Hong Kong SAR civil service has been questioned several times over the management of various issues in the first few months since 1 July 1997. A number of problems relating to the management of public hospitals, the economy and most recently, the threat to public health following the detection of a virus in chickens have not been handled with the efficiency expected of the Hong Kong civil service. Although there was praise from the Chinese Central Government leaders on the management of the financial crisis, it was more on the strength of fiscal reserves than competent handling of the problem. A number of other issues are begging for solution. The emergence of these problems right after the reintegration does not reflect poorly on the succession planning in the civil service, but they could serve as warning signs for the future.

The government was negligent in carrying out the policy of localization with vigour during the early periods of colonial rule, but the pace of localization accelerated in the years prior to the handover of sovereignty. The mass exodus of experienced overseas officers could have been dealt with if they had been replaced with experienced local senior officers. However, there has also been a trend of early retirement among the local senior officers due to their personal financial interests and the confusion surrounding the changing role of bureaucrats. These two factors have given rise to grave concern over the issue of succession, resulting in accelerated promotion of relatively junior officers. It is therefore crucial for the government to provide adequate training and

broad experience to ensure that the successors are able to lead the civil service in the run-up to the transition (Huque and Lee, 1996: 1–16) and beyond. This is particularly crucial since there have been major changes in the nature and composition of the Legislative Council, and the Hong Kong SAR's Chief Executive Tung Chee-hwa comes from a very different background, with limited experience in public administration. In an interview with *Newsweek*, Chief Secretary Anson Chan remarked that 'even though he [Tung] has some understanding of the way the government works, he doesn't have a really deep understanding of how government machinery works' (*Newsweek*, 9 June 1997). Hence, in this critical period immediately after the transition, senior civil servants should be well-equipped to become valuable aides of the Chief Executive in the running of Hong Kong's administration. A well-designed succession plan would have been an invaluable instrument in achieving this end.

ENDNOTE

1. District Boards provide an effective forum for public consultation and participation. They have mainly an advisory role, with formal power only to look into such matters as local recreational and cultural activities as well as minor environmental work. In reality, they have become involved in discussing a wide range of community affairs.

CHAPTER 6

MANAGING AND REWARDING PERFORMANCE[1]

INTRODUCTION

A high-performing civil service which is always ready for self-renewal has been a persistent objective of the administrative regime in Hong Kong. Towards the final years of the transition, the civil service had embarked on an ambitious programme of Public Sector Reform (Finance Branch, 1989) which ultimately aims at an overhaul of the civil service culture — from a rules-oriented administrative culture to a more cost-conscious and value-seeking managerial culture. One of the principal themes of reform is 'Managing for Performance' (Efficiency Unit, 1995a). In his maiden Policy Address to the Provisional Legislative Council on 8 October 1997, the first Chief Executive Tung Chee-hwa promised to continue with a high-quality civil service by implementing 'a target-based management process to achieve continuous improvement in public services' (Tung, 1997: para 151). 'We must manage for results, by results,' he claimed (Tung, 1997: para 151).

'Managing human resources' had been well-recognized by the pre-1997 administration as an essential aspect of performance management reform. As the then Civil Service Branch of the Government Secretariat put it, '[t]he need to respond to changing community expectations means that the task of managing our staff better is more important than ever — it is the staff who deliver the service, and it is through a new emphasis on staff management that a customer service and performance oriented culture will gradually evolve' (Civil Service Branch, 1995: 2). Increasingly 'performance' will become the most important catchword in the management of human resources within the civil service, and it is expected that the new understanding of performance will have much impact on the issues of pay and conditions of service for civil servants. Despite reassurance from the Basic Law which stipulates that there would not be any changes in the system of determination of pay and conditions nor in the ways performance is to be appraised (Article 103), the high goals set for human resources management under Public Sector Reform could not be achieved in any substantive sense without some corresponding reform in the pay and performance areas. In promoting performance management reform, the government is bound to head towards clashing with the traditional

civil service pay culture which is not really linked to performance *per se*, but rather is based on a different set of efficiency and equity values. This chapter explores such issues of efficiency and equity in pay determination within a changing context in which performance management is being reformed and redefined.

PERFORMANCE MANAGEMENT AND HUMAN RESOURCES MANAGEMENT REFORM

Hong Kong's attempts to introduce a results-based performance management regime are not unique. They follow some global trends in the same direction (cf Cheung, 1997b). In the OECD countries, for example, a more performance-oriented culture is being fostered, with a closer focus on results in terms of efficiency, effectiveness and quality (OECD, 1995: 8). Apart from institutional reforms which have included budgetary devolution, better integration between policy and programme functions, and organizational re-engineering, overseas experience has also pointed to the importance of reform at the agency and individual management levels which ultimately determine the capacity to achieve results. In Australia, one of the main pioneers in public service reform, the Management Improvement Advisory Committee's 1993 report *Building a Better Public Service* noted:

> Individual performance management will be an increasingly crucial issue in the coming decades. A continuing emphasis on organizational effectiveness and productivity, and increasing community pressures for quality of service, will focus attention on the link between individual and corporate performance (Australian MAB-MIAC, 1993).

The report went on to argue for *making performance count*, by looking closely at client needs and service quality, evaluating achievements, and rewarding good performance at all levels. How to recognize and reward performance and to manage underperformance with due mechanisms has become an integral part of any performance managment framework. In Australia as well as other OECD countries, an increasing emphasis is given to salary reform, with performance-based pay being its key feature.

In 1993 the Hong Kong Civil Service Branch completed a comprehensive review of HRM in the government, which resulted in new directions for changing the HRM framework.[2] Apart from emphasizing devolution of authorities from the Civil Service Branch to departments and simplification of rules and procedures, with the Branch (renamed 'Bureau' under SAR nomenclature) from now on focusing more on its strategic role to promote and facilitate changes, the new HRM policy sees the management of people rather than the administration of rules as the key concern within the new reform era. The aim is to 'establish a more open, flexible and caring management style so that staff will be motivated, developed and managed in

a way they can and will give their best to support departments' mission' (Civil Service Branch, 1995: 5). Six principles of HRM are prescribed:

- the Government should be a good employer;
- people are the most important asset;
- staff are recruited and their careers managed on the basis of merit;
- staff should take their share of responsibility in developing their potential;
- staff management is the responsibility of all managers; and
- departmental HRM plans must be guided by departmental plans and objectives.

In essence, the newly defined principles seek to form an HRM culture which is geared towards performance related to specified service plans and objectives (so that effectiveness can be evaluated) and merit, and towards co-responsibility to achieve performance. By so doing, important values of trust, care, teamwork, encouragement and development will be facilitated which can help the government meet the principle of being a good employer, thereby motivating staff to give their best (Civil Service Branch, 1995: 7).

If performance management is to be the main approach to appraise and motivate staff, in theory it must constitute the key to the system of incentives, rewards and sanctions for staff. However, as the rest of this chapter argues, reorientation of the existing pay determination regime towards the new performance values is not going to be an easy or uncontentious process.

PAY ISSUES AS A SOURCE OF CONFLICT IN THE POLITICAL TRANSITION

As the chapter author observed at the beginning of the 1990s (Cheung, 1991), there had been increasing anxieties among civil servants over their future, culminating in what could be described as a crisis of the civil service. The problems faced by Hong Kong civil servants then were multifaceted. Some were of a political nature, particularly for senior civil servants who were trying to adjust to new perceptions of their institutional role, as the political system was being transformed by elections and the rise of political parties during the transitional period, and as the China factor loomed larger and larger in the local scene of politics and administration (see more discussion in chapters three and eight). Expatriate civil servants were concerned about the pace of localization and how that would impact on their career prospect. The police and other disciplined forces were understandably more worried than their civilian colleagues about the impact of the transfer of sovereignty and the changeover of governmental authority, because of their special status and job nature.

But there were also other problems which would affect all civil servants irrespective of rank and occupational background, such as the security of pensions after the change in government on 1 July 1997, and pay and conditions

issues. Indeed the turn of the decade had seen an increasing incidence of industrial disputes involving a wide cross-section of the civil service and resulting in industrial action of one kind or another, as exemplified for example by unrest and discontent among members of the disciplined services over pay issues (Cheung, 1990, 1991). Such disputes and conflicts, though no longer dominating the civil service scene by the mid-1990s because of other overriding concerns about preparation for the sovereignty change, called into question the robustness of the existing pay system in coping with strains generated by both internal pressures and external expectations and demands. With the transition now essentially over, and some of the earlier political and career anxieties being put aside, it will not be surprising if some civil servants refocus their demands on pay issues, not to mention the new emphasis on performance management which will bring about an almost alien, or non-traditional, line of thinking about merit and reward. Already the Police Force has urged a salary review on the grounds that parity of their pay levels with other civil servant groups had been eroded. Although eventually the government only agreed to awarding a further point at the top of the police rank-and-file pay scale in order to pacify front-line police officers, the move has triggered accusations of discrimination from officers of other disciplined services and their demands for a pay review.[3] Historically, pay issues had always been controversial and the present system of pay determination, based primarily on principles of comparability, has aimed at 'depoliticizing' the pay process, putting stability ahead of efficiency.

PROBLEMS OF PAY DETERMINATION IN GOVERNMENT

Efficiency and equity in pay should, in theory, be possible in the private market where competition exists, as employers are obliged to refer to prevailing market rates if they do not wish to be outbidded by their competitors, and where there is no restriction on the free flow of labour from one employer to another in search of better pay and working conditions. Also, comparison of input and output can be made more accurately as both are easily susceptible to market monetization. The output and performance of employees can be related to and measured by the value that their product can obtain from the product market, which in turn reflects the preferences of consumers.

In government service, however, pay determination is more complicated and problematic. In principle, the government has to ensure that civil servants are paid as much as private sector employees who are engaged in similar jobs, so as to remain competitive in the wider labour market for the occupations concerned and to be fair to the employees. Comparability with the private sector allows the government to satisfy the tests of efficiency and equity. As the output of government does not pass through the market-place *per se*, where its relative worth can be determined by consumers, linking civil service pay to the

appropriate pay level in the private sector indirectly brings the market into play and thus seems a sensible and fair practice. This practice enables the government to attract employees with qualifications and abilities similar to those found in the private sector. The prevailing wage principle also makes sure that the government does not pay more than is warranted by the market. As such, it is deemed efficient as well as equitable (Fogel and Lewin, 1974: 411). There is also the added advantage of providing a basis for stabilizing pay determination in the civil service.

In addition to achieving a broad sense of fair comparability with the private sector, the government also has to maintain an appropriate level of relativity among various grades and ranks within the civil service. The fact that civil service work is very often the product of a joint effort involving interdepartmental and intergroup (grade) cooperation means that such internal comparisons are more widely expected than in private firms. A further problem lies with the fact that not all civil service jobs can find an external 'market' counterpart that can be used to anchor civil service pay. As a result, internal comparison is unavoidable in order to derive a suitable pay level for some job categories. This, in effect, creates an internal market, consisting of chains of internal relativities, rendering the civil service pay structure much more complicated. Unlike the private sector where pay for individual jobs can be treated separately on the basis of individual merit and market demand, pay decisions for particular civil service grades or ranks are bound to give rise to wider repercussions and spillover effects within the service.

Comparability gives rise to equity concerns.[4] A comparability-based pay system as existing in the civil service is as much a political process involving bargaining, judgements and disputes as an exercise of notionally impartial and rational job comparisons. Given also that civil service pay in most countries forms a major component of government expenditure, the pay process becomes an issue of public concern and external political pressures on grounds of budgetary and macroeconomic considerations.

To the extent that the fair comparability approach can settle civil service pay only in the 'pay for the job' notion (assuming a constant 'job outcome' among different staff occupying the same job category), much must still be done as regards 'pay for performance' (which takes performance to be a variable). With the current rise of NPM ideas which put much emphasis on value for money and performance assessment (cf Hood, 1991), governments are faced with increasing pressures to ensure that their civil servants are paid only according to their performance. Performance appraisal has always been a controversial area in public personnel administration, not only because of the absence of well-tested measurement tools, but also because of the varying standards of application of any performance measures by line managers that can give rise to endless debate and grievances. Even in the United States, where merit pay as a means towards pay for performance has become more widely used at the senior segment of the federal civil service following the

1978 Civil Service Reform Act, its effectiveness in implementation has been subject to reservation and doubts (see, for example, Yaroschak, 1983; Pagano, 1985: 161–76; Schuler, 1984: Ch 10).

EVOLUTION OF THE CIVIL SERVICE PAY SYSTEM IN HONG KONG

Pay principles

Prior to 1974, an *ad hoc* approach was adopted by the Hong Kong government for the review and adjustment of civil service salaries. Every five years or so, the government appointed a Salaries Commission to conduct a comprehensive pay survey involving comparison with the private sector to make suitable pay revision proposals. The 1965 Salaries Commission made explicit the principle of 'fair comparison' with the private sector by recommending that:

> (a) Whenever any reasonably large number of persons can be found both within the public service and outside it engaged in closely comparable work, fair comparison with the remuneration in comparable employment outside government should be adhered to as closely as possible, subject always to the allowances that must be made for differences in the two fields of employment as regards methods of payment, conditions of service generally and career prospects;
>
> (b) Internal relativities should be regarded as complementary to fair comparison where the latter principle can be and should be the first consideration in other cases (Standing Commission on Civil Service Salaries and Conditions of Service [hereafter Standing Commission], 1979: para 16).

The 1971 Salaries Commission not only endorsed the principle of fair comparison, but went further to recommend that comparability with the private sector should override all other considerations, including internal relativities (Standing Commission, 1979: para 16).

Another major policy on civil service pay, which was written by the government into the 1968 *Statement of Principles and Aims of Civil Service Remuneration* and agreed with the staff side, stated that the government accepted 'a duty and responsibility to maintain a civil service recognized as efficient and staffed by members whose conditions of service are regarded as fair both by themselves and by the public which they serve' (Standing Commission, 1979: para 13).

Such a generously worded statement was issued at a time when the Hong Kong government had just recovered from the 1967 riots and felt it doubly important to boost civil service morale with an appropriate pay policy. While the 1968 policy may seem too vague to provide any clear working criteria

(the concept of what is fair on the part of civil servants as employees could be markedly different from that of the general public who pay their salaries), the practice, however, has become well-entrenched. In essence, the policy called for fair comparison with the civil servants' counterparts in the private sector — an approach very similar to that adopted in Britain after the 1953 Priestley Commission (Megaw Committee, 1982: Vol 1, Chs 2 and 3).

Methodology

While the 1965 Salaries Commission formalized the principle of fair comparison, no specific mechanism for implementing this principle was recommended. It was not until the 1971 Salaries Commission that a proper method was adopted. This method divided the civil service into occupational classes in the belief that within each class a range of comparable work could be found in the private sector. Over thirty occupational class surveys were conducted between 1972 and 1974 by the Pay Investigation Unit of the Civil Service Branch. The occupational class survey system proved to be unworkable and was much criticized, not only because no truly comparable work existed in the private sector for most of the occupational classes, but probably more importantly because the creation of such classes by sometimes arbitrary groupings had disturbed the traditional and long-standing relativities within the civil service, thus leading to great discontent among the staff concerned (Standing Commission, 1979: para 21; Committee of Inquiry, 1989: para 2.1).

In 1974, following the failure of the occupational class survey system, the annual pay trend survey system was introduced. Under this system, an annual survey of pay trends in the private sector was conducted and the findings — the pay trend indicators — were used as the basis for determining annual pay adjustments for the civil service. For the purpose of such surveys, the civil service was divided into three salary bands, and changes in pay and certain cash benefits enjoyed by employees within similar salary bands in selected private companies were assessed.

In the late 1970s, following widespread expressions of staff discontent over pay levels and pay relativities, the government took an approach that significantly deviated from past practice. Instead of using an administration-dominated, one-off salaries commission, it appointed the Standing Commission on Civil Service Salaries and Conditions of Service ('Standing Commission') in 1979, which was independent of the administration (being composed entirely of non-officials). The Standing Commission undertook a review using a more systematic approach so as to keep salaries and conditions of service under regular examination.[5]

In its first report, the Standing Commission (1979: para 20) reaffirmed the principle of fair comparison with the private sector, as 'no other means of regulating levels of pay in general will ensure public acceptance and . . . [it is] essential that civil service salaries do not get out of line with that sector of

the economy producing the income from which they are paid'. However, the commission considered that such a principle should not necessarily be overriding or the major consideration. In its words, 'if there is to be a first principle, it should be the old but well-tried principle that salaries should be sufficient to attract and retain candidates of a calibre who will provide the public with an efficient service' (Standing Commission, 1979: para 20). This policy was accepted by the government and has since remained in force. The significance of the Standing Commission policy lies in its emphasis on fair comparison and its flexibility to cater for market forces and the government's own management needs as an employer. The commission also expected the government to be 'among the better-paying employers in relation to the lowest paid' (Standing Commission, 1979: para 28).

Between 1979 and 1980, the Standing Commission carried out a comprehensive review of civil service pay, opting for the 'qualification method' in lieu of the previous occupational class survey system,[6] as a result of which a new pay structure was instituted. This new pay regime, together with the annual adjustments derived from pay trend surveys, forms the basis of the existing civil service pay practice. In 1989 and 1990, the commission conducted overall reviews of the salary structures of all non-directorate civilian grades. While some modifications to the qualification benchmarks and the top segments of the MPS (that applies to most of these grades) were recommended, the principles and methodology underpinning the pay structure remained unaltered.

An important feature of the new civil service pay regime is the pay level survey which seeks to compare the level of civil service pay with private sector pay for comparable work. Owing to methodological problems and difficulties in determining private sector analogues, pay level surveys were only sparingly conducted for certain grades. In May 1986, following widespread pressure from the rest of the civil service for salary adjustments after a special pay award was approved for directorate staff, the Standing Commission commissioned Hay Management Consultants (Hong Kong) Ltd to conduct the first pay level survey.

The methodology and findings of the Hay survey were, however, disputed by civil service staff associations and this dispute eventually led to the appointment of the Committee of Inquiry (Burrett Committee) in 1988. In March 1989, the Committee of Inquiry presented its final report. It recommended that, in future, *pay level* surveys should form the foundation of the pay system, to be carried out once every three years or so. The *pay trend* surveys should provide the basis for pay adjustments in the intervening years, with reference to the overall pay adjustment trends in the private sector. Pay level surveys should be based as far as possible on job-for-job comparisons. For the purpose of these surveys, a number of 'marker' grades with identifiable functional counterparts in the private sector should be used as comparators. The pay of grades not covered directly by the survey should be determined by internal pay comparisons (Committee of Inquiry, 1989: Chs 5 and 6).

Machinery

In his review of the Hong Kong civil service pay system in the early 1980s, Mushkat (1984a) observed that Hong Kong's mode of pay determination did not fit exactly into any of the three major institutional modes of determining pay in government, namely legislative determination, executive determination, and collective bargaining. Prior to the setting up of the Standing Commission the pay process was largely executive-led, with the legislature's role being limited to approval of the necessary funds for any pay adjustment through its Finance Committee. The role of the legislature thus 'verged on the periphery' (Mushkat, 1984a).

However, pay was not unilaterally determined purely by administrative fiat as there was consultation, no matter how superficial, at the final stage of the pay determination process when the staff side was presented with pay survey findings and persuaded to accept the administration's offer. This approach was, of course, nowhere near a proper pay negotiation but, in theory, room existed for fine-tuning of the ultimate pay settlement. As evolved to the present stage, the system has become less administration-dominated. The Standing Commission took over the Pay Survey and Research Unit (the former Pay Investigation Unit) from the Civil Service Branch in 1982. As a result, civil service union representatives who sit on the Pay Trend Survey Committee of the Standing Commission are able to monitor the methods and conduct of pay surveys. Furthermore, political changes since the 1980s have produced an increasingly less compliant Legislative Council and Finance Committee, as well as more active and assertive civil service unions. So far, however, there has never been any example of the legislature not approving intact pay adjustment proposals from the administration.

The pay determination machinery has remained essentially administration-oriented. The Governor-in-Council (now Chief Executive in Council) would act on the recommendations of the standing pay advisory bodies and such other committees as are set up to investigate civil service pay (such as the Rennie Committee that looked into disciplined services' pay in 1988).[7] Membership of these independent pay advisory bodies is drawn from the private sector and includes members of the representative institutions such as the Legislative Council. Although they also receive staff representations, these pay bodies are all served by civil service-manned secretariats and rely heavily on official information.

It can be argued that the civil service pay determination process is gradually moving towards a model of executive-led consultative determination, with consultation with both the staff side (through their participation in pay trend surveys as well as staff consultation conducted by the pay advisory bodies) and the private sector (through the involvement of private sector's senior managers in the pay advisory bodies). It had been suggested that the setting up of the Standing Commission was primarily to depoliticize, at least in part, the pay

determination process, so as to provide an institutional mechanism for balancing the interests of the administration against those of the staff, and the civil service's against the private sector's (Mushkat, 1984a). From another angle, the business community's strong presence on the pay advisory bodies not only reflects the pro-business reality of Hong Kong's polity, but also provides an institutional basis for ensuring pay comparability with the private sector. This would more likely enhance the legitimacy of whatever pay decisions were reached in the process.

ASSESSMENT OF THE COMPARABILITY SYSTEM: STRENGTHS AND LIMITATIONS

The basic strength of Hong Kong's system for determining civil service pay lies in the principle of comparability, on which the system is based. In the absence of a competitive market for government products, comparability with the private sector enables the indirect operation of some 'market discipline' on civil service pay. It also helps the government to maintain competitiveness *vis-à-vis* the private sector, in much the same way as private sector employers take the prevailing market wage into account. For want of other criteria, comparability has the appeal of establishing rates of pay that can be accepted as fair in principle by both employees and the general public.

However, inasmuch as comparability can provide a workable principle for settling civil service pay, it has also given rise to frequent disputes over the actual operation of comparisons, both external and internal. Indeed, comparability has become the centre of pay conflicts within the civil service as civil servant groups compare themselves with private sector employees and with one another. In Hong Kong, while civil service unions have appeared all along to support the concept of comparability and the use of pay surveys to establish pay rates, they have persistently criticized the specific methods used to conduct the surveys, such as the methods used to identify and select private sector job analogues for pay comparison, the definition and choice of job factors to be taken into consideration in job comparisons and job evaluation, the sample job size, the survey field and other similar technicalities.

Civil servants feel aggrieved when the government does not appear to make comparisons with the private sector in a way which they think fair and proper. They are also aggrieved when the government does not act fully on the results of fair comparisons, very often out of budgetary or macroeconomic considerations (as occurred, for example, in Britain during the 1970s when an incomes policy was implemented from time to time). In Hong Kong, an illustrative case is the dispute in April 1990 between civil service unions and the government over the annual pay adjustment. Although the pay trend survey findings indicated that pay increases of 16.56 to 18.25 percent were awarded in the private sector during the preceding survey period, the

government was prepared to offer a flat increase of only 15 percent to all civil servants on the grounds of budgetary constraints and fear that higher public expenditure would fuel inflation. The same reasons were put forward by the government to justify, for a second time, lower-than-pay-trend salary increases in May 1991. On both occasions, the government had the apparent support of the general public who were also increasingly concerned about the rising cost of the civil service.

While civil servants complain about their unfair treatment, private sector employers on the other hand accuse the government of overpaying civil servants and hence creating undue pressure on private sector pay. They are particularly critical of the government's practice of 'backdating' annual pay adjustments as this has resulted in civil servants receiving a greater pay increase than is warranted by current economic performance.[8] Civil servants counter that they, in turn, lag behind private sector employees during periods of economic boom. Although one cannot doubt the sincerity of the government's declared policy of not leading private sector pay, once the cycle of pay comparisons and backdating is in full operation, it is difficult to tell who is leading whom. To pretend that comparability does not result in civil service pay influencing the private sector is to verge on the simplistic. Both sectors, after all, operate in the same labour market and, in the process of implementing pay policy, the government creates standards which other employers have to take into consideration. Private sector employers also argue, somewhat forcefully, that whereas their employees earn a pay rise by increasing productivity or contributing to greater company profits, civil servants simply receive automatic salary increases by virtue of being linked to the private sector. To them, this is neither fair nor cost-effective.

Internal pay relativities form yet another potential area of pay grievance for civil servants. Apart from the general phenomenon that internal comparison forms part of an employee's sense of pay equity, internal relativities in the civil service also often provide the only basis for establishing pay levels for staff who do not have an external comparable counterpart. Disturbing internal relativities, therefore, would in effect mean a 'market devaluation' of some of the jobs and lead to disputes and morale problems. This was demonstrated vividly by the uproar surrounding the 1988 Rennie Committee review of disciplined services pay. The review upset previously existing pay relativities within the disciplined services. The subsequent pay revisions proposed by the Standing Committee on Disciplined Services Salaries and Conditions of Service in 1990, in turn, were greeted with dismay when services which had gained from the Rennie review found the post-1988 relativities being readjusted to their disadvantage. The Police Force then sought to go further than their pre-Rennie position to establish a special status for itself in recognition of its role as the government's 'agency of last resort'. The issue of internal relativities involves remuneration, job value, and status recognition, all at the same time.

The above observations point to the need to recognize pay determination

as potentially a conflict-loaded process. Neither comparability nor any other approach can secure pay decisions without disputes. The problem is not so much whether conflicts and disputes exist (and using these as proof of flaws in the pay system), as whether an operating pay system can adequately cope with the unavoidable conflicts and disputes that are generated by varying expectations and interpretations of the effects of the pay system. Pay determination entails a delicate balancing act that seeks to accommodate diverse interests, aims and demands. Under a pay system like Hong Kong's, which is comparability-based, the balancing act (and the resultant resolution of conflicting needs) takes place around the operation of comparisons. Under other pay systems (for example, the French system which uses a grille system [job classification plus point-grading] and pay indices for pay determination), disputes centre around the corresponding methodologies adopted (such as classification adjustments and the calculation of pay indices).

The principle of comparability emerged from an historical background in Britain where the main concern was 'to make sure that civil service pay did not fall behind that in booming . . . industry, so that it was still possible to attract good recruits to the public service' (Megaw Committee, 1982: Vol 2, para 4.33). Hong Kong has seen a similar trend. Civil service pay caught up with private sector pay during the booming 1970s and 1980s, especially for the upper segment of the service. Expectations about comparability may change, however, as the economic and political climate deteriorates when the overriding concern would not be whether civil service pay lags behind, but whether its level is justified at all during times of difficulty.

Hence, any effective civil service pay system must be one that is capable of meeting changing needs and expectations. It must also be grounded in sustainable long-term principles that provide a basis for operation. In other words, both stability and flexibility are essential ingredients of the system. Indeed, even in places where comparability is the guiding philosophy, it seldom takes the form of an automatic adherence to a fixed external pay standard. This is rare in the private sector, the reason for which has been suggested by a pay consultancy firm: 'In the long run it is unacceptable to the employer to have pay as a given cost outside his control; [also] this approach takes no account of the relative success, failure or ability to pay of the organization or of changes in its needs relative to changes externally' (Megaw Committee, 1982: Vol 2, para 4.29). In some countries which use comparability as a principle for setting civil service pay, the principle is applied flexibly. In the United States, the Federal Salary Reform Act of 1962 provided for pay comparability for white-collar employees, but subsequent legislation has enabled the President to recommend an alternative pay plan not based on comparability in the case of a national emergency or economic considerations affecting general welfare. The United States federal pay practice can, in fact, be seen as a kind of pendulum swinging between binding comparability and an imposed settlement, but rarely staying at either extreme (Megaw Committee, 1982: Ch 3). In Canada,

the findings of job comparisons with the private sector were used by both government (represented by the Treasury Board) and civil service unions in collective bargaining. In Britain, the Megaw Inquiry recommended in 1982 that, while pay comparisons should be used as a basis for 'informed collective bargaining', they should have a much less decisive influence than in the past (Megaw Committee, 1982: Vol 1, para 367, subparas 2 and 4).

The international trend in the 1990s appears to be in favour of a more flexible application of comparability, both to cater to management needs and to allow for more employee participation in the process. More recently the focus in OECD countries is shifting towards a more flexible pay linked to performance. According to the latest OECD study, 'there have been efforts in many countries to gain tighter control over pay costs by changing the methods of determining general pay increases (e.g. elimination of indexing, reduction of the role of market comparisons, removal of pay linkages among different groups of public servants) and the rules for individual pay progression (e.g. giving less weight to length of service as a criterion for pay progression)' (OECD, 1995: 58). In Britain, from which Hong Kong traditionally borrowed many of its systems and practices in managing and rewarding the civil service, significant changes have been made since the publication of the government White Paper *The Civil Service — Continuity and Change* (British Government, 1994). The new agenda now is to establish a performance-related pay system and to delegate to departments the responsibility of pay and grading of staff below senior levels, thus doing away with existing national pay arrangements. Fixed-term and rolling contracts are to become features of the senior civil service. However, as the cited 1995 OECD study reported, in all countries which have devolved HRM, the balance is still being struck between central control and departmental flexibility; this applies especially to public sector pay where devolved bargaining is usually combined with mechanisms to ensure adherence to budgetary limits and to maintain some degree of unity and a collective perspective across the public service (OECD, 1995: 59). Very few countries (Sweden and possibly Britain) appear willing to take the route of total fragmentation of the public service.

ISSUES AND PROBLEMS

External comparisons not an exact science

To the extent that external comparability provides a stabilizing pay determination mechanism that is simple to understand, the arguments in favour of its adoption very often have been oversimplified.

In practice, pay comparison is faced with too many technical problems to make it an exact 'science' for pay determination free of criticism. One key

question is: In what way is comparison between civil servants and private sector employees a comparison of like with like? While these two categories of labour exist and compete within the same labour market, they move within rather different career contexts. One element which is frequently mentioned by private sector employers is the 'job security' of civil servants. Apart from the fact that civil servants (in Hong Kong as in many other countries) usually enjoy security of tenure, job security also refers to the fact that civil servants work for an employer that is unlikely to go bankrupt or resort to compulsory redundancy. The value that should be placed on job security is a contentious issue. Another important non-pay benefit is the varied career enjoyed by civil servants within the service. Even if they move from one job to another with an entirely different nature and career path, their seniority, pay level (up to a certain limit), and pensions rights will not be adversely affected. Fair job comparisons have meaning only if jobs being compared are 'acultural'. Jobs cease to be comparable where the context affects their difficulty, importance, and welfare-mix. It may be argued that the Hong Kong civil service has a career culture characterized by a long-time horizon, slow change, uniformity, continuity, stability and order in terms of its reward configuration (though not all civil service jobs fit exactly into the same civil service career mould). Such a culture is quite contrary to the fast-earning, more proactive type of business culture prevalent in a private sector career. Hence any simple, single-dimension comparison between the civil service and the private sector, even on the basis of broadly comparable work, is unsatisfactory.

To follow external comparison too strictly would also result in limited discretion being left over pay structures that could be used to induce productivity improvement. It would also overlook important internal factors such as the internal pay structure of the civil service, managerial strategies, and fiscal and economic considerations. The evolution of Hong Kong's civil service pay system indicates a continuous attempt to provide a more flexible application of the broad principle of comparability. Indeed, in the Burrett inquiry of 1989, the need for flexibility and adaptability was repeatedly emphasized. The Committee of Inquiry (1989) warned that 'total inflexibility in the application of pay level comparisons to civil service grades or groups will sooner or later impose an unacceptable strain on internal civil service relativities' (para 5.11). It also agreed that the pay decisions eventually made 'must in effect be a resolution of sometimes conflicting forces — the pay data, any relevant non-pay factors or "unquantifiables", the pull of existing differentials, and the need, where identified, to change relativities for internal management, market or other compelling reasons' (Committee of Inquiry, 1989: para 5.26). Although the point is very clearly articulated, the question remains how to 'internalize' such extraneous factors into the existing pay system, a question not clearly answered by the Burrett inquiry.

Integrity of the internal pay structure

The Burrett inquiry stressed the great importance of preserving long-standing 'felt-fair' civil service relativities which had a direct impact on staff morale and, ultimately, the efficiency of the service (Committee of Inquiry, 1989: paras 5.11 and 5.21). This concern was apparently in response to the very disturbing and divisive outcome of the 1988 Rennie review of the disciplined services. The Rennie Committee might have correctly and 'objectively' evaluated the various jobs and provided corresponding pay recommendations, but the damage by its politically insensitive approach to pay determination might have been too costly for the government and the community to endure. The 1982 Megaw inquiry in Britain expressed a similar sentiment when the Committee concluded that 'internal relativities are more important than envisaged by the Priestley Commission' and that 'correct internal relativities are often held to be more important to consideration of 'fairness' than comparisons with outside remuneration' (Megaw Committee, 1982: Vol 1, para 195). The sensitivity of internal pay relativities is peculiar to the civil service to a degree often not appreciated by the private sector. Nevertheless, the integrity of the internal pay structure should be no excuse for pay rigidities that defy external market conditions entirely.

There are two conflicting forces at work in this context. One reflects a desire for stability and pulls in the direction of uniformity, simplicity and maintaining a more settled set of internal linkages, which facilitates across-the-board pay adjustments and avoids morale controversies. The other force is more concerned with market forces and pushes towards a flexible approach that seeks to relate more closely pay levels in individual job categories of the civil service to those in a particular occupational market. Both forces represent in themselves quite legitimate concerns (staff morale and market conditions respectively). The needs of the management on the issue also differ according to the circumstances. Central agencies may wish both to maintain a relatively uniform pay structure for the sake of stability and avoidance of conflicts, and at the same time to achieve a more discriminatory regime for cost-effectiveness reasons. Departmental management (presently not responsible for staff pay and conditions in Hong Kong) might pursue a more market-oriented line in order to solve recruitment and retention problems and to keep staff content.

The solution to internal relativities may not lie in going for one option or the other. An appropriate balance of the different needs must be found. Internal relativities require a considerable degree of broad-banding. This is becoming increasingly difficult to sustain in the Hong Kong civil service, which is evolving into a complex and diverse structure in response to external changes. Given the continued need to preserve the integrity of the internal pay structure, without ignoring the growing cost to maintain traditional relativities and the changing market conditions of some individual grades, there appears to be a case for the partial disaggregation of the civil service

structure as far as pay is concerned. Some moves in this direction have been made by differentiating among the civilian, disciplined, and judicial services. One possible further step would be to recognize distinct functional/occupational groupings (such as engineering, medical, legal, scientific, financial, administrative, and so forth) that broadly correspond to loosely defined sub-markets within the wider labour market, so that external comparability between each functional/occupational group and its sub-market would not in theory carry spiralling internal relativity effects on the rest of the civil service. Such a move should sound rational and logical under the new HRM approach, but it is crucial that this rationality appeals to and is accepted by the civil service at large for it to work successfully. The approach will also entail some change to the present 'qualification' method by giving more weight to the occupational standing of various professions.

Financial and economic constraints

What makes the civil service pay system more complicated is the role of the government both as an employer and as caretaker of the economy. Very often, the government reduces pay offers to civil servants because it fears they would otherwise produce unacceptable budgetary or economic consequences. The operation of fair comparison should not preclude the consideration of financial and economic factors which ought to be recognized in pay determination. This is also necessary in order to secure pubic confidence in the system. When ex-Chief Secretary Sir David Ford openly said in late 1990 that the civil service pay rise in 1991 should be less than two digits, he drew an instant outcry from civil service unions accusing him of trying to pre-empt the outcome of the pay trend survey. Without attempting to second-guess the motives of the then Chief Secretary, it is conceivable that he was voicing a legitimate concern over the cost of the civil service bill and its impact on public finance and the economy as a whole.[9] The question, however, remains as to how best such concerns should be internalized into the pay process.

Pay and performance

An effective civil service pay system should be one that enables the government to pay civil servants adequately, when broadly compared to the private sector, and to recruit, retain, and motivate civil servants to perform efficiently. Comparability has come under increasing strain in the past one to two decades partly because of criticisms that pay rates established by way of comparability bear little relation to the productivity of civil servants. Fair comparability does not guarantee comparable levels of performance (Elliott and Fallick, 1981: 168). As a House of Commons select committee saw it in relation to the British civil service, '[p]ay is linked to experience. Pay is not structured to

provide an incentive to greater efficiency and the main such incentive for civil servants is the hope of promotion' (Treasury and Civil Service Committee, 1982: Vol 1, xxxvii). However, promotion is probably not the most appropriate reward for good performance at the present rank, if one takes the Peter Principle into consideration.

Although there has been a conspicuous attempt in OECD countries under the influence of NPM to introduce merit pay or bonus pay of some kind, the issue of performance-related pay in the civil service still remains highly controversial. Apart from the concern to balance the needs for control and flexibility, some critics point to the problems of divisiveness within the work team, subjective and arbitrary judgements of individual performance, the negative effect on staff morale among those who receive less merit pay or none at all, inconsistent opportunities across jobs for demonstrating merit, the costs of administering the system, and the secrecy inherent in most private sector performance pay systems which conflicts with the established open salary regime of the civil service (Armstrong and Murlis, 1988: 195).[10] Inasmuch as performance-related pay may be regarded as highly desirable from an efficiency angle, its implications for equity are less well-established. There is an inherent danger of creating pay differentials which cannot be justified and which are thus divisive. Full endorsement of pay for performance as a panacea for productivity problems in the public sector is premature (Pagano, 1985).

A 1990 survey of 300 local authorities in Britain revealed generally positive responses to the implementation of performance-related pay. One of the main disadvantages mentioned by virtually all of the organizations included in the case study, however, was the administrative costs involved in setting up and running such a system. Another significant consequence of performance-related pay was increased salary costs, even though such increases could arguably be justified in terms of sounder management and improved staff performance (Spence, 1990: 1–15).

So far initiatives among OECD countries to actively link pay to performance have not been entirely successful. In the US, the Performance Management and Review System which linked annual pay increases, merit increments and cash bonuses was abandoned in 1993 due to 'perceived rigidity, lack of credibility and questionable returns for effort and resources' (Australian MAB-MIAC, 1994: Appendix C). The Australian Government also recognized in a 1996 consultation paper that 'the APS [Australian Public Service] currently lacks effective performance management systems for staff . . . Until now experiments with performance pay have been unsatisfactory. Capacity to reward outstanding performance by individuals in pay terms in the APS has been limited' (Australian Government, 1996: 19).

There is considerable literature on the complexity of performance measurement and management, in relation to different perceptions of accountability, interests of different stakeholders in the system, and the existence of uncertainties, unquantifiables and uncontrollables in a lot of

public service work types (cf Day and Klein, 1987; Carter, Klein and Day, 1995), as the following figure from Flynn (1997: Figure 10.2) illustrates:

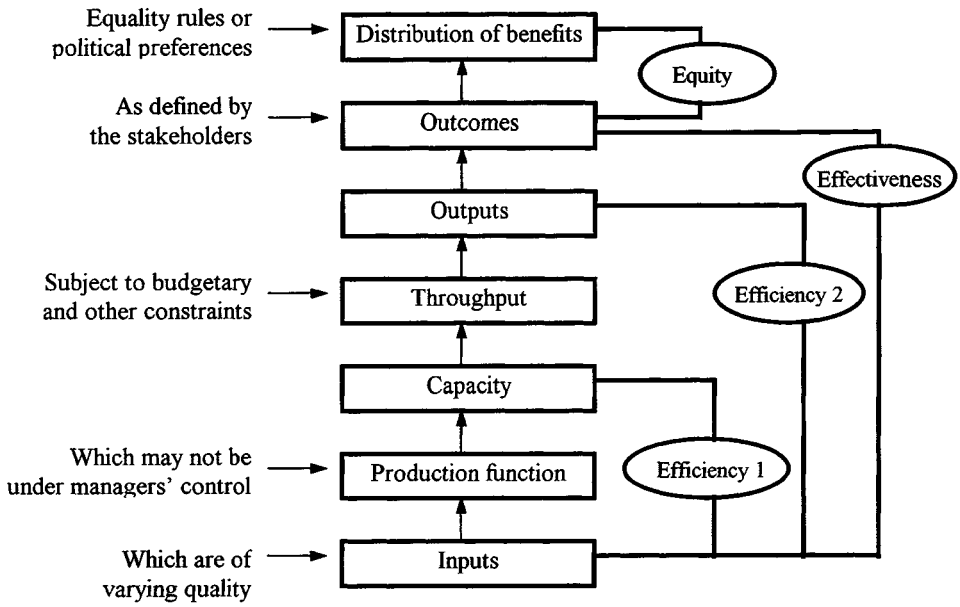


Figure 1 Elements of Performance Measurement

How performance is managed depends on the organizational culture which could range from one that promotes trust and autonomy to an opposite one that instils fear and rigid control (Flynn, 1997: 184). To the extent that the results of performance measurement are used to determine individual or agency reward, results which 'get measured' tend to be those that 'get done' (Likierman, 1993).

The difficulties in implementing a performance pay system, however, should not preclude policymakers from recognizing the major defect of the existing civil service pay system, namely, that it does not address the management's need for staff productivity and performance. Merit has to be given its proper place within the reward system if for no other reason than to make the civil service truly meritocratic. Whether merit should be measured and applied to pay or promoted through means other than pay (for example, by a more sophisticated system of performance appraisal) has to be further explored and evaluated in the light of empirical evidence. Following Schuler and Huber (1990: 308), a number of important questions need to be answered before implementing a performance-related pay system:

- Are the values of the organization conducive to a performance-related pay system?

- What steps will be taken to ensure that employees and management are committed to the system?
- Can performance be accurately measured? If not, what type of an appraisal system will be used?
- What level of aggregation (individual, group or organization) will be used to distribute rewards?
- How will pay be tied to performance (e.g. merit increase, bonus, commission, incentive)?
- Does the organization have sufficient financial resources to make performance-based pay meaningful?
- What steps will be taken to control and monitor the system?

The pay determination machinery

Much of the above discussion of various pay issues highlights the point that there is an unavoidable and perhaps even necessary degree of indeterminacy in the civil service pay system. This indeterminacy arises from the difficulty of adopting a simple and objective method to index pay automatically to an external criterion. The way to deal with the indeterminacy is not to seek in vain probably non-existent perfect pay comparison techniques in order to reduce it (this would be like missing the forest for the trees), but to try to accommodate the indeterminacy and exploit it positively to reach an agreed pay settlement. In this perspective, achieving a pay settlement is not a matter of rigid policy, but rather depends on a contingent strategy that embraces both art and science in its application. Some argue that there should be a margin of indeterminacy within which 'managers can protect the motivational potency of internal pay structures and within which employers and employee representatives can bargain over domestic issues of fairness and flexibility' (Brown and Rowthorn, 1990: 17).

Most pay settlements, particularly in the private sector, are an outcome of employer-employee negotiation of some kind. In the public sector, the Western model tends towards accepting collective bargaining (including productivity bargaining) as a legitimate component of the pay process based on, as appropriate, some 'objective' pay research data (for example, in Canada and Britain). Pay negotiation practices vary according to the political culture and institutional context of different countries. But as an International Labour Office study indicated, even in the developing world where traditionally collective bargaining had been practised only to a limited extent in the public service, there were signs that the practice was spreading, especially in Latin America (Ozaki *et al*, 1988: 10–1). In Hong Kong, staff-side participation in the pay process is nominal rather than substantive. This may be due to the unique political system of Hong Kong as an administration-dominated polity and its tradition of industrial relations that has left trade union power underdeveloped (cf Ng, 1990). The situation is better in the civil service,

where the rate of unionization is much higher than in the private sector. Civil service unions are also better organized. However, there are no predominant peak bodies which can claim to speak for the civil service employees as a whole in pay negotiations. The present staff side of the Senior Civil Service Council (comprising the Local Senior Officers Association, the Association of Expatriate Civil Servants, and the Chinese Civil Servants Association) is unable to represent the many new civil service staff/grade associations established since the 1968 pay policy agreement (which the three officially recognized staff-side organizations singned) and their members. Partial disaggregation of the pay structure, as proposed earlier, may lead to emphasis being put on grade representation instead of service-wide representation. This would help to circumvent the problem of overall civil service representation.

The involvement of the staff side in any pay settlement is to ensure its acceptability by staff. Pay levels and pay trends have only a limited objective content, as discussed earlier. Besides, many of the non-pay factors and 'unquantifiables' are the product of subjective evaluation in the pay process. Where precise and uncontroversial 'objective' criteria of evaluation do not exist, bargaining and negotiation within an informed context (operating in a way similar to the market) represent probably the only sensible way of achieving a satisfactory outcome. The pay process is not only about methods but also about institutions. In the past, literature on public sector's pay determination had drawn too heavily on conventional economic theory and had not been sufficiently attuned to institutional realities (Mushkat, 1984a). A review of Hong Kong's pay system from the perspective of its institutional aspect is long overdue.

The Hong Kong government's apparent reservations about pay negotiations seem to stem partly from a concern not to politicize pay determination, especially during the sensitive years preceding the change of sovereignty. In any case, the power of civil service trade unions has not yet fully matured to permit binding collective bargaining to endure. It is also unclear whether the public would accept or endorse civil service pay determined purely as a matter of bilateral agreement between the administration and civil service unions. Hence, any institutional concept of pay determination as ultimately a negotiated consensus needs to incorporate three elements: the administration as management; civil service unions, representing staff interests; and a political input to safeguard the public interest. A new institutional formula has to be found which can reflect the new realities (for example, by allowing the legislature a greater role in the pay process). The solution to staff acceptability may not be collective bargaining *per se*, but a variant that gives staff more institutionalized and responsible participation in the determination of their pay than at present. Pay negotiation can also facilitate the incorporation of performance targets to be linked to pay levels on the basis of staff-management consensus should the HRM reform reach a stage when performance-related pay is to be widely adopted. To make pay negotiations more structured,

consideration can be given to defining at the outset what can be negotiated and what cannot (some matters may be regarded as within the parameters of administrative or legislative prerogative). Existing pay advisory bodies can still play an important independent role in pay level and pay trend reviews, but the ultimate outcome should be determined in the final stage of the 'tripartite' pay negotiations.

IMPACT OF HRM REFORM ON PAY DETERMINATION

Until now no mention has been made of whether and how the pay determination system may be changed as a result of the new HRM reform. For example the issues of pay and conditions of service did not feature in the main HRM guide produced by the then Civil Service Branch (1995) for human resource managers throughout the civil service. There was consideration of introducing fixed-term contracts and some form of performance-related pay in the 1993 Human Resource Management Review (Civil Service Branch, 1993). However, the Civil Service Branch admitted that changes in pay and conditions of service were sensitive among staff. Although some departments had put forward proposals for 'incentivizing' staff, following the introduction of performance pledges or a more commercial way of operation, the Civil Service Branch only recommended piloting performance pay, first in non-departmental agencies such as Trading Funds. The proposed fixed-term contracts initially will be applied to secretarial and clerical grades. It is clear the administration has proceeded very cautiously with these unconventional measures for fear of upsetting traditional expectations. Another proposal to delegate to heads of departments the authority to create D1-rank posts on the DPS, in addition to the existing authority to create non-directorate posts which was devolved in 1980, had to be stalled in 1994 because of opposition from legislators who saw the control of directorate civil service establishment through the Establishment Sub-Committee of the Legislative Council as an important check on any excessive growth of the public bureaucracy. Policies on pay and conditions of service, fringe benefits and allowances remain parts of the so-called 'central functions' to be retained within the Civil Service Bureau, which are not likely to be devolved to line departments in the near future.

It is not difficult to understand why pay and conditions issues are not regarded by the HRM reformers as areas of change in the current round of reforms. As the previous evaluation of Hong Kong's civil service pay system has explained, the present system is underpinned by the fundamental principles of external and internal comparability which lend it stability, consistency and acceptability. It is not a conflict-free system in that external comparison has never been an exact science with unchallenged objectivity, especially over non-pay factors and such 'unquantifiable' elements which distinguish a civil service career from a private sector career, and attempts to achieve internal

parities have always given rise to controversies, jealousies and industrial disputes. Yet by and large the comparability principles have endured the test of time and occasional challenges. Questions about the present system have focused more on its technicalities than its central concept which seems trusted and accepted by staff. A main attraction of the system is to just follow the private sector trends once the fundamental framework for external and internal comparisons has been worked out, avoiding agonizing pay negotiations and the need to internalize all those unquantifiable job factors across grades, ranks and specific job categories. A system which is uniformly and centrally administered by the Civil Service Bureau on the advice of the independent pay bodies can also take the politics away from departmental human resource managers and is generally welcomed by them. Even managers at the Civil Service Bureau can always point to the relative objectivity of the system and avoid being seen as directly interfering with the substance of pay determination. In a word, it is the absence of 'politics' or active involvement of the stakeholders in the pay determination process which has secured support for and acceptability of the system.

Any attempt to fundamentally alter the *modus operandi* may run the risk of opening a can of worms, particularly during the critical time of political transition when there were already a lot of anxious minds and disappointed souls within the civil service. The new SAR government, which is keen to establish firmly its authority and popularity, just cannot afford widespread staff discontent in order to push for some reforms, even if they are entirely justified by HRM principles and values. After all there is still always a political dimension in any public sector reform initiatives. Having worked so hard and for so long to establish the public legitimacy of and staff trust in the present pay determination system, the government is not going to throw these precious elements away in favour of changes, the political acceptability and technical viability of which are yet to be tested.

Apart from the problem of political risk, any pay system determined by performance management, as advocated by the new HRM culture, has to address successfully the questions of how and by whom 'performance' is to be appraised. Even in academic literature, performance remains a contentious concept. Managers, staff and customers/clients all have their different notions of performance and it is not easy to arrive at a common standard which is acceptable to all. Whereas in the private sector, performance can ultimately be expressed in money (profit) terms, the public sector context contains a lot of non-monetary variables, particularly in service jobs. What are being adopted in practice in most public sector situations are 'performance indicators' rather than 'performance measurement', the former being an indirect indication of performance. As such, performance evaluation in the public sector can never be an exact science either and thus suffers the same problem as the present comparability-based pay system. Defining performance and agreeing on the 'measurement' of performance between managers and their staff will likely

generate endless negotiation, rendering the managerial role an unenviable one for most managers who do not necessarily all subscribe to the new performance culture. On the contrary many managers would prefer less controversial responsibilities and less confrontation with their staff. Earlier discussion on linking pay to performance has pointed to potential problems of divisiveness, arbitrariness, inconsistent appraisal standards, staff jealousy and morale deterioration in a performance-based pay determination system. It can of course be argued that such problems arise only *if* a performance-pay system is not properly operated. Under such an argument managers and staff can always be trained to become more capable of conducting proper performance appraisal. But a more fundamental question is whether in practice there ever exists a so-called *proper* way of performance determination. Given the wide diversity in demands, expectations, evaluative standards, and unquantifiable and uncertain factors in any public sector job environment, it may just be impossible to factor in all these 'indeterminate' elements within an objective and consistent evaluative framework which can be regarded as equitable by all parties concerned.

Cheung (1996a) has raised the argument elsewhere when discussing the use of performance pledges as a new approach to achieve responsiveness to customers, that rather than being customer-driven, performance pledges may turn out to be more often manager-driven. Instead of empowering the consumer as the NPM ethos suggests, the new performance pledge movement might serve more the purpose of empowering the public bureaucracy by means of strengthening its managerial autonomy. Bringing the analogy into the present discussion, it raises doubt as to whether a performance-based reward system is ultimately manager- or staff-driven. The new HRM values emphasize the role of managers in managing performance and in managing the career of staff on the basis of merit; as such the effectiveness of the managerial role is considered critical to any successful HRM. However, the new values equally stress shared responsibility with staff for developing their potential. How can staff's self-evaluation of performance be properly taken into account in any performance-pay equation? If staff interest is not safeguarded, a performance-pay system may yet prove to be playing into the hands of a manager-empowerment game. In the private sector the key to performance management is to give managers the power 'to hire and fire'. The problem for the public sector (and the civil service) is whether it is desirable to devolve fully the functions of recruitment, promotion and termination of service to the level of operating managers, or whether by so doing a totally fragmented or even chaotic scene might result which would do the civil service institution more harm than good.

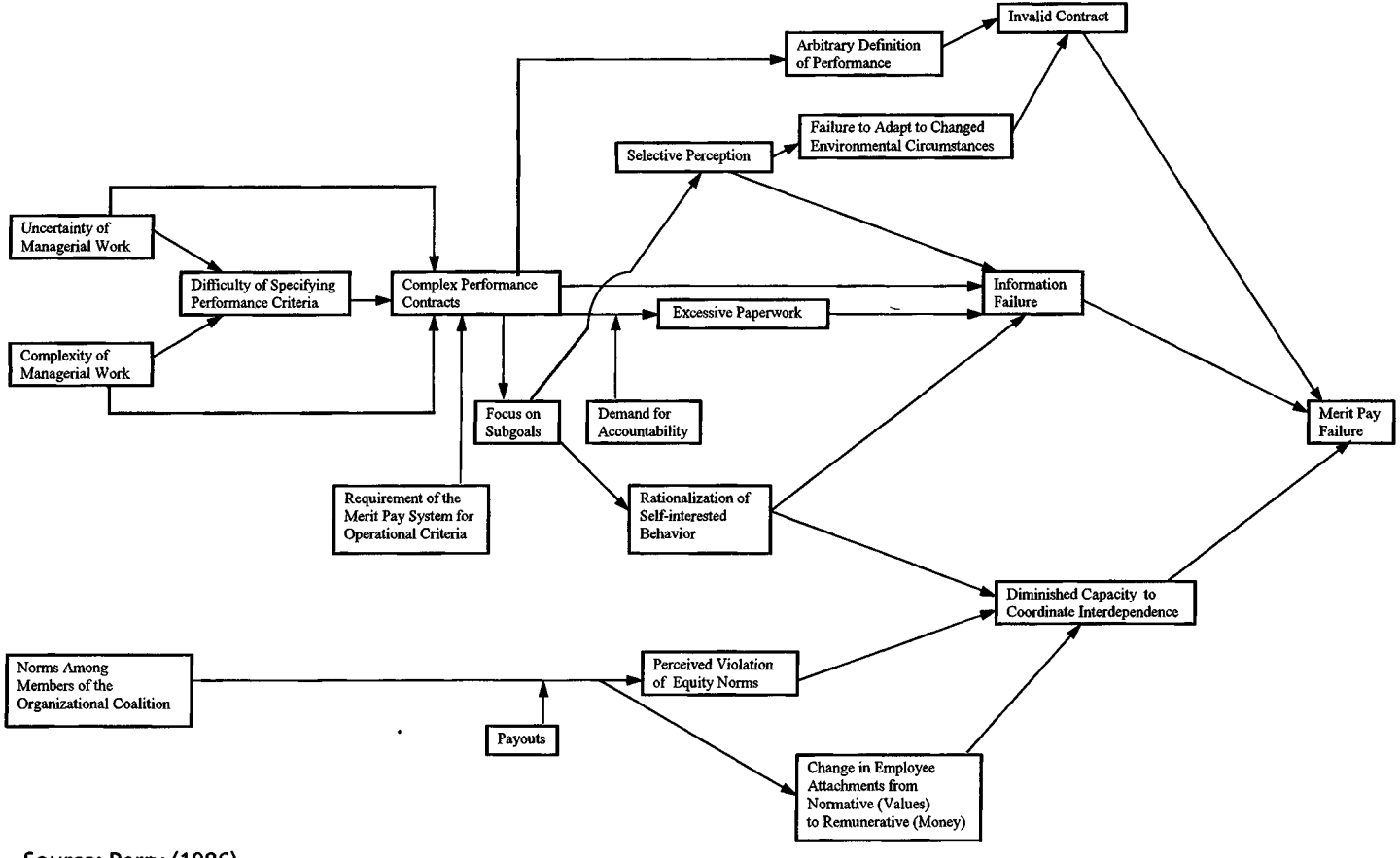
The ultimate question is how effective is performance-related pay which is seen as so instrumental in the success of the present HRM reform process. In reviewing the implementation of 'merit pay' at the US federal level since the 1978 Civil Service Reform Act, Perry (1989) suggested that merit pay

could be understood from both an instrumental and symbolic perspective (*a la* Eisenhardt, 1988). From an instrumental perspective merit pay is perceived favourably by many managers searching for tools to improve productivity. Many employees also believe, in the abstract, that performance is an equitable basis for distribution of rewards. From a symbolic perspective, merit pay represents an attempt by politicians, administrators and the public to assert control over the bureaucracy. In sum, as Perry argued, 'merit pay is part of the ritual and myth that helps to retain the legitimacy of the governance system, but it may have little consequence for individual and organizational performance' (Perry, 1989: 402). In an earlier work, Perry (1986) identified a model of the sources of merit pay failure in government organizations, which is by and large still valid in present-day situations. These sources of failure include the nature of managerial work, organizational members' norms, lack of specificity in performance criteria and objectives, complexity of performance contracting, problems of adaptation to environmental changes and information failure, and perceived violation of equity norms, etc (see Figure 2 below). Hence while there may be an overriding need in Hong Kong to reform HRM and to introduce performance management and a performance-related pay system, so as to reinforce the legitimacy of public service, sight must not be lost of the potential failures which may exist in a performance-based approach.

CONCLUSION

This chapter evaluates Hong Kong's civil service pay system within the broad context of management of performance reward, and argues that the present comparability principle of the system has given it a wide degree of acceptance and operational consistency and equity. Given the various competing demands on the system and the existence of non-pay and unquantifiable factors, pay determination is hard to make into an exact science. A field of indeterminacy is bound to exist and the crucial question is how to exploit this for some positive purposes. A pay negotiation approach to achieve pay settlement (*vis-à-vis* pay determination) is suggested which can provide for more institutionalized participation by the staff side and an added political input to articulate and safeguard the public interest.

In the light of the new HRM directions under public sector reform, which put performance management as the key to staff motivation, appraisal, and rewards and sanctions, the case for substituting the existing pay system with one more based on individual performance is examined. The conclusion is that apart from upsetting the consensus built around the *modus operandi* of the existing pay system, thus leading to new conflicts and disputes, a performance-pay system is not free of inherent doubts and tensions of its own. There is certainly a need to render the present civil service management system



Source: Perry (1986)

Figure 2 A Model of the Sources of Merit Pay Failure in Government Organizations

(including its pay sub-system) less centralized, less rules-bound and less rigid, and to make it more geared towards the recognition of individual merit. The case for internalizing performance to some extent within the present pay system is justifiable, though the imperative to keep the system stable and less prone to controversies and agitation still seems paramount, even to those who are in favour of HRM reforms.

ENDNOTES

1. Discussion on the evolution of Hong Kong's civil service pay system is developed from an earlier chapter of Cheung's: 'The Civil Service Pay System in Hong Kong: Implications for Efficiency and Equity' in Burns (ed) (1994a).
2. Since the 1980s, the term 'human resources management' has come to be used increasingly by both academics and practitioners in place of previously popular terms like 'personnel management' or 'industrial relations'. This change in management emphasis, treating employees as a valuable resource rather than a cost to be minimized, is attributed by some (e.g. Beaumont, 1993: 10–2) to fundamental environmental changes (such as competitive product market conditions, declining workforce unionization and relative growth of service sector employment) to which the traditional conditions, orientations and 'power' of the personnel management functions could not adequately respond.
3. Following the rejection of its case by the Standing Committee on Disciplined Services Salaries and Conditions of Service in October 1996, the Police Force requested Governor Chris Patten to set up an independent inquiry into police pay on the grounds that existing pay level relativities had allegedly been upset by earlier (1994) restructuring of pay scales of Urban Services and Regional Services departments' staff on hawker control duties. The Governor rejected the request in June 1997 but promised that the administration would consider what measures might be taken to address the issue. After the handover, the Civil Service Bureau commissioned a consultant in August 1997 to consider a Police Management Report which set out changes in duties and responsibilities of JPOs since the last pay review in 1992. The consultant's report in October 1997 denied any basis for a comparison between police pay scales and the pay scale of the hawker control officer grade, but accepted justification for improving the JPO pay scale to recognize the expanded scope and complexity of front-line police work. Both the administration and the Standing Committee subsequently endorsed the main recommendation of the consultant to award a further point at the top of the JPO pay scale.
4. 'Equity' is not a static quality. It is very much a perceived variable of justice and fairness. This is particularly important when considering employee reaction towards pay. As Smith observes, '[i]t is not total pay which excites people but pay comparisons. Comparability is at the heart of the equity issue, and relative pay can be a frequent cause of industrial relations disputes' (Smith, 1983: 44–6).
5. The Standing Commission model was not entirely novel, as a standing committee to advise the government on directorate pay had already been set up in 1963. The independence of this latter committee was probably necessary in order that top civil servants who represented the administration would not appear to

be reviewing their own pay structure and recommending their own pay adjustments.

6. The qualification method makes a comparison of educational qualifications in setting starting pay benchmarks, with other relevant factors such as age, qualifications over and above the minimum, required experience, and recruitment and retention difficulties taken into account in determining the rates of pay (Standing Committee, 1979: paras 25, 36, 39 and 41).
7. Currently there are four standing pay advisory bodies: Standing Commission on Civil Service Salaries and Conditions of Service; Standing Committee on Directorate Salaries and Conditions of Service; Standing Committee on Disciplined Services Salaries and Conditions of Service; and Standing Committee on Judicial Salaries and Conditions of Service.
8. See, for example, the comments made by Patrick Maule, former president of the Hong Kong Institute of Personnel Management in *SCMP*, 3 June 1990.
9. The 1991 pay adjustment subsequently awarded by the government was a flat rate of 10.43 percent, lower than the pay trend survey rates (net) of 11.88 to 12.94 percent. The government attributed this decision to the need to combat inflation.
10. See also the discussion by Katz (1984) who argued that 'without [market] competitive salaries, a merit pay plan cannot operate satisfactorily'.

CHAPTER 7

MANAGING THE PUBLIC SECTOR

THE PUBLIC SECTOR IN HONG KONG

It is becoming increasingly difficult to define the public sector. Over the years, the boundary between the private and public sectors has become blurred, and functions and operations overlap, making the distinction much more difficult. Lane considered various approaches to the definition of the public sector. He highlighted ideas related to governmental activities and their consequences, and listed several characteristics of the public sector to be borne in mind, such as high levels of bureaucracy, concern with planning, dealing with public resource allocation, public distribution of income, public ownership, and public employment (Lane, 1993: Ch 1). The management of the public sector involves a wide range of activities and responsibilities, and civil services in the modern world are being compelled to get increasingly involved, directly or indirectly, in the process.

Flynn considered the task of managing the public sector by referring to both administration and management, and saw managers as well as politicians playing a role in it (1997: 1–2). While the debate on the distinctive nature of the public sector has proved inconclusive, it becomes clear that management of the public sector is greatly influenced by existing social, political and economic realities, and strategies must be developed to deal with the rapidly changing environment. Although recent literature on public sector management tends to focus on measurement of performance, prudent financial management, responsiveness to customers, and other similar issues, managing the public sector cannot be accomplished without reference to traditional areas of emphasis such as the role of the government, the relationship between the state and the citizen, and the moral, economic and social purposes which underpin the basis of public administration (McKevitt and Lawton, 1994: vii).

The performance of officials in public organizations is being watched carefully by various groups in the society, and is a matter of concern. There are efforts to ensure a high level of performance through various means and mechanisms which act as checks, balances as well as incentives to the civil servants. The issue assumed increased importance as public officials were seen to be exercising a considerable amount of authority and discretion. Much of

the debate on the management of the public sector did not appear to affect Hong Kong till rather late due to the territory's unique nature. The size of the public sector has always been small while the government has pursued a policy of non-intervention. At the same time, government intervention takes place according to the needs of the situation. This is convenient since the size of the territory is small and the system of administration is highly centralized. There is little difference in opinion among the political and administrative elite on the strategies to be followed for the benefit of Hong Kong, and the powerful Chief Executive and the Executive Council can make decisions quickly and implement them accordingly.

The public sector in Hong Kong has been managed in the traditional style, and only minor amendments and adjustments had been made to deal with specific problems and requirements. As Hong Kong embarked on the road to modernization, it was being felt that some of the practices were not consistent with the changes taking place in the territory. The traditional structure and orientation of the administrative system within a colonial framework of government could hardly appreciate, let alone satisfy, the rising aspirations of the citizens. The spirit of providing service to the public had to be introduced to replace the traditional process of administering the territory. The social disturbances of the late 1960s revealed major weaknesses in the system of management of the public sector, and a number of steps were taken to improve the process of administration in Hong Kong.

The 1970s are described as a decade of innovation in public administration in Hong Kong, as the first attempt to introduce major changes was made. In fact, efforts concentrated on streamlining the structures and procedures, and subsequent efforts aimed at reduction of expenditure in the production and provision of public services. However, while the emphasis remained on the improvement of the system of administration, the scope of activities of the civil service expanded to a considerable extent at the same time, with the assumption of additional responsibilities by the government in providing more and extensive services in a number of areas, particularly education and housing. As Hong Kong enhanced its level of commercial success, and social programmes were being expanded, attention was shifted towards the achievement of economy through reforms in the system of financial management in the public sector. Subsequently, significant efforts were made in the early 1990s following the publication of the document entitled *Public Sector Reform.* It sought to introduce a wide range of arrangements for reviewing the role and functions of the public sector, and recommended measures for improving the quality of public services.

The operation and performance of administrative organizations can be explained with reference to various factors. In the past, emphasis was placed on the nature of administrative arrangements, quality of personnel, and distribution of power within organizations. Gradually, the environment in which the organization operated came to be recognized as an important variable.

The environment could be supportive or threatening to organizations (Khandwalla, 1972), and lead to complex organizational configurations (Meyer, Scott and Strang, 1987). The environment could even act as a constraint on the performance of organizations (Ranson, Hinings and Greenwood, 1980). As the environmental explanation was not adequate for all cases, the concept of organizational culture emerged as an alternative. This framework was often used to cover all human elements in organizations and viewed as the key to all organizational problems. It was suggested that most problems in an organization could be resolved 'if an unhealthy organizational culture can be supplanted with a healthy one' (Meek, 1994: 265–6).

The policies and philosophy governing the management of the public sector have been undergoing scrutiny, and new ideas and arrangements are becoming prominent. This chapter seeks to examine the social and political environment in which the Hong Kong civil service operates, with the purpose of examining efforts to transform the culture in public organizations. A number of issues have emerged in this area as Hong Kong developed into a successful trading and commercial centre, and only recently have there been attempts to address these issues in the field of public administration. The need to keep up with developments in strengthening and streamlining the civil service in various parts of the world along with planning and preparation for the transition have added to the complexity of the task.

The civil service in Hong Kong has performed quite well in view of the requirements of the territory. The machinery of administration has been kept small and the government's philosophy of minimal intervention has allowed ample scope for growth of the private sector. At the same time, a strong tradition of executive leadership, unrestrained by the complex demands of democratic and political institutions, was able to make tough and quick decisions and push for their implementation without major obstacles. The strategy served the purpose of the Hong Kong government in the initial days of economic growth, and progress could be achieved in the realm of social and political development.

Over the last three decades, a number of changes had taken place in the economy as well as the society in Hong Kong. In the latter half of the 1990s, Hong Kong is expected to undergo changes of a more drastic nature, and the civil service has to be ready to respond to them. The need has been recognized to streamline the organization and management, particularly in the management of financial and human resources. Following the pattern of public sector management elsewhere, Hong Kong had placed at the outset primary emphasis on streamlining the financial resource management system. The Finance Branch of the Hong Kong government initiated the move to improve the process of financial management with the *Public Sector Reform* document in 1989. Subsequently, the issue of human resources management was also reviewed. A number of problems were identified in human resources management in the Hong Kong civil service, and strategies were developed to

deal with them. Law (1995) emphasized personnel quality and performance management as crucial factors in this move.

In addition to the standard areas of financial and human resources management identified frequently for improvement by governments across the globe, a third area of concern for the civil service in Hong Kong is related to the consumers of public service. In a colonial setting where there are few opportunities for the citizens to express their needs, aspirations and views, the administrative process is often unilateral and leads to alienation of the public. Towards the end of the colonial regime, the Hong Kong government appeared keen to usher in changes to deal with this aspect of the system. At present, considerable emphasis is being placed on the position of the consumers of the service. They are encouraged to express their views, particularly dissatisfactions and satisfactions, and a number of avenues have been opened up for this purpose. Along with the strengthening of the representative element in the government, public organizations were encouraged to develop a consumer-oriented culture. This entailed a major change in the attitude of the civil servants who had been steeped in the colonial tradition of administration.

The Hong Kong government has adopted the motto of 'Serving the Community' and strives to get the civil servants committed to it. Performance pledges are seen as an extremely useful instrument for this end. Most government departments have developed performance pledges indicating the standard of service that can be expected by the public. This calls for major transformation and will necessitate the development of a new set of values and attitudes for Hong Kong civil servants. This chapter examines the efforts aimed at the promotion of such new orientations, and reviews recent developments in the introduction of new ideas in the provision of public services. Based on ideas and issues that have emerged from recent developments, the efforts of selected departments will be examined in depth. The focus will be on the initiative of the government of Hong Kong to 'serve the community' and its related attempts to introduce changes in this area. An effort will be made to assess the steps in institutionalizing practices and values consistent with the new objectives of the government. The overall objective will be to draw conclusions on the extent of success of such efforts, as well as to identify trends for the future. Judging by developments to date, it can be said that the changes can be lasting in nature since the 'top-down' approach previously adopted by the Hong Kong government is being supplemented by a 'bottom-up' approach whereby civil servants are provided with incentives and rewards for accepting and institutionalizing the new values.

CULTURES AND CHANGES IN ORGANIZATIONS

Cultures in organizations are forces that govern the behaviour of members.

Culture can be defined as 'the shared philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes, and norms that knit a community together' (Kilmann, Saxton, Serpa, 1989: 405). All of these interrelated psychological qualities reveal a group's agreement, implicit or explicit, on how to approach problems and make decisions: 'the way things are done around here.' Culture is manifest in behavioural norms and hidden assumptions, each occurring at a different level of depth. Behavioural norms are the unwritten rules of the game. They describe the behaviours that the members of a group or organization pressurize one another into following as the established routine. Norms are transmitted from one generation of employees to another through anecdotes, rites, rituals, and, particularly, sanctions that are applied when anyone violates a norm. At a somewhat deeper level lie the hidden assumptions, the fundamental values, beliefs and attitudes that shape all decisions and actions. These assumptions pertain to the nature of the environment and to the wants and needs of various stakeholders.

Cultures pervade all organizations, yet their influence on members are not the same. Strong cultures have a greater influence on members than do weaker ones. The more the members accept the organization's key values and the greater their commitment to those values, the stronger the culture is. A culture has positive impact on an organization when it points behaviour in the right direction, is widely shared among its members, and puts strong pressure on them to follow the established cultural guidelines. Cultural change will take place under favourable conditions such as the occurrence of crisis and change of leadership. A dramatic crisis is a shock that undermines the status quo and calls into question the relevance of the culture. Changes in the environment may result in crisis The environment refers to institutions or forces that are outside an organization and those that affect its performance. It can roughly be divided into general environment and specific environment. General environment includes everything outside the organization, such as economic factors, political conditions, the social milieu, and technological factors. Specific environment is that part of the environment that is directly relevant to the achievement of an organization's goals. It consists of those critical constituents or components that can positively or negatively influence an organization's effectiveness (Robbins, 1988: 70). Specific environment is unique to each organization and changes according to circumstances. Typically, it includes suppliers of inputs, clients or customers, competitors, government agencies and public pressure groups (Robbins, 1988: 71). Another favourable condition for cultural change is change in leadership. New leadership, which can provide an alternative set of key values, may be perceived as more capable of responding to the needs of the circumstances.

Handy (1985) identified four main types of culture: power, role, task and person. Role culture works by logic and by rationality. A role organization rests its strength in its functions or specialities. Interaction among the different functions are coordinated at the top by a narrow band of senior management.

In this culture the role, or job description, is often more important than the individual who performs it. Individuals are selected for satisfactory performance of a role, and the role is usually so described that a range of individuals could perform it. Position power is the major power source in this culture. Rules and procedures are the major methods of influence. The efficiency of this culture depends on the rationality of the allocation of work and responsibility, rather than on individual personalities. Role cultures offer security and predictability to the individual. The role organization will succeed as long as it can operate in a stable environment. Where the organization can control its environment, by monopoly or oligopoly, where the market is stable or predictable or controllable, or where the product life is long, then rules and procedures and programmed work will be successful. Since most civil services operate as a monopoly in a relatively stable market where the services produced are in demand by the public, they are role organizations and are successful as well.

The culture of the civil service of Hong Kong can best be described by the term 'role culture' which may be seen as a synonym for bureaucracy. The organization of the civil service is based on a functional structure. It fits Handy's description that 'the role organisation rests its strength in its pillars, its functions or specialties' (Handy, 1985: 190). These pillars are strong in their own right. They are coordinated at the top by a narrow band of senior management. The government is led by the Chief Executive, with the Executive Council as his adviser on all important matters of policy. The Secretary for Justice and the Financial Secretary provide legal and financial advice respectively to the government. The Financial Secretary oversees the Finance Bureau, the Monetary Authority and four policy branches, namely the Economic Services, Financial Services, Trade and Industry, and Works. The Chief Secretary for Administration heads the civil service and is responsible for the formulation and implementation of policy proposals. She/he oversees ten policy bureaus: Constitutional Affairs; Education and Manpower; Health and Welfare; Home Affairs; Housing; Planning, Environment and Lands; Civil Service; Information Technology and Broadcasting; Security; and Transport. Policy bureaus are responsible for policy formulation and for planning and reviewing the delivery of services, consulting the Provisional Legislative Council as necessary. Each policy bureau has its own executive arms, namely departments to implement policies. To take an example, the Education Department and the Labour Department report to the Education and Manpower Bureau. The administrative officer grade includes fewer than 500 officials who act as policymakers and often as heads of government departments. It is assumed that this should be the only area where personal coordination is needed, for if the separate pillars do their jobs, as laid down by the rules and procedures, the ultimate result will be as planned. In the Hong Kong government, there are various sets of regulations which operate on a service-wide basis. Examples are Civil Service Regulations, General Regulations, and Financial and Accounting Regulations.

Others are applicable to specific departments or grades. They include departmental general orders as well as standard rulings and directives recorded in files or circulars. Supporting these bureaucratic features are a set of values which have become the distinguishing norms of administration in Hong Kong. They are hierarchical loyalty, neutrality and efficiency (Lui, 1988).

These key values have been instrumental in shaping the nature of public sector management in Hong Kong. They have facilitated the effective operation of administrative as well as policymaking institutions. It has been possible to legislate policies and implement them with minimum disruption. The small scale of operation has also enabled the government to demonstrate outcomes of policies in a relatively short period of time. The colonial nature also allowed the expatriate-dominated bureaucracy to function without explicit bias towards local groups. In sum, public sector management in Hong Kong was largely viewed as efficient and effective as Hong Kong achieved significant economic progress.

MANAGEMENT OF ORGANIZATIONAL CULTURE IN THE CIVIL SERVICE

There have been several efforts to introduce changes in public sector management in Hong Kong. The Efficiency Unit was set up in 1992 as a change agent to implement the Public Sector Reform. The then Governor, Chris Patten, introduced the idea of performance pledges in the same year in his Policy Address. 'Since then internal management has been streamlined; central resource branches have focused more on strategic issues, decentralising others; and new management tools have been put in place within the management structure' (Efficiency Unit, 1995c: 1). Emphasis is placed on management of performance and development of pledges for setting standards. Elaborate plans have been laid out for developing a comprehensive management framework for the public sector, including economic and budgetary strategies, and management strategies related to programmes, public finances, human resources as well as support services. The culture of service is based on the three elements of performance pledges, public liaison, and quality service.

The Chief Secretary for Administration, Anson Chan, remarked that the civil service is 'driven by the need to get things done efficiently and effectively. We need procedures and rules to help us deliver our massive programmes. While the truth is that many aspects of our system are rather good, it is all too easy to become the captive of our own rules, and for individual civil servants to follow bureaucratic procedures rather than to focus on the outcome' (Chan, 1996: 2). Nevertheless, she was quick to add that the government's role is to 'serve the community'. To meet the constantly rising expectations of the community and to enhance public accountability, a 'culture of service' is to

be developed to focus more on 'our actual performance and on the people we serve'.

Four elements were identified by the Chief Secretary for Administration as providing signposts for the way ahead: vision and mission, customer feedback, staff commitment and departmental plans. The aim of the Hong Kong government in serving the community includes 'fostering stability and prosperity, improving the quality of life, caring for those in need, protecting the rights and freedoms of the individual, maintaining the rule of law, and encouraging people to participate in their own affairs' (Chan, 1996: 3). Each department has its own roles to play in the scheme. Some agencies have already formalized their long-term aims or vision. But all departments need to state out their missions explicitly at the least, and define their purpose in clear terms for their staff and the public. For example, the Buildings Department has set its vision 'to service the community of Hong Kong by making its built environment safe and healthy' and its mission 'to set and enforce safety, health and environmental standards for private buildings' (Efficiency Unit, 1995b: 38).

The second element is related to the use of customer feedback to improve the quality of services in the public sector. Chan (1996) admitted that the notion of customers was an alien concept in Hong Kong as the government had placed priority on setting up far-reaching programmes to ensure basic standards of health, education and security. Departments responded to the call for performance pledges and customer-focused service by carrying out customer surveys, setting up customer liaison groups and developing customer satisfaction ratings.

'Gaining staff commitment' constitutes the third element in the scheme plotted for the way ahead. Departments are encouraged to find effective ways of increasing staff motivation and commitment by involving them more regularly and more effectively in the management process. Staff motivation is secured by the role-modelling effect of leadership; training; recognition; consultation; and communication. Staff commitment is enhanced through involvement in the form of opinion surveys, work improvement teams and work simplification programmes.

The fourth element enunciated by the Chief Secretary for Administration is oriented towards the development of departmental plans which pull together a department's programme plans and other key plans, which will include and reflect its mission statement, performance pledges, financial summary, performance indicators and human resource management plan. Once the departmental plans are agreed to by their respective policy branches, they will form the basis for the ongoing quarterly progress reviews.

The four signposts identified by the Chief Secretary for Administration are not simply catchwords picked from developments in the United Kingdom or elsewhere. Developments in the management of the public sector in Hong Kong have occasionally been influenced by such considerations in the past.

But these developments reflect the nature of changes in the socio-political environment of Hong Kong. The rising level of education and standard of living, combined with the push for democratization by Chris Patten, the last Governor, and a number of political groups have contributed to adjustment and alteration of the assumptions in public sector management in Hong Kong.

By 1995, all forty-seven departments which offered direct services to the public and nine internal service departments that served internal customers, the Civil Service Bureau and the Legal Department, for instance, had published performance pledges. The basic structure of performance pledges consists of achievements and targets; monitoring; and communication and customer input.

The government took a similar approach by setting targets in various areas and assessing performance at regular intervals. Commitments or undertakings of the government covered a wide range of areas, including the civil service, administration and justice, broadcasting, art and recreation, constitutional affairs, economic services, education, employment, financial services, health, housing, human rights, corruption, development needs of Hong Kong, the environment, public works, security, trade and industry, transport, and welfare. In late 1995, the Governor reported that a number of specific undertakings of the government from 1992 to 1994 had been successfully implemented and new commitments were being made regularly for 'improving the quality of life for Hong Kong's people'. He claimed that '[t]he Government is well on target to meeting 442 of these commitments, or 94% of the total' (Patten, 1995: 1–2).

Let us consider two examples. The Department of Health made the following pledges in 1994: to keep individual medical record; to ensure patient privacy and confidentiality of patient information; to introduce computer labelling of dispensed drugs; all staff to wear name badges for easy identification; and to set up the Patient Assistance Counter. It was claimed that all these tasks had been accomplished on time (Choi, 1995). The pledges were, of course, aimed at continuous improvement. Similarly, the Census and Statistics Department claimed to have met its targeted waiting time of eight minutes for personal visits and four working days for replying to complex enquiries by telephone or personal visits, as set in 1994. Targets for these two areas have been set at five minutes and four working days respectively since 1995 (Choi, 1995).

Effective monitoring is crucial to ensuring that the pledges of a government department are upheld. In the Trade Department, adherence to the published standards has been constantly monitored by the Service Standards Committee which reports to the Textile Advisory Board on a regular basis (Choi, 1995). Customer liaison groups have been established and concurrent appointments of customer service managers have been made in order to improve communication and to enhance customer input to the services of public organizations. By November 1995, customer service managers had been appointed in twenty departments, while thirty-seven customer liaison groups

had been formed in twenty-six departments. For example, the Royal Hong Kong Police Force established a Sub-committee on Service Quality in November 1994 for developing initiatives on service quality. The group includes a cross-section of officers who have regular interface with members of the public. It is expected to provide a forum for open and informal discussion whereby the providers and consumers of public service can draw upon each other's ideas to bring about improvements in quality.

Over a fairly short period of a few years since the idea of performance pledges was introduced in 1992, the government had achieved considerable progress in setting up the framework and mechanisms for a new service culture. This is attributable to the favourable conditions in which the cultural change was induced, namely, a change of leadership and the crisis situation brought about by the forces of change, as well as the strong and positive culture of the civil service that help to facilitate managerial control of the changes.

A change in leadership took place with the appointment of a new Governor for Hong Kong in 1992. This appointment could be seen as providing an impetus which induced the change in organizational culture in the territory. Unlike his predecessors who came from the British foreign and diplomatic service, Christopher Patten was a politician well-versed with the principles of democracy, responsiveness and accountability. He had been active on the British political scene for a long time, and therefore, had a decidedly different perspective on these issues. Patten emphasized the following principles when performance pledges were introduced. What the public has a right to expect, he insisted, are services which

> include provision for effective monitoring of actual performance against the standards pledged; establish a right of appeal for dissatisfied clients; guarantee a right to a full and prompt explanation when these standards are not achieved and ensure disclosure of the criteria which determine the individual's entitlements to benefits and services (Patten, 1992: 26–7).

He also stated that 'accountable government . . . is quite simply a fundamental safeguard for every section of the community, the most effective guarantee of the integrity and efficiency of an executive-led administration' (Patten, 1994). Patten demonstrated his commitment to an accountable government by introducing major changes in the composition of the Legislative Council. As a result, in the elections held in September 1995, all members of the Legislative Council were elected, either directly through geographical constituencies (twenty out of sixty), indirectly through functional constituencies (thirty out of sixty), or from the electoral college (ten out of sixty) composed of the District Board members.

One noticeable consequence of the changed environment is increased scrutiny of the actions of civil servants. The elected legislators are more inclined to voice concerns on behalf of their constituents, to question the government about the way in which public programmes are being administered, and to

seek every opportunity to mobilize public support for their respective political parties (Leung, Brewer and Lee, 1995: 207). This represented a crisis situation for the civil service as the Hong Kong government had all along been 'an executive-centred system in which the administration dominates the entire political process' (Lui, 1988: 143). It prompted the Chief Secretary to accuse legislators of behaving in a negative manner and 'using every available public opportunity to criticize and belittle the efforts of civil servants' (*Eastern Express*, 27 October 1994). Nevertheless, the civil servants finally realized, through a process of pain, that 'the Government and Civil Servants are accountable to the community. Through the Legislative Council, advisory boards, public discussions and debates, the media, and so on, we [civil servants] are accountable for achieving a range of performance measures . . . Being answerable for our work has time and time again proved to be an effective driver of better policymaking, better performance, and better service' (Efficiency Unit, 1995b: 5).

In fact, the Hong Kong civil service does possess a strong culture that impacts positively on the recent need for cultural change to focus on service orientation. The civil service demonstrates remarkable compliance with hierarchical loyalty. In such a situation, it is relatively easy to initiate changes from the top and get the new culture accepted by exploiting the sentiment of hierarchical loyalty. In Hong Kong, line implementation is highly effective, insubordination is uncommon, and 'whistle-blowing' among serving officials is almost unheard of in the local context. The readiness of civil servants to accept orders from above is largely attributable to conventional Chinese attitudes of respect for authority and avoidance of conflict. It is also reinforced by strict bureaucratic rules and regulations which make violation of hierarchical orders punishable (Lui, 1988: 139).

As the Hong Kong civil service is gently pushed towards a regime of political accountability, the institution definitely meets the requirement of managerial accountability. 'Managerial accountability is about making those with delegated authority answerable for carrying out agreed tasks according to agreed criteria of performance' (Day and Klein, 1987). A 1994 survey revealed that Hong Kong's civil servants clearly perceived accountability as the designation of 'well-defined objectives' and the establishment of 'clear rules' to be monitored by means of inspection and audit. The majority of the respondents believed that public accountability meant adhering to rules and regulations (94.6 percent), efficient use of financial resources (91.9 percent) and submitting progress reports to their supervisors (91.9 percent) (Leung, Brewer and Lee, 1995: 208).

This aspect of the Hong Kong civil service fits Handy's (1985) description of role culture in which position power is the major power source, and rules and procedures are the major methods of influence; and that the efficiency of this culture depends on the rationality of the allocation of work and responsibility. The top-down approach in instilling the service culture, initiated

by Patten and cascaded down through the hierarchies, is very effective in establishing the hardware, i.e., the physical arrangements required for transforming the culture. Hence, structures and roles have been set up in virtually all government departments in response to the central call for 'serving the community'. Yet, is there a similarly rapid change in the mentality of civil servants? Can the deeply entrenched values and attitudes be changed over a relatively short period of time? The short answer is that most civil servants are only paying lip-service to the new concepts and ideas. The bureaucrats have long been accustomed to treating the public as recipients of service instead of clients and customers. The hierarchical distance within the bureaucracy was reflected in the delivery of public services. Civil servants were used to being regarded as 'officials'. Interestingly, the Chinese character for the word 'official' appears to be composed of 'two mouths', indicating the unchallengeable position of an official's authority. It is doubtful whether such ingrained attitudes on the part of both parties can be changed overnight. However, the government is making efforts to induce changes through innovations in the areas of selection, involvement, training and recognition.

MANAGEMENT OF CHANGE

The Chief Secretary for Administration recognized that 'the process [of change] starts at the recruitment stage . . . our recruitment criteria reflect our culture of service, that we look for staff who will take pleasure in service. Another step is to encourage our managers to find more effective ways of increasing motivation and commitment by involving our staff more regularly and more effectively in the management process' (Chan, 1996: 78). A careful analysis of activities undertaken by various departments indicates that, given time, the service culture can be in place and pervade the Hong Kong civil service.

An example can be cited from the Work Simplification Scheme of the Labour Department. The Labour Department's mission is to 'contribute to the improvement of the quality of life in Hong Kong by maintaining industrial peace, improving safety and health at work, protecting employees' rights and benefits and providing employment services' (Efficiency Unit, 1995b: 36). A Work Simplification Committee chaired by the Deputy Commissioner was set up in 1992. The appointment of the second highest-ranking official in the department to chair the steering group certainly helped to demonstrate the importance of the group. Furthermore, top management pledged that the department would take full responsibility for any error or inaccuracy arising from work simplification, and assured all divisions that this would not result in reduction of staff. Divisions are encouraged to form work simplification teams to give suggestions on how work procedures can be simplified. A senior labour officer was appointed to coordinate the scheme. Staff are involved through a team-based approach. Training sessions are organized from time to

time to equip staff with suitable techniques to implement the scheme, and workshops are also organized to consolidate the experience. To evaluate the scheme, a total of 887 work simplification items were identified, and 876 items (98.8 percent of the total) were implemented from 1990 to 1994 (Efficiency Unit, 1995b: 36–7). It was observed that there was wide acceptance and extensive participation by staff at all levels, good teamwork was promoted within divisions, and there was a gradual change in attitude leading to staff taking initiatives to develop and expand work simplification. To achieve continuous improvement and to maintain momentum of the scheme, a new theme of 'Start Simple' is being launched by the department.

A leadership project jointly launched by the Department of Health and the Civil Service Training Centre illustrates how effective, training can be (Efficiency Unit, 1995b: 46). It was a five-day management development programme for nursing officers to demonstrate that leadership and planned change formed the foundation of continuous improvement, and through a learning approach to gain their commitment to undertake improvement projects for their clinics.

The twenty participants at the workshop formed themselves into four project teams and were given twelve weeks to plan and implement the leadership projects. They were asked to select from a variety of areas for improvement including work environment, resource utilization, work process, quality of staff, and patient service. Each project was vetted by their supervisors, but self-directed by the project teams. Reports on the projects were presented to a panel comprising representatives from the CSTC and Department of Health on the review day of the programme. The trainees displayed a high sense of motivation and team spirit at the presentation ceremony for the best project award. The following were comments of the principal nursing officer who was at the project presentation: 'I can see changes in staff behaviours at the start and end of the training. There is value in the training for enhancing staff performance and commitment'(Efficiency Unit, 1995b: 46).

All these management initiatives can be recognized as responses to the new culture pervading public sector management in Hong Kong. A case in point is that of the Inland Revenue Department which set up a Best Counter Staff Award to enhance staff morale and raise awareness of the importance of good customer service (Efficiency Unit, 1995b: 16). The competition covers eight units of the department and involves more than a hundred staff. Voting by members of the public visiting the department forms the major assessment criterion. The prizes for the competition include a gold card of 0.999 purity with the winner's name engraved and two commendation letters, one signed by the Commissioner for Inland Revenue and the other by the Chairman of the Users' Committee. The awards are presented by these two people at a press conference. Recently, the Immigration Department has initiated an effort to identify the most courteous officials by polling travellers passing through the Hong Kong International Airport.

It is obvious that the Hong Kong civil service is responding positively to the needs of the time. Changes in the circumstances have been recognized, and departments are making efforts to meet the expectations of the public as well as the government. While such efforts in many parts of the world face strong resistance from within the public sector, Hong Kong appears to have successfully avoided the problem of transforming an intransigent bureaucracy.

CONCLUDING OBSERVATIONS

A number of institutions, groups and officials participate in the management of the public sector in Hong Kong. While the principal administrative officials have designated roles to play, the Legislative and Executive councils contribute by helping to formulate and implement policies. The Civil Service Bureau carries the responsibility of managing the crucial groups which are engaged in the process.

It appears that the management of the public sector in Hong Kong is being led towards a new direction with a markedly different approach from that adopted in the past. The changes are appropriate to the needs of the time and the mood of the territory. The strict hierarchical structure of the bureaucracy and the centralized authority have acted as facilitators of change, so it has been possible to implement and enshrine the new approach within a short period of time. It can be expected that the changes would persist over time. However, it is also necessary to take into consideration the unique situation in which Hong Kong finds itself.

The future of Hong Kong, in spite of all the assurances embodied in the Basic Law, cannot be foreseen with accuracy. There are speculations that changes are to be expected. The political system already has seen some reversal as the Legislative Council elected in 1995 could not complete its tenure. The mood and disposition of the people and leaders of the territory, and the nature of future political institutions will have a major bearing on the pattern of public sector management.

Changes initiated towards the very end of British colonial rule were questioned by the future rulers and administrators of Hong Kong. It is not unusual to notice increased emphasis on the Chinese nature of Hong Kong society, and some of the dominant values which shape administrative policies have the potential to generate debates and controversies. However, it should also be pointed out that the new approach of a customer-focused administration has been well-received by both the citizens as well as administrators, and it will be difficult to reverse the trend suddenly. At the same time, it should be borne in mind that the changes initiated will be taking root in the organizational culture of public sector institutions in Hong Kong.

It is not fruitful to speculate on the length of period over which changes in the culture of an organization will last. The sustaining of the new patterns

of behaviour and decision-making processes in an organization is related to the process of cultural change. Top-down approaches may be easy to bring about and result in overt compliance to what is mandated, but the changes are difficult to be sustained and may not result in full-fledged acceptance. Participative approaches to changing underlying assumptions are likely to result in changes that last (Kilmann, Saxton, Serpa, 1989: 408). The Hong Kong government had adopted a feasible approach by making use of its managerially accountable culture to conduct some early cultural change, and using a top-down approach to encourage organization members to begin behaving in new ways. Now that the new culture has achieved some success, time can be devoted to changing the deeper, more fundamental aspects of culture, so that the change will last.

The Chief Executive of Hong Kong has expressed great satisfaction with the performance of the civil service, and recognized the need for 'a target-based management process to achieve continuous improvement in public services' and stated that 'the Secretary for the Civil Service will organise a tailor-made high level leadership programme for the senior officials who lead and manage the change process' (Tung, 1997: 51) At the same time, the Civil Service Bureau reported that recruitment procedures had been streamlined, staff wastage monitored, customer-oriented service promoted, and effective communication with staff ensured (*Policy Programmes*, 1997: 58). Such steps will be invaluable towards the effective management of the public sector in Hong Kong.

CHAPTER 8

THE FUTURE ROLE OF THE SENIOR CIVIL SERVICE

INTRODUCTION

On 11 December 1996 the Selection Committee formed by the China-appointed Hong Kong SAR Preparatory Committee selected Tung Chee-hwa as the first Chief Executive of the SAR. Since Tung had repeatedly emphasized, during his campaign, his intention to exert strong leadership as Chief Executive and the need to maintain an executive-led political system in the post-1997 governance of Hong Kong, there was much speculation as to whether his stewardship of Hong Kong would significantly deviate from that of British governors during the colonial era.

While the past does not always predict the future and it would be oversimplistic just to assume the new Chief Executive would act in much the same way as the previous British governors towards the civil service, one should not overassume the ability of the Chief Executive in getting his will done in all circumstances. As will be pointed out below, even the most strong-willed governors during the time of British colonial rule were not always able to circumvent the resistance of senior officials towards some bold policy initiatives. Tung Chee-hwa, as the first Chief Executive of the SAR, is of course in a good position to set new styles and establish new governing traditions. For example he has already said he expected members of his Executive Council to be more active and to openly promote and defend his administration's policies. A more assertive and politically vocal Executive Council team would definitely help to counterbalance the power of the civil service institution. Tung can also make top civil service appointments more conditional, in policy terms, requiring the appointees to toe his political and policy line, rather than simply treating such appointments as a matter of promotion on merit and seniority as in the past. To some extent Patten had already broken the traditional rules by promoting some officials out of turn to the top Secretary rank (e.g. in the case of Secretary for the Civil Service Lam Woon-kwong and Secretary for Security Peter Lai), and Tung can carry on this new approach. But in so doing Tung could be criticized as trying to 'politicize' the senior civil service (much as former British Prime Minister Margaret Thatcher was so criticized in her appointment of departmental permanent secretaries by asking the notorious

question 'Is he one of us?'). However, should he want to establish a strong, almost presidential style of government, control of top civil service appointments is almost indispensable.

Despite Tung being the favoured candidate of the civil service for the Chief Executive post and being openly endorsed by Chief Secretary Anson Chan during his selection campaign, the first six months of his stewardship of the SAR government were portrayed by local media as full of tensions and rivalries between his Executive Council and the civil service over who was really in charge of government policies.[1] The delay in reaching decisions on the first major reshuffle of top civil servants, after Tung's October 1997 Policy Address, has prompted one commentator to speculate that 'whatever Mr Tung's reasons for stalling, Mrs Chan is clearly having difficulty coming to terms with the fact that she can no longer rely on automatically getting her way on such matters' (*Sunday Morning Post*, 21 December 1997).

The advent of a new SAR polity has certainly pointed to the need to review and redefine the role of the senior civil service. The senior civil service, as a power group, will also have to decide for itself how to face the new challenges to its hitherto unquestioned bureaucratic authority, from a political Chief Executive, a politicized legislature and a more watchful if not unduly interventionist Central Government in Beijing.

FROM GOVERNORSHIP TO POLITICAL LEADERSHIP

Although the British Governor under the Letters Patent and Royal Instructions enjoyed almost autocratic powers,[2] his wide-ranging powers had traditionally been constrained by formal institutions like the Executive and Legislative councils and by political conventions established throughout the years which required him to consult and to take advice from local community leaders. The convention of making policies by the Governor-in-Council, a practice which made it necessary for the Governor to share his policymaking prerogative with members of his Executive Council, had gradually been written into a lot of local legislation as a formal requirement. In theory the Governor could ignore the Executive Council's advice and proceed with his own way upon reporting the difference in views to the Secretary of State for Foreign and Commonwealth Affairs in London. In practice, however, such incidents seldom happened (Miners, 1991: 84, fn 14). One can argue, of course, that since he appointed members of the Executive Council, it would only be likely for the Governor to appoint like-minded people as his key advisers, and the scenario of him not listening to the advice of his hand-picked team normally should not arise.

Under the Colonial Regulations, the Governor had full powers of appointment of public servants and could terminate their service at will at any time. In practice, such powers were normally delegated to his principal officials. Members of the civil service, headed by the Chief Secretary and employed in

the name of the Crown, pledged their allegiance to the Governor. However, they were not simply passive instruments to implement his will and policies. Since governors came and went in much the same way as an elected government in a democracy (the longest-serving Governor Lord (then Sir) Murray MacLehose, having served for eleven years), the colonial civil service in practice became a kind of permanent career institution having continuous influence over the formulation of government policies. The principal officials, including Secretaries and heads of departments, were the Governor's closest aides, whose commitment and competence were much depended upon to achieve an effective governorship. It would not be exaggerating to say that the Governor had to share powers with the top civil servants whose careers in the territory normally outlasted the career of the Governor. As Miners (1991: 70) put it, whatever the Governor's ambitions, he could not hope to achieve an overnight transformation in the face of the inevitable inertia and opposition of an entrenched bureacuracy. For example, Sir David Trench, Governor from 1964 to 1971, tried to introduce a new system of local authorities. By the time he retired, 'the system of local administration, or the lack of it, was exactly the same as when he arrived. This was in part a consequence of the 1967 riots, but it was chiefly because of the opposition of senior administrators and Heads of departments to any significant devolution of power from the centre' (Miners, 1991: 70). MacLehose's ambitious ten-year public housing programme to rehouse 1.8 million people suffered a serious setback partly because of resistance from a fiscally conservative Financial Secretary Philip Haddon-Cave (Miners, 1991: 70). Besides, with the exception of the last Governor Chris Patten who was a politician, all the previous twenty-seven governors were career bureaucrats of one kind or another. Until the early 1970s, most of the governors were of colonial service bureaucrat background; since then, Foreign Office career diplomats — Murray MacLehose, Edward Youde and David Wilson — took over the governorship. Thus both the governors and their civil servants by and large shared the same culture and values of bureaucratic governance. Any difference in views was in the style rather than substance of colonial rule.

Chris Patten had obviously brought about a great impact on the colonial administration, by adopting a more open and aggressive style of political leadership, akin to his background as a former British Cabinet minister and Chairman of the Conservative Party. For the first time in 150 years of Hong Kong's colonial history, bureaucratic power had to coexist with political power of some kind. Though this 'political' Governor did not enjoy any organized power base locally, some senior civil servants might have found him too demanding and too 'politicizing'. However, Patten's assertiveness and occasional populism were probably necessary in the midst of Hong Kong's changing political climate of the 1990s when the emergence of electoral politics, parties and the China factor had in any case politicized the scene of governance. Indeed by introducing the Governor's Question Time in the Legislative Council and freely meeting local politicians and the media, Patten was demonstrating

to senior civil servants how they should behave in and survive the new mass-politics and media-driven environment, and how to deal with newly emerging political power of another kind, namely elected legislators and political parties.

Assuming that senior civil servants had experienced a major culture shock under Patten, would they now encounter further culture shocks under Tung, who, like Patten, is not a bureaucrat, but a businessman anointed by the Chinese Central Government in Beijing? While Tung has somewhat despised politics, openly blaming it for the declining morale and efficiency of the civil service (he asked during his campaign: 'Is our civil service too bogged down in the politics of our legislative process? Should they be devoting more time and energy to the formulation and efficient implementation of policies?' (Tung, 1996: 5)), hence playing to the music of those senior civil servants frustrated by Patten, he is in no practical sense a non-political person. On the contrary, he is skilful in manipulating politics in the 'Chinese' way, winning the hearts and minds of senior Chinese leaders and their political appointees in the SAR Preparatory Committee and Selection Committee. During his selection campaign he played to the conservatism of the Chinese government in Beijing and its supporters in Hong Kong who were keen to cause a U-turn to whatever Patten represented. Tung also reached out to those constituencies, like the underprivileged elderly and schools with a lot of new immigrant children from mainland China, that might have doubt about his shipping-magnate background. Indeed he advocated government intervention in industrial development and greater spending on public housing and education, much to the surprise of top civil servants who preferred him to other candidates as the Chief Executive.[3]

While Tung openly supported the retention of the existing Chief Secretary Anson Chan (whom some pro-China forces had criticized as a protege of Chris Patten) as his own Chief Secretary ('Chief Secretary for Administration' in the new SAR parlance), he also made it clear it was he who would be in charge of and running the SAR government. As a self-proclaimed strong leader enjoying immense support from Beijing and the China-constituted new political elite (320 out of 400 votes of the Selection Committee), the question hangs high as to whether Tung's stewardship might turn out to be the beginning of 'presidential rule' in disguise. In fact the Basic Law has provided for the concentration of executive powers in the office of the Chief Executive who continues to enjoy the same wide-ranging powers of appointment and patronage as the previous British Governor *vis-à-vis* a legislature which, though possessing independent legislative power, will be constrained in the exercise of such power by having the power of introducing private member's bills and amendments to government bills and motions practically removed from individual legislators (see Article 74 and Section II of Annex II of the Basic Law).[4]

It is too early to predict what Tung's style of governance will be like in the immediate post-1997 years. However, as this chapter argues below, despite the

rhetoric about strong executive leadership, and despite the change of sovereignty and the imposition by China of a new political order on Hong Kong, the present senior civil service (as represented by the administrative class elite) is likely to remain the most powerful political institution. When John Rear (1971) wrote his 'One Brand of Politics' about Hong Kong, two and a half decades ago, he was depicting a kind of colonial bureaucratic politics tolerated by the acquiescence of an undemanding local Chinese population. Throughout British administration the civil service bureaucracy had been the backbone of colonial rule.[5] Hong Kong after 1997 seems destined to become another brand of bureaucratic polity which may marginalize, if not 'suppress', popular politics altogether as did its colonial predecessor before the advent of representative government in the 1980s.[6]

GRADUAL TRANSFORMATION OF THE BUREAUCRATIC 'ROLE' UNDER COLONIAL RULE

'Administrators' imposing indirect rule

To appreciate the role and extent of power of the senior civil service bureaucracy it is useful to revisit Hong Kong's previous system of colonial governance. Until the development of some form of representative government since the mid-1980s (Hong Kong Government, 1984a, 1984b, 1988) in preparation for the 1997 political transition, Hong Kong had a government by bureaucrats in the absence of accountable politics. Despite the introduction of elected members to the Legislative Council (indirect elections and functional constituency elections in 1985 and some directly elected seats since 1991), political power had remained firmly within the administration, in the hands of policy administrators in the Government Secretariat. In contrast to the pattern of development identified by Aberbach, Putnam and Rockman (1981) in Western democracies, where top bureaucrats were seen to have grown in power and influence, not only in the formulation of policy but increasingly in the brokerage and articulation of interests, functions which conventionally were reserved for elected politicians, Hong Kong has been on the reverse path, with the bureaucrats monopolizing such political functions until very lately when newly emerging local politicians begin to demand a share of powers.

Early students of the colonial administration described the system as 'government by discussion', whereby local elites and Chinese community leaders would be consulted by the administration before any major decisions were made (e.g. Endacott, 1964: 229). Ambrose King supplemented this observation with the notion of 'administrative absorption of politics', which depicts the process by which 'the government co-opts the political forces, often represented by elite groups, into an administrative decision-making body, thus achieving

some level of elite integration' (1981: 130). He argued that there existed a 'synarchy' between British rulers (the colonial officials) and non-British, predominantly Chinese, local leaders.

British rule in Hong Kong up to the late 1960s had essentially followed the conventional form of colonial administration. Senior civil bureaucrats, mainly administrative class officers or 'cadet officers' as they were known in the early days,[7] acted as 'political officers' (Lugard, 1970) to keep full control over the indigenous population with the assistance of co-opted local Chinese leaders, under a regime of indirect rule where social problems and politics, if any, were administerized. This was the era of senior civil servants as 'administrators'.

Post-1967 reforms of the bureaucracy: Rise of managers and 'ministers'

The 1967 riots, though instigated by pro-Communist activists under the influence of the Cultural Revolution in China at that time, represented a crisis over consent, in which the colonial government's claim to the right to rule was challenged (Scott, 1989: Ch 3).[8] The legitimacy at stake was only somewhat sustained by the government after it followed a corporatist strategy from the 1970s onwards, departing clearly from the previous 'hands-off', minimally integrated approach towards a relatively more proactive style of political management, involving greater state intervention and supply of public services. Young, local Chinese administrative officers began to be recruited in 1968 to act as city district officers to reach out to the local community, to sound out popular sentiments, and to actively explain and defend government policies. From then onwards, the colonial administration tried to become a government of the people, though it was not and would not be a government by the people.[9] Under MacLehose, the administration also tried hard to promote clean government through anti-corruption reforms in the 1970s.

With the government setting out on a path of rapid expansion in public services and community building, there was a concomitant need to streamline the administrative machinery to cope with such expansion, which saw the rise of professional power in service departments. In 1972 the government invited the management consultant firm McKinsey & Company to review the organization of the central government machinery. The 1973 McKinsey Report proposed not only a major reorganization of the government administration, but also a modernization of government operations in line with the rationalist approach to public administration popular in North America and Europe at the time. It was the first time in the administrative history of Hong Kong that the government looked outward for modern ideas of administrative change.

McKinsey advocated delegation of authority from the government centre, namely Colonial Secretariat (subsequently renamed Government Secretariat), to department heads and lower officials. Its major recommendations were, firstly, to streamline government coordination of policy formulation and

resource control through the establishment of high-level 'Secretaries' in the Secretariat, directly below the Chief Secretary and the Financial Secretary, to oversee departments; and secondly, to introduce more systematic programme planning and resource allocation processes. In a sense McKinsey had redesigned the central administrative structure using the existing colonial-style organizational units (i.e. branches) of the Secretariat, but giving them a new image with enhanced powers and status. It was a process of innovation through evolution. There was still a line of continuity with the past, yet new organizational opportunities were also opened up which could lead to more innovative changes that ultimately marked the advent of a totally different system logic altogether.

As far as the senior administrative civil servants were concerned, the McKinsey changes could be conceived as some form of 'ministerialization' *à la* Wettenhall (1976a, 1976b). Wettenhall examined how the independence of colonies brought about the need to introduce new institutions such as ministries and the cabinet. The evolution of the colonial government structure took various 'modes' of ministerialization whereby the former Secretariat divisions simply became new ministries or ministerial secretariats. The full integration of departments within the ministries was not always an early feature of independence, though eventually ministers would achieve control over departments that came within their portfolios. In Hong Kong independence was not on the agenda; however, the administrative reforms of the 1970s had a very strong connotation of modernization, representing an attempt to 're-invent' the government administration, so as to remove its colonial wrappings as far as practicable. As such, the McKinsey reorganization of the Government Secretariat in effect facilitated the evolution of a cabinet of some kind — the only distinction being that this cabinet would not be a 'political' one, composed of politicians, but would remain in the hands of administrative officers who were increasingly expected to act and operate as 'ministers' and ministerial staff. While the colonial government had shied away from political reforms in the aftermath of the 1967 riots,[10] those reform measures which were subsequently implemented served to give the administrative elite a more politicized posture in which to better face up to the external political challenges and turbulences of the times.

Another feature of this period of bureaucratic reforms is the rise in status of professional civil servants (like medical doctors, engineers, social service professionals, planners, law and order enforcement professionals) in line with the rapid expansion of government services and interventions. Administrative class officers remained the backbone of government leadership and dominated key posts in departments and the Government Secretariat. However, professional civil servants began to assert their power within more professionally oriented departments (such as Trade and Industry, Medical and Health, Public Works), and the generalist/specialist cleavage became a significant aspect of intrabureaucratic conflict, adding fuel to the already contentious mode of Secretariat-department interaction (Scott, 1988).

The nature of the senior civil service during the era of bureaucratic reforms and modernization in the 1970s and 1980s was seen to have departed substantially from the traditional colonial administrative mode. On the one hand, there had been a clear attempt to modernize and professionalize the civil service. More emphasis had been placed on training and rational management. 'Professional' power in specialist departments was increasingly recognized. A new 'manager' class of generalist executives and departmental specialists was in formation. On the other hand, the administrative class elite had become more 'political' in their role orientation. In the absence of professional politicians, administrative officers took up the role of political officers representing the government and seeking support for the government. They formed, *de facto*, a 'government party'. At the same time, they acted more and more like ministers and junior ministers in policy formulation and coordination.

Further managerialization and politicization under Chris Patten

The arrival of Chris Patten in mid-1992 as Governor saw the launch of new initiatives on both the administrative and political fronts. In administrative reforms, he continued with the 1989 Public Sector Reform programme (Finance Branch, 1989) with a bolder and quicker pace. Some of the notable changes were the introduction of: performance pledges for all government departments and public agencies, along the lines of the UK Citizen's Charter (see discussion in Cheung, 1996a); annual policy progress reports and policy commitments by all policy Secretaries who now had to directly face public monitoring of their policy performance; and a Code of Access to Information. Senior civil servants, particularly those in the policy branches of Government Secretariat, also had to explain government policies and address matters of public concern in open meetings of the Legislative Council panels. As mentioned earlier, Patten set an example for this form of public accountability by introducing his own Governor's Question Time in the Legislative Council.

The civil service under Chris Patten underwent two clear developments which by and large were not inconsistent with the reform logic first triggered by the McKinsey reforms of the 1970s. *First*, it continued to become more professionalized and modernized, or to put it in the latest *reformspeak*, 'managerialized'. The whole of the civil service and its associated public sector was being transformed both in structure and processes under the 1989 Public Sector Reform, the aim of which was to transform civil servants from administrators into better and more efficient managers. As argued in chapter three, public sector reform with a clear managerial orientation has the impact of displacing politics from public services and of establishing efficiency as the main if not the sole criterion to evaluate institutional performance. It is a process of depoliticization. *Second*, however, the top echelon of the

administration was experiencing greater politicization in response to local legislative politics as well as politics from China. In some sense, public sector reform had facilitated the emergence of a new political management strategy to manage intrabureaucratic conflict between policy branches and executive departments, and between the administrative class and professional civil servants. The paramountcy of the administrative class in terms of policy and resource-control functions was to be secured in exchange for greater managerial autonomy and microbudgetary powers to be given to departmental managers.

The new civil service configuration has henceforth consisted of two distinct layers: the policy management layer dominated by administrative power, and the policy execution layer gradually dominated by departmental professional power. This duality will continue to be a feature of the post-1997 bureaucracy. Policy management officials were expected to account as 'ministers' when facing the public and to account as 'managers' when steering line departments under their policy supervision. Policy execution officials were expected to be increasingly professionalized and managerialized, subject to a new performance management regime (cf chapter six).

TRANSITION OF BUREAUCRATIC POWER

A change of sovereignty unavoidably brings about a process of reconstitution of political order and a reconfiguration of institutional power. In the case of Hong Kong, colonial administrative authority was repeatedly under challenges from newly-emerging local forces and rising public demands ever since the late 1960s. From the 1980s onwards China entered the scene of political turbulence. Because of the political transition, business interests which used to coalesce around the colonial administrators gradually sought to realign themselves with the successor regime, i.e. China and its agents in Hong Kong, such as the New China News Agency Hong Kong Branch. By the time of the handover, a China-centred governing coalition was clearly put in place, displacing the previous Britain-centred governing coalition. In what King (1986) described as a process of 'political absorption of economics', the Chinese government actively sought to co-opt members of the local business and professional elites into various Chinese institutions, notably the Basic Law Drafting Committee, the Basic Law Consultative Committee, the Chinese National People's Congress, the Chinese People's Political Consultative Conference, Hong Kong Affairs Advisers, District Affairs Advisers, the SAR Preliminary Working Committee, the SAR Preparatory Committee, and the SAR Government Selection Committee.

Domestically newly-emerging elected politicians, particularly pro-democratic forces, were demanding a say in the way the government was being run, on the basis of their popular mandate gained through elections. To them, political reform was not just constitutional change *per se*, to suit Hong Kong's new post-

1997 status, but also an important process of redistribution of political power, from the business and professional elite sectors to the less-endowed middle class and working class. In the course of political reform promoted by the departing British administration, elected politicians demanded the same form of political accountability from the civil servants as that which exists in established democracies. Even though elected legislators did not govern, the fact that there was no longer any appointed seat in the Legislative Council after September 1995 meant that the administration sometimes had to do the bidding of the legislature if government bills were to be passed and financial appropriations obtained.

However, the fact that there were competing bids to share power with the administrative bureaucracy and that these competing actors did not agree with one another in their overall political agenda turned out to favour the senior civil servants. It has been pointed out in chapter three that China has always preferred Hong Kong's 'executive-led system', which literally implies government by civil servants, so long as these civil servants are politically loyal to Beijing. Indeed, during the heyday of Sino-British cooperation after the signing of the Joint Declaration, it was China's intention to eventually appoint a civil servant (or ex-civil servant) to be the first SAR Chief Executive so as to strengthen the executive-led system. This was partly on the grounds that it had been British practice to appoint a civil servant as the Governor of Hong Kong, but more importantly in order to keep the Chief Executive from being embroiled in party politics or business interests. In the name of enabling the Chief Executive to be above politics, such considerations by China in effect would have served to continue Hong Kong's 'brand of politics' (Rear, 1971). As revealed by Lu Ping, then Director of the Hong Kong and Macau Affairs Office of China's State Council, '[China] even thought of having a vice-governor, a Chinese vice-governor before July 1, 1997 so that by July 1, this vice-governor could be Chief Executive' (*Sunday Morning Post*, 8 September 1996). Both the Chinese and British governments were apparently looking to the top echelon of the civil service for a suitable candidate for the Chief Executive post. Apart from providing continuity and stability, such a choice would have served to emphasize the independence and impartiality over sectoral interests of the post-holder.

The Sino-British conflict that started after Patten's arrival spoilt the original plan. China was determined to prevent the British government from having any say over the appointment of the Chief Executive. Since Chinese leaders appeared to be unable or unwilling to pick someone from among top officials within the existing senior civil service (such as Anson Chan, the Chief Secretary), who would be suspected of having been 'Pattenized', they were forced by circumstances to consider potential candidates from within the ranks of business leaders in Hong Kong, and Tung Chee-hwa was finally shortlisted.

However, the administrative elite is still taken seriously by the new sovereign.

The Chinese government's strategy for taking back Hong Kong has always been premised on the assumption that the senior civil service would remain the most important pillar of SAR governance, and given the present disarray of the local political scene and the suppression of bottom-up electoral politics, probably the only pillar left. Hence the administrative elite as a power group in no way has fallen into political disgrace. On the contrary it has come out of the Sino-British conflict relatively untainted by its previously close association with Patten's controversial policies. The difficult position faced by the Chinese government and the limited range of political options available to it mean that the administrative elite would have a considerable amount of bargaining power *vis-à-vis* the new sovereign over the running of the SAR. Indeed, it is an open secret that China has accepted that one of the pre-conditions in the selection of the SAR Chief Executive is that this person must be acceptable, *inter alia*, to the civil service — in practice, the administrative elite. Thus, although the administrative elite failed to grab the highest office of the SAR government for one of its members, it has secured a second-best solution, i.e. a leadership team on which it should have an important institutional say.[11] While the new Chief Executive could assert 'presidential' powers over the senior civil service, the latter is equally capable of 'capturing' the Chief Executive, as a permanent civil service is able to in many countries, not to mention that Tung Chee-hwa will be obliged to appoint his principal officials from among the ranks of the administrative elite.

POST-TRANSITION ROLE ADJUSTMENT

Who governs?

Having gone through processes of bureaucratic reforms and localization, and being cast into the role of providing the major source of stability and continuity to SAR governance, the senior civil service, in particular its administrative elite, has emerged as a highly autonomous and professionally competent governing force. Any expectation that this senior civil service would quietly settle into an instrumental, politically-neutral administrative arm of the government is unrealistic, not only because the British decolonization attempt of nurturing an elected government along Western democratic models had essentially been derailed by China which prefers an 'executive-led' SAR with minimum politics, but also because the administrative elite is equally reluctant to give up its executive-led powers. Even during the 1980s when the future of Hong Kong after 1997 was still being negotiated between the two sovereign governments, some administrative officers were already toying with the notion of 'Hong Kong officials governing Hong Kong' (*gang guan zhi gang*).

Indeed the administrative elite would see itself as fully equipped to take up a larger post-1997 mission. It had always governed Hong Kong as its real

rulers under the previous colonial regime. Whether under conventional British colonial administrative practice whereby administrative officers were treated as political officers and trained as such, or in the post-McKinsey era when they were increasingly expected to operate as 'ministers' and ministerial staff, the administrative class had clearly performed a very political role not unlike that of elected political leaders in a democratic polity. With the advent of electoral politics, although the administrative class cannot claim to possess the same kind of popular mandate as their counterparts on the elected benches of the legislature, it still is the 'government party' which is even more tightly organized and more united both in ethos and in the will to govern, than all the existing political parties. For the administrative class, an executive-led system of governance means a system in which senior administrative civil servants take the lead to formulate and initiate policies. They are the executive.

Despite the change of sovereignty and of government, top civil servants are still keen to keep their policymaking powers largely intact. Some had resented the high-profile leadership of Chris Patten whom they blamed for unduly politicizing the administration and for subjugating it to the mercy of legislative accountability. They had therefore much to expect from the new Chief Executive Tung Chee-hwa who seemed to be seeing eye to eye with them by campaigning on a platform of depoliticization of the civil service. To many senior civil servants, political parties and an assertive legislature were the main threats to Hong Kong's executive-led regime. They had not been prepared for the possibility of such a regime (as they defined it) being eroded by an assertive Chief Executive and his political advisers.

In the colonial past, although the Governor ruled as a supreme leader, in practice he had to almost totally depend on the senior civil service for policy advice and support. The relationship between the Governor and the senior civil service was symbiotic rather than top-down as the constitution depicted. During the Patten era, because of his concentration on political bargaining and conflict with China over democratic reforms, Patten had largely left it to Chief Secretary Anson Chan and her senior civil service team in the Government Secretariat to run the administration. The physical separation of Government House (where the Governor resided and worked) and the Government Secretariat reinforced the image of the Chief Secretary moving increasingly towards a kind of prime-ministerial role *vis-à-vis* the Governor as the head of state. The policy Secretaries were her members of cabinet.

More of the same, or the beginning of a new era of shared powers?

Tung Chee-hwa did not seem to follow Patten's footsteps. He claimed that he would exercise 'strong leadership' and was determined to be a 'hands-on' Chief Executive, well-known for his 'seven-eleven' working style (i.e. working daily from 7 o'clock in the morning until 11 o'clock at night). He also decided

not to move into the Government House and instead set up his new office in the Central Government Offices, close to the Chief Secretary and other principal officials. What makes top civil servants most uneasy is Tung's preference for non-civil service members of his Executive Council to play a more prominent political role by helping in formulating policies and promoting them. The first battle over who should be in charge of government policy formulation was fought in late March 1997 when top civil servants expressed great displeasure over Tung's appointing three of his Executive Councillors, Leung Chun-ying, Antony Leung and Tam Yiu-chung, to lead policy teams comprising policy Secretaries to formulate policy proposals on housing, education and elderly welfare, for inclusion in his forthcoming Chief Executive inauguration speech. In face of the bureaucratic opposition and a media uproar over the potential role conflict, Tung was forced to back down by emphasizing that those three Executive Councillors would only perform a research role and not convene any formal policy teams. The relationship between Executive Councillors and top civil servants continued to be tense after the handover. One example is the delay by the administration to nominate Antony Leung as the new chairman of the Education Commission, despite it being well-known that Leung was Tung's choice.[12]

Assigning members of the Executive Council to head important policy bodies is in fact not a Tung innovation. Under the previous colonial administration, examples abound of leading Executive Councillors chairing important statutory authorities and committees (e.g. Rosanna Wong as Chairman of the Housing Authority under Chris Patten; and Rita Fan as Chairman of the Education Commission in the early 1990s before she parted ways with the new Governor, Patten). Members of the Governor's Executive Council, when some of them were still leading appointed members of the Legislative Council before Patten decided to withdraw all Executive Councillors from the legislature under his political reform plan, were often seen defending and promoting major government policies. Tung could be regarded as simply carrying on the old tradition. What makes Tung's move different from the practice of previous governors is that past appointment of Executive Councillors was normally a result of nomination by or at least discussion with top civil servants. Most appointees in fact were groomed by the senior civil servants through various advisory boards and committees in the process of administrative absorption, and had satisfied the latter that they were 'one of us'. Because previous Executive Councillors owed their position and status to the senior civil servants, they would work as their loyal partners rather than political competitors. Tung's Executive Councillors are his own choice and owe their political allegience to the Chief Executive, not to the senior civil service. Some of these Executive Councillors harbour their own political ambitions and expect to play a key role in policymaking. They represent a new brand of 'politicians' who have risen to power, not through electoral politics, nor with the blessing of the senior civil service, but with the political backing of China as the new

sovereign authority. Their participation in the Chief Executive's cabinet underlines the influence of the new China-centred governing coalition. To them, an executive-led regime should be one in which the Chief Executive and his advisers, constituting the 'executive authority' of the SAR government, should take the lead in initiating policies.

The nightmare of the top mandarins is that Tung, encouraged by his political supporters, might opt for some form of ministerial or quasi-ministerial system whereby non-civil servants would be given policy portfolios and top civil servants would play only a supportive role to these political appointees. The top civil servants are already functioning as 'ministers' and they do not want to see such a role being clipped or displaced. So far Tung has not indicated he would go down such a path, but clearly the mandarins' worry is that in future they may not have full access to the ear of the Chief Executive, unlike with past governors. Two competing 'executive-led' models will thus be interacting: the mandarins favouring a civil service-dominated system, and Tung probably preferring a more presidential kind of executive government.

In the short run, Tung has to depend much on the senior civil service for implementing policies effectively and for maintaining a smooth-running administration. He just cannot afford to alienate the mandarins. However, in the longer run, as he accumulates more experience of governance and greater political capital, particularly if he plans to run for a second term in 2002, Tung may be tempted to cause a wider reshuffling of his team of principal officials. Though most expect principal officials to be appointed from among top civil servants, the Basic Law does not preclude the bringing of non-civil servants into government. In colonial times, a company taipan (John Bremridge) was made Financial Secretary in the early 1980s, and a private sector engineer (James Blake) was appointed Secretary for Works in the mid-1990s. The first such appointment in the SAR is that of Elsie Leung as the new Secretary for Justice (equivalent to the previous Attorney General). It is entirely possible for Tung to try out more appointments of non-civil servants to the ranks of principal officials, so as to achieve a politically more balanced ministerial team for himself. In any case, as a matter of institutional logic, one cannot assume a Chief Executive will always find the team of principal officials inherited from his predecessor entirely acceptable. Should a Chief Executive be practically deprived of his discretion in ministerial appointments, he could only turn to his advisers in the Executive Council for alternative support. That would mean a repetition of what has transpired between the senior civil servants and the Executive Councillors in the early months of Tung's administration.

The extent to which the senior civil service can hold the balance of power in the new government depends on both its competence in governance as well as its meritocratic integrity as perceived by the public at large. The ability of the civil service bureaucracy to provide leadership, particularly at times of major crises, was seriously questioned in December 1997 when the messy way in which government departments executed a quickly conceived plan to

slaughter over 1.2 million chickens in the territory in a bid to stop the spread of the 'bird flu' caused many to doubt if the supposedly competent and efficient civil service was still worthy of its reputation.[13] Some would argue that civil servants 'are still bureaucrats, accustomed to working at a sluggish pace, who need to be prodded into action when a crisis arises' (*Sunday Morning Post*, 11 January 1998). Although Tung Chee-hwa did not seize the opportunity to gain credit at the expense of the senior civil service, for he only belatedly appointed Chief Secretary Anson Chan to head a high-powered interdepartmental working group to handle the bird flu crisis after damage had been done to the administration's image, it can be suggested that there is now more expectation for the Chief Executive to assert leadership of the kind which Chris Patten used to provide to his civil servants. In a sense the bird flu saga has marked a step backward in the senior civil servants' subtle bid for policy domination in the SAR government.

CONCLUSION

Historically the administrative elite enjoyed unchallenged authority in the governance of Hong Kong as a British colony, although it had to share some of its powers with the local elites and had to secure the latter's consent and support through an elaborate system of appointments and administrative co-optation. With the erosion of colonial authority, the administrative elite was subject to more and more challenges to its power, both locally and from China. Administrative modernization of the civil service and the gradual opening-up of the government since the 1970s represented attempts to restore some form of legitimacy through efficient and responsive institutional performance. The post-1984 political transition, however, had brought about uncertainties with respect to both the institutional rules of the future SAR political structure as well as to the role of the senior civil service. For a while, particularly under the British rhetoric of developing representative government fuelled by local demands for democratization, there seemed to be the possibility of the civil service relegated to become an instrumental, politically-neutral administrative arm of an elected government. Such a possibility, considered remote even when it was contemplated in the less constrained climate of the 1980s, has now definitely proved to be unattainable, in view of China's clear preference for an executive-led system with the civil service in charge and of the underdevelopment of party politics. Although big business has enjoyed much political clout in influencing the thinking of both sovereign governments, and will most likely continue to sustain such clout after 1997, the fact that there is intrabusiness rivalry and popular distrust of the self-interest of business leaders would mean that China would be reluctant to lean too much or too openly to the side of the business elites.

In the Chinese Central Government's tactics of striking a delicate balance

among various competing local forces and of ensuring top-down control, a new bureaucratic polity to some degree checked and balanced by a local legislature representing major stakeholders of Hong Kong but with an unquestioned executive-led ethos is probably the best possible mode of SAR governance. Ironically, it is its lack of any substantial social power base on the local scene (unlike the business elites or political parties) which gives the administrative elite of the civil service its most appealing 'right to govern' in the eyes of Chinese leaders. Too popular a locally selected (or elected) Chief Executive would certainly create suspicion in Beijing. The attraction of an SAR effectively ruled by an administrative bureaucracy lies not only in the fact that this would be highly compatible with the political ideology in mainland China, which is equally run by a Communist-cadre bureaucracy, but also in the fact that the civil service would always be faceless and thus be unable to become a popular political force. There is no doubt that the senior civil service will continue to play a critical role in the future administration of Hong Kong, but it will have to face the prospect of being cut down to size gradually by a politically demanding legislature and more importantly, by a strong-minded Chief Executive who may want to lead rather than to be advised how to lead.

ENDNOTES

1. See, for example, the first half-yearly review of Tung's administration by a commentator in *Hong Kong Economic Times* (1998) under the title 'Tung allowing his two teams to pull each other's legs?' The two teams referred to the civil service and the Executive Council.
2. With the exception of the ownership of land in the territory, unless with the Secretary of State's special permission — Royal Instructions clause XXXI (Miners, 1991: 69).
3. It was reported that Financial Secretary Donald Tsang resorted to the Basic Law's stipulation on preserving the capitalist system to refute the then front runner Tung Chee-hwa's call for government assistance to local industry. See *Sing Tao Daily*, 4 December 1996.
4. Under Article 74 of the Basic Law, only bills 'which do not relate to public expenditure or political structure or the operation of the government' may be introduced by members of the legislature. In addition the written consent of the Chief Executive shall be required before bills relating to government policies are introduced. Under British rule, Legislative Council members were free to move any private member's bills unless they had a 'charging effect' on the government, in which case the administration's consent was required.

   The voting procedure prescribed in Section II of Annex II of the Basic Law stipulates that the passage of motions, bills or amendments to government bills introduced by members of the legislature shall require a simple majority vote of *both* of the two groupings of members, namely members returned by functional constituencies, and those returned by geographical constituencies through direct election as well as by the Election Committee. Such kind of 'split voting'

(similar to voting by two houses of parliament in some countries) would make it more difficult for members' motions, bills or amendments to government bills to be passed, compared to the passage of government bills which requires only a simple majority vote of the overall membership of the legislature present.

5. For the purpose of this chapter and for the reasons elaborated in the course of discussion, attention is focused on the administrative class which virtually runs the government.
6. See also the analysis in Cheung, 1997a.
7. The administrative class was instituted locally only in 1960 to replace a previous cadet scheme started in 1861, through which young recruits obtained from Britain by a competitive examination were groomed for high administrative posts within the colonial civil service. The administrative class officers formed a nascent administrative elite, operating as 'a minuscule band of officials with the same values and from the same social backgrounds' (Lethbridge, 1978: 32).
8. King argued that the riots were symptoms of mal-integration between the elite and the masses in the rapidly urbanizing city of Hong Kong (1981: 136). After the riots, the need for change was finally accepted and the colonial government began to undergo, in the words of Scott (1989: 82), 'a remarkably rapid and successful transformation'. The new order stressed 'consultation' as the basis of its legitimacy (Scott, 1989: 82).
9. As the Deputy Secretary for Home Affairs argued in April 1969 at a teach-in organized by the Current Affairs Committee of the University of Hong Kong Students' Union:

> We have no general elections for the central government and yet the general trends of government policy conform to the wishes of the mass of the people. . . . The Government here through formal councils, committees and boards, through reading the press, through informal contacts with individuals and groups, in high station and low, has its antennae turned constantly to public wishes in a thousand fields of our administration. . . . Our methods can certainly be improved, our thoughts thrown wider open, but we do have the essential ingredients of a democracy which has produced a general understanding of the people by the government and the government by the people. (Rear, 1971).

10. Prior to that the then Governor, Sir David Trench, was keen to reform local administration by restructuring and expanding the powers of the Urban Council and setting up new district bodies.
11. A clear indication of the senior civil service trying to influence the selection of the Chief Executive was a statement issued by Anson Chan when she announced her intention not to stand as a Chief Executive candidate, in which she laid down five criteria for an ideal candidate, namely, a person of integrity, principle and courage, with strong leadership abilities, who can preserve Hong Kong's autonomy and international reputation; full devotion to implement the Sino-British Joint Declaration, the Basic Law and 'one country, two systems'; determination to maintain and safeguard all those freedoms and rights in Hong Kong as provided for in the Joint Declaration and the Basic Law; ability to effectively communicate with Chinese leaders and handle related affairs, so as to gain the trust and respect of Chinese leaders and Hong Kong people; and

genuinely caring for, and positively responding to, the needs and anxieties of Hong Kong people (*Hong Kong Economic Journal*, 28 October 1996).

12. Antony Leung was finally named as the new chairman of the Education Commission, in late December 1996, after the rumour that Tung Chee-hwa had rejected the administration's preferred candidate.
13. As one newspaper columnist pointed out, '. . . the messy way in which the execution was conducted exposed a lack of co-ordination between departments. While the Agriculture and Fisheries Department staff worked round the clock to carry out their order [to slaughter the chickens], half-dead chickens were left on the roadside because cleaning staff of the Regional Services and Urban Services Departments had failed to clear them and the Environmental Protection Department had stuck to its rule of closing the landfills at midnight' (*SCMP*, 10 January 1998). What made the whole saga doubly disturbing to the public was that the decision to slaughter chickens came less than two weeks after the Director of Health Margaret Chan asked people not to worry about eating chicken, claiming she herself ate chicken every day, apparently in an attempt to prevent public overreaction to the detection of bird flu.

CHAPTER 9

CONTINUITY AND CHANGE

An examination of various aspects of the Hong Kong civil service reveals interesting findings. It is obvious that a large number of changes have been taking place in the last three decades, both within the civil service as well as in its relationship with the external environment in which it operates. The changes encompass a variety of issues and areas. The civil service has to anticipate, respond and provide crucial support to lead Hong Kong in its march to prosperity. Changes are evident in the scope of activities of the government and public administration, development and implementation of public and social policies, as well as efforts to improve the quality of life and the capacity of the civil service. Major reorganizations have been necessary in the structures and arrangements for providing and delivering public services, while persistent efforts have been required to introduce new values and cultures.

Studying the civil service in Hong Kong presents a formidable challenge. On the one hand, there has been little in-depth research on the topic, perhaps due to the unique political status held by Hong Kong for over 150 years — a British colony far from the centre of political power in London. Hong Kong was viewed as a small, manageable unit which was effectively administered by a handful of efficient and highly competent civil servants. The success of the civil service was partly attributed to non-interference of the political executive, and the strong support given to the private sector to develop and operate, which contributed to Hong Kong's prosperity and to a culture of contentment. It can also be related to the methods and mechanisms applied in selecting, training and obtaining the service of highly qualified and committed civil servants, who were rewarded with generous remuneration and solid support from the government. The reintegration with China and subsequent developments have resulted in a different scenario. The civil service finds itself operating under changed circumstances, helping the Chief Executive of the Hong Kong SAR to administer a society undergoing rapid transformation while placing a high degree of emphasis on stability and prosperity.

CHANGES AND DEVELOPMENTS

The nature, role and changes related to the civil service should be viewed with reference to the developments in Hong Kong over the past few decades. After a century of British rule, the territory was suddenly faced with the challenge of keeping up with major changes taking place locally and globally as the world recuperated after the ravages of the Second World War. Hong Kong was quick to cash in on the demand for reasonably-priced manufactured goods, and soon emerged as a major manufacturing centre. In spite of a considerable degree of success in this role, Hong Kong was not averse to taking risks and adjusting to the needs of the changing times. In anticipation of the emergence of competition in this area of activity, leaders of Hong Kong soon started a process of gradual transformation of the economy, and successfully established the territory as a major centre for trading and commercial services. The shift in the nature of economic activities was, to a large extent, due to the adoption and implementation of speedy decisions and effective teamwork by the civil service. The political system operated within a framework which was simple and which allowed the government to adopt policies without delay.

Economic prosperity resulted in changes in a number of areas. As the society became affluent, Hong Kong citizens were exposed to external influences at an increasing rate. The government realized the need to introduce new measures to enhance social cohesion and the effectiveness of the administrative system. There were efforts to establish better communication between the government and the citizens, and the use of Chinese language in administrative affairs increased. The population was growing and a number of services had to be expanded to keep pace with changes in the economy and rising expectations. Public housing became a matter of concern, and the government undertook steps to provide affordable housing to the large number of people who were in need. Health services, similarly, were expanded and a nine-year compulsory education system was introduced.

In order to accommodate the growing number of people and facilitate their participation in the expanding economy, extensions were made in the public transport system. This led to the construction of a huge transport infrastructure which facilitated the use of remote and hence extensive areas for residential purposes. New towns were developed in the New Territories to reduce overconcentration of people in the already crowded sections of Hong Kong Island and Kowloon. Further extension of roads and railways became necessary to cope with such developments. In these developments, the civil service had to lead Hong Kong from the front as the leadership of the territory remained in the hands of the executive. The healthy state of the public exchequer and the free hand enjoyed by the civil service in developing and implementing policy were instrumental in the rapid advance made in the socio-economic field.

The development of the economy and accompanying changes in the society

set the scene for subsequent changes in the political arena. The new generation of citizens acquired a new set of values as they grew up during the transformation of Hong Kong, and started to view the territory in a different perspective. Although family and work remained the primary concerns of the majority, a process of politicization did take place — the Joint Declaration, the Basic Law, the June fourth incident in 1989, and Chris Patten's political reforms. These developments brought subtle — and open — challenges to the civil service's historically largely unchallenged position.

As discussions and speculations over the future of Hong Kong began in the early 1980s, there was increased concern about the nature of the political system after the reversal of sovereignty. Upon the conclusion of the Joint Declaration between the United Kingdom and the People's Republic of China, it became obvious that the people of Hong Kong had not been provided with an opportunity to participate in the discussion over their own destiny. All the arrangements were finalized by leaders of two external powers, and the public became even more concerned about their future. It was clear that there was a need for increased participation of local people in the political process and, with the end of colonial rule in view, the British government was gradually, if not belatedly, shifting its stand to initiate the process of establishing a more representative form of government. A number of political groups emerged to reflect the changing circumstances, and the composition of the legislature was revised to introduce directly elected members in phases. The strengthening of the political element in the system ushered in a new trend of emphasizing a more responsive and responsible civil service.

At the same time, the Hong Kong government initiated conscious efforts to streamline financial and human resources management in the public sector. It was clear that public expenditure was to be made as prudently as possible with a series of new steps to ensure maximum value for money. Performance in the public sector had to be rewarded in an equitable manner, while continuing to offer excellent terms and conditions of service for attracting the best talents. Moreover, it was recognized that citizens had a right to expect service of an acceptable quality, and civil servants were repeatedly reminded of the need for inculcating and institutionalizing new values consistent with these principles.

The civil service had a major role to play in planning and preparing the society for the above-mentioned changes and associated challenges. The process of economic development was facilitated by an effective and efficient civil service which was able to provide excellent support to the business sector. It required a strict approach to ensure the discipline and order required to facilitate rapid development, while at the same time it called for flexibility to deal with new challenges. Various demands were thrown up as a consequence of the economic progress, and a number of new services had to be offered. Again, the civil service had to bear the burden of these tasks in developing and implementing policies to facilitate the expanded provision of education

and the rapid development of higher education, the development of health services, and a broader range of housing policies for the citizens. Social policies initiated during this period could be considered the forerunner of a number of developments in subsequent years. As an integral part of the government of Hong Kong, the civil service could be viewed as a major player in the introduction of constitutional reforms in Hong Kong. Overall, developments in Hong Kong have added considerably to the workload and pressure which have been well-addressed by the government, particularly with the able assistance of the civil service.

PROGRESS ACHIEVED

This book has listed some of the developments and changes in the civil service in Hong Kong in the past few decades. The role of the civil service has expanded as a consequence of the increasingly complex and varied nature of the government's activities. At the same time, there was growing concern over the reintegration and the process of transition, localization of the civil service, and the need to recruit and retain high-quality employees in the face of stiff competition from the private sector. The challenges were compounded due to the need of continuously responding to demands of the times and adopting to the rapidly changing circumstances.

The civil service of Hong Kong was confronted with a number of issues that emerged immediately prior to the reintegration. The relationship with the new Chief Executive, an entirely different Legislative Council as well as the motherland, China, had to be established smoothly. The other major issue was the incorporation of a new service culture which was introduced towards the very end of British colonial rule and had started to take roots prior to the handover.

New role and increased complexity of the government

In terms of profile, the civil service has grown rapidly to expand its activities. This was necessary to deal with demands and issues arising from significant changes taking place in the society. The number of administrative agencies and personnel went up and consequently, administrative arrangements became more complex. However, the size of the civil service as a proportion of the workforce is still small compared to most other countries in the world. The civil service can be considered youthful, as most of the senior officials are still in their forties or early fifties. Equality in gender representation is yet to be fully achieved, and male civil servants outnumber their female counterparts by a wide margin. However, it is heartening to see that a number of senior positions, including that of the Chief Secretary for Administration, are held by women. This is a remarkable progress in a traditional and male-dominated

society. But the lack of representativeness has not had an adverse effect on the civil service's efficiency and success in dealing with the various challenges faced.

Transition and smooth reintegration

The civil service was viewed differently by the Chinese and the British administration, yet both recognized its value in building and maintaining Hong Kong. The transition entailed a major challenge for this institution caught between the preferences of the outgoing and incoming sovereign powers, and this was manifested in worries and concern over the uncertainty and the need to adjust to changed circumstances. While the institution had performed well in the past with a high degree of autonomy, the emerging value of accountability had to be incorporated into the scheme of operation. It will be a while before the dilemma of accountability and autonomy can be satisfactorily resolved, but the signs are encouraging.

Preparing for the changed circumstances entailed a variety of activities for the civil service. Traditionally, Hong Kong civil servants were trained to adhere strictly to the rules and procedures of the organization. They were taught to perform their duties with absolute political neutrality, and be managerially accountable to their supervisors. A number of new areas of importance have been identified since the agreement was reached to return Hong Kong to China. Immediate efforts were noted to prepare training programmes to make civil servants proficient in Putonghua, the official language of the People's Republic of China. Civil servants have responded in large numbers by making use of the language training facilities. Another area which has received a great degree of attention is the familiarization with Chinese government and society. New training programmes have been designed for civil servants to provide them with opportunities to become familiar with the state, government and social system in China. Therefore, the breadth of training programmes has been expanded considerably to include elements from the wider environment. A recent development is the establishment of the CSTDI with the objective of streamlining training programmes and bringing them under the umbrella of one overarching unit.

Localization

Localization has been an accepted policy of the Hong Kong government for a long time, but for many years it was not pursued with much seriousness. This resulted in the low degree of representation of local civil servants at the higher levels. Only with the reversal of sovereignty in sight did localization appear to be pursued with some seriousness, and in the past couple of years local officials have been appointed to some of the top positions. The issue is

still being debated in many quarters where the main arguments revolve around the preference for merit or origin/nationality of civil servants and around the definition of the term 'local'. It is argued that Hong Kong has been successful due to its policy of attracting and rewarding merit, and allowing efficient civil servants to perform without hindrance. The arguments could have continued had not the Basic Law stipulated that 'only Chinese citizens with no right of abode in any foreign country' could fill the top positions in the civil service (Article 101). The policy of localization has found a substantial amount of support in the community since its merits are obvious in terms of administering and providing service to an overwhelmingly Chinese population. This is also considered to be an appropriate move to redress some of the inequity that infested the civil service in the past. Although such inequity is to be expected in a colonial civil service as was the case in Hong Kong, there is no scope for continuing an inequitable system that may affect the morale of the civil servants of the Hong Kong SAR of the People's Republic of China.

Recruitment and retention of high-quality officials

The system of pay in the Hong Kong civil service has been subject to anomalies, and it can be traced back to the colonial nature of the government, and disputes and discontent surfaced occasionally. The issue of pay could emerge as a source of conflict between the government and its employees. Uncertainty over the future of Hong Kong as well as concern over security of pensions after the handover gave rise to great anxiety among civil servants. Determination of pay in the public sector is a challenging task because it is extremely difficult to determine the worth of jobs which is not directly measurable in monetary terms. Moreover, the Hong Kong government has tried its best, as did the government of Singapore (Quah, 1996), to provide salaries and remuneration comparable to the private sector. A number of Salaries Commissions were appointed over the years to deal with the task of pay determination, and they basically followed the British system of 'fair comparison' with similar jobs outside the civil service. Although there have been occasional disagreements, based on the cost of living index, among staff unions and the government over the degree of increase, generally it is considered equitable. A number of problems still remain to be sorted out. It is realized that external comparisons can be inaccurate due to the sensitive issue of internal pay relativity, financial and economic constraints faced by the government, the issue of linking pay to performance, and the establishment of an appropriate machinery for pay determination. Financial and economic constraints pose the most formidable obstacle for many governments. The principle of comparability appears to have been widely used as it has been more convenient for the government to draw upon available information on the private sector. Progress has been achieved in some of these areas, and the principle of comparability appears

to have achieved 'a wide degree of acceptance and operational consistency and equity' (chapter six). The strategy will require serious reconsideration in view of recent human resources management reforms in Hong Kong as well as the financial crisis looming over Asia in 1998. While performance management is being promoted as the key to motivation, appraisal, rewards and sanctions, it will take some time before the existing pay system in the Hong Kong civil service can be replaced with one based entirely on performance.

Response to changes and new ideas

In fact, the concept of managing the public sector in Hong Kong is being seriously reconsidered. While minor changes have been taking place over the years, the 1990s have witnessed more comprehensive efforts to introduce major changes in the culture and orientation in the management of the public sector. In many ways, such attempts were related to the enhancement of performance as well as the introduction of a consumer-oriented culture.

A number of changes are evident in the civil service in Hong Kong. Additionally, there is pressure for more changes, and the civil service itself is keen on initiating certain steps to improve its level of performance. It seems likely that large-scale movements will take place in the civil service in the wake of the handover, and the new leadership of the Hong Kong SAR will have a list of tasks to be accomplished. Civil servants are now being exposed to two major dilemmas. The first one is related to their loyalty. On the political front, it is necessary to determine how they manage the tensions of maintaining their loyalty to the sovereign power, i.e., China, the Chief Executive of the Hong Kong SAR, and the locally elected Legislative Council. It will be necessary to take a clear position on whose interests should be accorded priority, in formulating policies and implementing them. On the administrative front, the dilemma lies between effectively integrating with, and becoming part of, the institutional framework of the People's Republic of China, retaining Hong Kong's capitalist way of life for 50 years, and maintaining its linkages with the Western world. These challenges call for substantial changes within the civil service and among its members, with reference to the changing context in which rights of citizens, democratic practices and an accountable approach to administration have come to be accepted as part of the foundation of a modern society.

EMERGING ISSUES

Relationship with the Chief Executive, the Legislative Council and China

The civil service in Hong Kong is not only going through a period of great

challenge and transformation, it is also being alerted to a number of issues that will need attention in the immediate and near future. Some of these issuses are covered in this book. An issue of immediate concern is how the civil service can maintain its efficiency after the loss of experience and expertise prior to 1997. In the run-up to the reversal of sovereignty, Hong Kong did lose considerable experience and talent in the form of retiring civil servants. This might affect the stability and continuity of the government, and even cost the quality of Hong Kong's public service dearly when such talent was welcomed by the private sector. In the wake of a number of administrative challenges faced since the reintegration, the question has been lurking in the background.

Senior civil servants had always been an integral part of the executive group that led Hong Kong throughout the years. It is not surprising that the Chief Executive would prefer to exercise control over appointments at the top level of the civil service. However, the existing scenario indicates that the senior civil service is most likely to retain its role as a powerful institution in the political system of the Hong Kong SAR. The rise of local officials in increasing numbers to the top level will facilitate the process of closer cooperation between the civil servants and the powerful business elites, who will compete among themselves to maintain ties with the senior administrators. It appears that Hong Kong will continue to be 'effectively ruled by an administrative bureaucracy' (chapter eight).

Any civil service should be prepared for such eventualities by carefully planning for succession. The Hong Kong government has initiated the process by establishing guidelines governing the retirement of civil servants. They must now seek approval from the Chief Executive if they seek to join private sector organizations which are based in Hong Kong. Moreover, the policy of localization has given rise to concern over accelerated promotion of relatively junior civil servants who would step in to fill the top positions. Although this development will probably inject a degree of enthusiasm among civil servants, there are justifiable criticisms related to promotion and advancement without the necessary experience and competence. In view of such a scenario, the best strategy could be to provide opportunities for broadening the scope of experience of the civil servants through cross-posting and for enhancing their knowledge and competence through additional training facilities.

The civil service is currently under great pressure from a number of directions. China would like to secure the complete loyalty of Hong Kong civil servants. Emerging social and political realities demand a considerable amount of compromise. Civil servants are increasingly expected to cooperate with the new breed of political leaders who have close links to the grass roots. Policy issues are now considered with reference to the common people and are no longer determined according to the convenience and interpretation of the privileged few. This requires a noticeable departure from the style of administration adopted in the early days. However, there is no scope for compromising on the quality of policies and public services as Hong Kong

strives to maintain its competitive edge.

The emergence of a watchful legislature and supervision by elected politicians were gradually, if not somewhat reluctantly, being accepted by the civil service, but that development has been thwarted. While a fully elected legislature was in effect, senior civil servants were not convinced that this was the best way of ensuring a responsive and accountable system of administration. They were often found to be critical of the capability of Hong Kong's political leaders, and questioned their ability to provide the best leadership to the territory. The encouraging sign, however, was the readiness of senior civil servants to appear before the legislature and provide answers and information on request from members. Of late, leaders of the civil service have been expressing full support to and cooperation with the Chief Executive, and this augurs well for Hong Kong. However, their support to the Executive and Legislative councils, bodies that play a prominent role in the formulation and implementation of policies, will also be critical.

New culture

The civil service will be facing stronger challenges in seeking to establish a new set of values and a new culture. Until recent years, the Hong Kong civil service was well served by a 'role culture' in which the organization was based on a functional structure. The functions were coordinated at the top by a small group of senior civil servants. Thus, the Governor, his Executive Council and a handful of key officials ran the show with the help of a number of rulings and directives which covered the entire civil service. Such bureaucratic features were supported by a set of values including hierarchical loyalty, neutrality and efficiency (Lui, 1988: 131–66).

As Hong Kong civil servants continue to serve in the new set-up, it is quite likely that the profile will change over the coming years. Once the uncertainty and trauma of the transition passes, the rate of turnover will decline, thus allowing the civil service to build a valuable bank of experience and talent. This will resolve the problem of high turnover, but will it give rise to a situation in which the civil service is dominated and guided by a group of senior civil servants steeped and trained in the traditional style of administration? One challenge for the Hong Kong civil service may be to ensure that bright and talented young administrators are encouraged to join the service and allowed to provide an input of fresh views and ideas in the process.

Continuation of the process of localization will result in the gradual occupation of top positions by local civil servants. If the level of efficiency drops or even temporarily suffers, this issue may emerge again. Participants in the debate who have argued that the quality of the civil service will suffer if the principle of merit is compromised, may seek to have the policy reconsidered. The cosmopolitan nature of Hong Kong attracts a huge volume of talent, and the civil service may wish to make better use of it. It can be

expected that a considerable number of expatriates will still serve the civil service and government of Hong Kong as consultants.

Pay and salaries in the Hong Kong SAR will be an interesting area to watch. It is already being discussed in terms of the high level of discrepancy between the rich and the poor in Hong Kong. As time goes by, there will be increasing interaction between Hong Kong and the PRC, and the issue of restructuring the salary system may be brought up in the interest of equity. The huge difference of salaries between Hong Kong and the PRC may be an issue, particularly in the public sector. Tying salary levels to performance will give rise to additional challenges. Current arrangements that are being set up in line with the new orientations of the Hong Kong civil service and the preferences of the government will have to endure the transformation to the 'one country, two systems' style of administration.

The issue of evaluation of performance will also need to be addressed. Will the existing arrangements of evaluation be considered adequate under the new system? At present, performance evaluation is designed mainly in line with organizations in the private sector, with some elements added to underline the public nature of the civil service. The new system of administration in the Hong Kong SAR is not expected to make immediate changes in this area, but the performance will have to be somehow tied to the overarching political objectives of the government. This will also have implications for the new cultural elements introduced in the Hong Kong civil service towards the end of colonial rule. Slogans such as 'serving the community' will perhaps remain in place, but the civil service will have to devise ways of striking a balance between the needs of Hong Kong society, its government and the PRC.

Soon after the reintegration with China, the Hong Kong civil service was confronted with a number of difficult tasks. There have been threats to public health, and officials in the Agriculture and Fisheries Department as well as the Hospital Authority have had to face criticism over the handling of the problems. Combined with the financial crisis and instability looming over Asia as well as Hong Kong, this has contributed to the erosion of public confidence in the capability of the government to administer the territory efficiently (*SCMP*, 19 January 1998). The civil service will have to perform the difficult task of helping the government to regain public confidence.

A NEW BEGINNING

The civil service in Hong Kong has developed through a number of phases, and several significant changes have taken place over the years. The service was initiated with specific objectives to administer Hong Kong as a colony of Her Majesty, and was established on the basis of rules formulated for colonial governments elsewhere. But the difference between Hong Kong and other colonies became evident, and it was necessary to make periodic adjustments

to the structure and rules of the civil service. In this area, the civil service of Hong Kong has demonstrated excellent resilience and adaptability to refute some of the criticisms levelled against bureaucracy in many countries.

One of the hallmarks of the Hong Kong civil service is its high level of efficiency over the years. This has contributed substantially to the progress of Hong Kong. Both the public and private sectors were able to flourish as their respective roles were clearly defined, and a framework was established to allow both sectors to operate with full effectiveness. At the same time, the civil service helped to design a system for facilitating the cooperation between the government and the business sector, with the objective of achieving progress, stability and prosperity for Hong Kong. It is generally acknowledged that the contribution of the civil service has played a major role in developing the territory, and the public will be looking forward to continued improvement in this area. The civil servants will have to work hard to maintain the reputation and continue to perform at a high level of efficiency.

This can be facilitated by taking further steps to entrench the spirit of recent initiatives introduced in the civil service in particular and society in general. The civil service has been guided to move towards a more open system whereby the public will be able to understand the bases of the actions of civil servants and their consequences. The system must be perceived as transparent and fair to be considered just and equitable by the public. The practice of legislative oversight, combined with the authority to raise questions over major administrative decisions, will go a long way in winning the trust of the public. Effective functioning of the legislature and its committees will result in improvements in the process of policy formulation and implementation, and will greatly assist in closing the distance between the public and the civil service which has been one of the negative consequences of the colonial system of administration. Emphasis must be placed on establishing an accountable government to further strengthen measures aimed at improving the quality of public administration in Hong Kong.

Recent developments in Hong Kong have revealed some areas in which reviews and reforms have to be extended in order to make the system fully effective. Both the political leadership and the civil service have to be committed to the utility of an open and efficient system. Members of the legislature and the civil service need to develop a strong sense of mutual trust if the system is to work. Both institutions must view each other's actions as efforts to effect improvements, and seek to cooperate to achieve those ends collectively. An accountable government can function only within a framework of trust. Participating groups should not be working under the assumption that the other parties are out to discredit them.

Hong Kong society is getting weaned to the idea of a new approach to governance in which their expectations and aspirations have been greatly heightened due to significant changes in the social, economic and political arenas. Public services are now aimed at providing service to the community

and the society, and in the coming years, the public will be expected to play an increasingly prominent role in the process of governance. This can be deduced from a recent review of the performance of the last colonial Governor in Hong Kong. The report indicated that he would be leaving behind a positive legacy in some respects. *Far Eastern Economic Review* (1997) suggested that Governor Patten 'forced to the surface issues that would have emerged in any event after 1997'. His efforts to establish a system of open government, his submission to questions by the legislators once a month, hence making himself more accessible to the press, and the opening up of government files, Ching believes, will make it difficult for the Chief Executive of the SAR to discontinue such practices. 'It is unlikely that a public once accustomed to such openness will meekly accept a rollback to a period when bureaucrats were not accountable' (*Far Eastern Economic Review,* 1997).

The Hong Kong civil service will have to come to terms with a number of issues in the near future. The level of expertise and efficiency will have to be maintained while providing adequate scope for innovation and flexibility. This will entail streamlining of the methods of recruitment, training and development of civil servants. Measures will have to be devised and introduced to ensure a proper place for merit while strengthening the position of local civil servants. The pay system and methods of performance evaluation will have to be monitored carefully to keep up with international practices and trends, while taking into consideration the needs and capabilities of the Hong Kong government. An effective civil service will be vital for the future development of the SAR, provided that a proper balance can be maintained between protecting the interests of Hong Kong and China, and fulfilling the international role expected to be played by the territory. The civil service will have to reassess its position in the light of the emerging scenario, and adjust its strategies and priorities accordingly.

Much of these measures will have to be complemented by planned developments in a number of other areas. Internally, the civil service must determine the need for change and present a carefully planned strategy to reach this end. The history, culture and mood of the civil service must be understood before such efforts can be initiated. This could be an area for further research to be pursued by both the civil service as well as scholars. Externally, the civil service of Hong Kong must realize its role in the society and sort out its relationships with the various sections that have implications for its operation. The mood of the society will have to be understood with reference to recent social and political developments, expectations and aspirations of the public, as well as future directions towards which Hong Kong will have to move, in order to retain its unique position in China as well as the rest of the world. These will also require extensive research that needs to be undertaken without delay.

APPENDIX A

GOVERNMENT DEPARTMENTS

1. Agriculture and Fisheries Department
2. Audit Commission
3. Auxiliary Medical Services
4. Census and Statistics Department
5. Civil Aid Services
6. Civil Aviation Department
7. Civil Engineering Department
8. Civil Service Training and Development Institute
9. Companies Registry
10. Customs and Excise Department
11. Drainage Services Department
12. Education Department
13. Electrical and Mechanical Services Department
14. Environmental Protection Department
15. Fire Services Department
16. Government Flying Service
17. Government Laboratory
18. Government Property Agency
19. Government Supplies Department
20. Highways Department
21. Home Affairs Department
22. Hong Kong Observatory
23. Hong Kong Police Force
24. Housing Authority and Housing Department
25. Immigration Department
26. Industry Department
27. Information Services Department
28. Information Technology Services Department
29. Inland Revenue Department
30. Intellectual Property Department
31. Labour Department
32. Land Registry
33. Management Services Agency
34. Marine Department
35. New Airport Projects Co-ordination Office
36. Office of the Telecommunications Authority
37. Official Receiver's Office

38. Planning Department
39. Post Office
40. Printing Department
41. Public Records Office
42. Radio Television Hong Kong
43. Rating and Valuation Department
44. Regional Services Department
45. Registration and Electoral Office
46. Social Welfare Department
47. Territory Development Department
48. Trade Department
49. Transport Department
50. Treasury
51. Urban Services Department
52. Water Supplies Department

APPENDIX B

STANDARD TRAINING PROGRAMMES

CHINA STUDIES COURSES

Ad hoc Seminars on China (1/2 day)
China Interface Seminar for Directorate Officers (5 afternoons)
China Studies Course at Tsinghua University (Beijing) (5.5 weeks)
China Studies Course at Tsinghua University (Hong Kong) (6 half-days)
The Chinese University of Hong Kong: Introductory China Course (6 half-days)
City University of Hong Kong: China Course (6 half-days)
Directorate China Seminars (1/2 day)
Hong Kong Baptist University: China Course (6 half-days)
Introductory China Course (6 half-days)
The University of Hong Kong: China-Hong Kong Interface Programme (6 half-days)

CHINESE WRITING COURSES

Introductory courses

Induction Course on Chinese Official Writing for Departments (1/2 day)
Chinese Writing Skills — An Overview (1 day)

Modular courses

Workshop on the Use of Chinese in Official Correspondence (2 days)
Style and Tone in Chinese Official Writing (3 days)
Workshop on Syntax in Chinese Official Writing (3 days)
Use of Chinese Reference Books (2 days)
Simplified Chinese Characters (2 days)
Writing Minutes of Meeting in Chinese (3 days)
Workshop on Chinese Speech Writing (2 days)
Accuracy in Pronunciation (Cantonese) and Writing (2 days)
Letters of Refusal and Reply to Complaints (2 *days)*
Workshop on Chinese Official Writing for Giving Information and Instruction (2 days)
Official Writing in China: An Overview (2 days)

Official Writing in China and Hong Kong: A General Comparison (2 *days)*
Writing Performance Appraisal Reports (2 days)

ENGLISH AND COMMUNICATION TRAINING COURSES

Achieving Accuracy in Writing (5 days)
Building Image through Writing (2 days)
Chairing Meetings (2 days)
Conducting Selection Interviews (2 days)
Customer Service Skills on the Telephone (1 day)
Effective Managerial Presentations — The Essential Skills (2 days)
Effective Memo and Letter Writing (4 days)
Effective Report Writing (2.5 days)
Effective Writing for Committee Secretaries (2.5 days)
English Writing Skills — An Overview (1 day)
Job-related Language Courses (60 to 80 hours)
Job-related Oral Communication Courses (4 to 12 days)
Job-related Written Communication Courses (4 to 12 days)
Managing Other People's Writing (3 days)
Performance Appraisal Workshop
    Module I - Writing Skills (3 days)
    Module II - Interviewing Skills (1.5 days)
Presentation Skills for Occasional Speakers (2 days)
The Language of Effective Team Leaders (2 days)
Writing for Results (3 days)

GENERAL GRADES TRAINING COURSES

Computer training

Computer Training for General Grades Staff
Chinese Word Processing for General Grades

Courses for executive officers

HRM Training Programme for Executive Officers
Job-related Courses for Executive Officers
Basic Training Programme for Executive Officers (14 days)
Management Development Programme for Executive Officers (8 days)

Courses for clerical officers

Induction Courses for Clerical Assistants / Clerical Officers (2 to 3 days)

Courses for general grades staff

Supervisory Management Basic Course (5 days)
Supervisory Management Advanced Course (3 days)

Courses for personal secretaries / typists

Supervisory Training Course for Typists / Senior Typists / Supervisors of Typing Services (5 days)
Personal Secretaries II / Typist Induction Course (3 days)
Secretarial Skills Training Course for Personal Secretaries

INFORMATION TECHNOLOGY TRAINING COURSES

Electronic Mailing and Scheduling for Government Office Automation (GOA) Users (1/2 day)
Information Technology Application Seminars (1/2 day)
Introduction to Chinese Computing
Introduction to Chinese Word Processing
Introduction to the Personal Computer (1 day)
Management Information Systems Course for Non-IT Managers (3 days)
Managing Your System Basics (2 days)
Miscellaneous Microcomputer Software Training under PC Application Training Bulk Contact
PC-Trainers Basic Course (3 days)
PC-Trainers Advanced Course (2 days)
System Design for PC Users (3 days)

LONG TRAINING PROGRAMMES FOR MANAGEMENT DEVELOPMENT

Master in Public Administration, The University of Hong Kong (2-year part-time day-release)
Postgraduate Diploma in Management Studies (PGDMS) Programme, The Chinese University of Hong Kong (2-year part-time day-release)
Administrative Development Programme for Mid-career Officers of the Hong Kong Government

MANAGEMENT TRAINING COURSES

Decision Thinking (3 days)
Directorate Seminars
Effective Influencing and Negotiation Skills (2 days)
Executive Health — Stress Management (1.5 days)

Financial Management (2 days)
HRM Programme for Middle Managers (3 days)
Interactive Management Workshop — Coaching Skills (3 days)
Leadership in Renaissance (2 days)
Management Development Course (4 days)
Management Development Programme for Senior Managers (5. 5 days)
Managing Change (2 days)
Managing the Training Process (2 days)
Manpower Planning Course for Practitioners (3 days)
Manpower Planning Workshop (1 day)
Media Seminar Series (1/2 day)
Media Training for Directorate Officers (2 days)
Media Training (2 days)
Negotiation Skills (2 days)
Performance Management (2 days)
Personal Effectiveness
- The Building Blocks (1/2 day)
- Maximizing Your Memory Capabilities (1 day)
- Assertiveness Skills for Managers (1/2 day)
- Creative Linear Thinking (1 day)

Project Management (2 days)
Seminars on HRM Best Practices (1/2 day)
Senior Staff Course
Strategic Human Resource Management Series
Team Success (3 days)
Training Facilitation Skills Course (2 days, to be arranged in two consecutive weeks)
Supervisory Management Courses
- Module I (3 days)
- Module II (3 days)

PUTONGHUA AND CANTONESE COURSES

Hanyu Pinyin (18 hours)
Elementary Putonghua (42 hours)
Elementary Putonghua Self-learning Packages
Elementary Putonghua Self-learning Packages, Guidance Sessions
Intermediate Putonghua Self-learning Packages
Intermediate Putonghua Self-learning Packages, Guidance Session
Intermediate Putonghua (42 hours)
Advanced Putonghua Certificate Course (60 hours)
Job-related Putonghua (42 hours)
Techniques in Handling Telephone Calls in Putonghua (1 day)
Basic Putonghua for Expatriate Officers (100 hours)
Elementary Cantonese for Expatriate Officers (100 hours)
Intermediate Cantonese for Expatriate Officers (100 hours)
Advanced Cantonese for Expatriate Officers (100 hours)
Intermediate Cantonese for Expatriate Police Inspectors (11 weeks)
Elementary Chinese Characters for Overseas Officers (60 hours)

BIBLIOGRAPHY

Aberbach, J.D., R.D. Putnam and B.A. Rockman. 1981. *Bureaucrats and Politicians in Western Democracies.* Cambridge, Mass: Harvard University Press.

Albrow, M. 1970. *Bureaucracy.* London: Pall Mall.

Armstrong, M. and H. Murlis. 1988. *Reward Management.* London: Kogan Page.

Australian Government. 1996. *Towards a Best Practice Australian Public Service.* Discussion paper (Nov). Canberra: Australian Government Publishing Service.

Australian Management Advisory Board — Management Improvement Advisory Committee MAB-MIAC. 1993. *Building a Better Public Service.* Report no. 12. Canberra: Australian Government Publishing Service.

——. 1994. *Performance Management: The Integrated Use of Recognition, Rewards and Sanctions.* Report no. 16 (Oct). Canberra: Australian Government Publishing Service.

Bagehot, W. 1963. *The English Constitution.* London: Fontana.

Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China. 1990. Hong Kong: The Consultative Committee for the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China.

Bauhinia Magazine. August 1995. Hong Kong. In Chinese.

Beaumont, P.B. 1993. *Human Resource Management: Key Concepts and Skills.* London: Sage Publications.

Bennett, C. J. 1991. What is policy convergence and what causes it? *British Journal of Political Science* 21, no. 2 (Apr): 215–33.

Blau, P.M. 1955. *The Dynamics of Bureaucracy.* Chicago: University of Chicago Press.

British Government. 1994. *White Paper: The Civil Service – Continuity and Change.* Cmnd 2627 (Jul). London: HMSO.

Brown, W. and B. Rowthorn. 1990. *A Public Services Pay Policy.* London: Fabian Society.

Burgess, C.B. 1962. The roots of government. In *The Government and the People.* Hong Kong: Government Printer.

Burns, J.P. 1988a. The Chinese civil service system. In *The Hong Kong Civil Service and Its Future,* eds. Scott, I. and J.P. Burns. Hong Kong: Oxford University Press.

——. 1988b. Succession planning and localization. In *The Hong Kong Civil Service and Its Future,* eds. Scott, I. and J.P. Burns. 87–106. Hong Kong: Oxford University Press.

——. 1989. Chinese civil service reform: the 13th Party Congress proposals. *China Quarterly* 120 (Dec): 739–70.

—— (ed.). 1994a. *Asian Civil Service Systems: Improving Efficiency and Productivity.* Singapore: Times Academic Press.

——. 1994b. Administrative reform in a changing political environment: the case of Hong Kong. *Public Administration and Development* 14: 241–52.

——. 1996. Changing environmental impacts on civil service systems: the cases of China and Hong Kong. Paper presented at the 1996 National Conference of the American Society for Public Administration, Atlanta, USA, 29 June–3 July.

Burns, J. and I. Scott. 1984. A profile of the civil service. In *The Hong Kong Civil Service, Personnel Policies and Practices*, eds. Burns, J. and I. Scott. Hong Kong: Oxford University Press.

Caiden, G.E. 1988. The vitality of administrative reform. *International Review of Administrative Sciences* 54, no. 3: 331–57.

Carter, N., R. Klein and P. Day. 1995. *How Organizations Measure Success: The Use of Performance Indicators in Government.* London: Routledge.

Chan, A. 1996. Serving the community. *Hong Kong Public Administration* 5 (Jan): 75–80.

Chan, H.S. 1992. Judicial review and control over administrative discretion in the People's Republic of China. *Review of Central and East European Law* 18: 135–63.

Chan, J. 1995. The civil service: continuity and change. In *Hong Kong's Transition: A Decade after the Deal*, eds. Wang, G.W. and S.L. Wong. Hong Kong: Oxford University Press.

Cheek-Milby, K. 1989a. The civil servant as politician: the role of the official member of the Legislative Council. In *Hong Kong: The Challenge of Transformation*, ed. Cheek-Milby, K. and M. Mushkat. Hong Kong: Centre for Asian Studies.

——. 1989b. The changing political role of the Hong Kong civil servant. *Pacific Affairs* 60: 219–34.

Cheng, J. and J. Lee. 1994. *A Study of the Bureaucrat-Politician Relationships in Hong Kong's Transition.* Occasional paper. Hong Kong: City Polytechnic of Hong Kong, Department of Public and Social Administration.

Cheung, A.B.L. 1990. The civil service. In *The Other Hong Kong Report 1990*, eds. Wong, R. and J. Cheng. Hong Kong: The Chinese University Press.

——. 1991. The civil service. In *The Other Hong Kong Report 1991*, eds. Lee, M.K. and Y.W. Sung. Hong Kong: The Chinese University Press.

——. 1992. Public sector reform in Hong Kong: perspectives and problems. *Asian Journal of Public Administration* 14: 115–48.

——. 1994a. Medical and health. In *The Other Hong Kong Report 1994*, eds. McMillen, D.H. and S.W. Man. 351–66. Hong Kong: The Chinese University Press.

——. 1994b. The civil service pay system in Hong Kong: implications for efficiency and equity. In *Asian Civil Service Systems: Improving Efficiency and Productivity*, ed. Burns, J.P. 260–79. Singapore: Times Academic Press.

——. 1996a. Performance pledges — power to the consumer or a quagmire in public service legitimation? *International Journal of Public Administration* 19, no. 2 (Feb): 233–60.

——. 1996b. Efficiency as the rhetoric: public sector reform in Hong Kong explained. *International Review of Administrative Sciences* 62, no. 1 (Mar): 31–47.

——. 1996c. Public sector reform and the re-legitimation of public bureaucratic power: the case of Hong Kong. *The International Journal of Public Sector Management* 9, nos. 5/6: 37–50.

——. 1996d. Civil service reform in Shenzhen: expectations and problems. In *E conomic and Social Development in the Pearl River Delta*, eds. MacPherson, S. and J.Y.S. Cheng. 76–106. Aldershot: Edward Elgar.

——. 1996e. The civil service in transition. In *The Other Hong Kong Report 1996*, eds. Ngaw, M.K. and S.M. Li. 67–88. Hong Kong: The Chinese University Press.

——. 1997a. Rebureaucratization of politics in Hong Kong: prospects after 1997. In *Asian Survey* XXXVII, no. 8 (Aug): 720–37.
——. 1997b. Understanding public-sector reforms: global trends and diverse agendas. *International Review of Administrative Sciences* 63, no. 4 (Dec): 435–57.
Choi, K. 1995. Quality in public services: the case of Hong Kong Government. Paper presented at the seminar 'Total Quality Management in Public Services'. Hong Kong: Hong Kong Polytechnic University.
Civil Service Branch, Hong Kong Government. 1993. Human resource management review. Internal document.
——. 1995. *Human Resource Management* (Dec). Hong Kong: Government Printer.
——. 1996. Pensions schemes and wastage. Paper submitted to the Legislative Council Panel on public service, 26 February. Hong Kong.
——. 1997. *Civil Service Personnel Statistics 1996.* Mimeo. Hong Kong: Government Secretariat.
Civil Service Training Centre Prospectus, 1995. Hong Kong: Government Printer.
Clarke, D.C. 1995. Justice and the legal system in China. In *China in the 1990s*, eds. Benewick, R. and P. Wingrove. London: Macmillan.
Committee of Inquiry into the 1988 Civil Service Pay Adjustment and Related Matters Burrett Committee. 1989. *Final Report* (Mar). Hong Kong: Government Printer.
Cooper, T.L. and T.T. Lui. 1990. Democracy and the administrative state: the case of Hong Kong. *Public Administration Review* 50: 332–44.
Crozier, M. 1964. *The Bureaucratic Phenomenon.* Chicago: Chicago University Press.
Day, P. and R. Klein. 1987. *Accountabilities: Five Public Services.* London: Tavistock.
Degeling, P. 1993. Policy as the accomplishment of an implementation structure: hospital restructuring in Australia. In *New Agendas in the Study of the Policy Process*, ed. Hill, M. London: Harvester Wheatsheaf.
Dong, L.S. 1994. The establishment of the Chinese civil service system: a delayed political reform programme. In *Administrative Reform in the People's Republic of China since 1978*, ed. International Institute for Asian Studies. Working Paper Series no. 1. 43–61. The Netherlands: Leiden.
Downs, A. 1967. *Inside Bureaucracy.* Boston: Little, Brown.
Drewry, G and T. Butcher. 1993. *The Civil Service Today.* Second edition. Oxford: Blackwell.
Dunleavy, P. 1991. *Democracy, Bureaucracy and Public Choice — Economic Explanations in Political Science.* London: Harvester Wheatsheaf.
Eastern Express. 27 October 1994, 19 January 1996, 10 May 1996. Hong Kong.
Easton, D. 1953. *The Political System.* New York: Knopf.
Efficiency Unit, Hong Kong Government. 1995a. *Serving the Community.* Hong Kong: Government Printer.
——. 1995b. *Gaining Commitment to Continuous Improvement.* Hong Kong: Government Printer.
——. 1995c. *Managing the Public Sector.* Hong Kong: Government Printer.
Eisenhardt, K.M. 1988. Agency and institutional-theory explanations: the case of retail sales compensation. *Academy of Management Journal* 31, no. 3: 488–511.
Elliott, R.F. and J.L. Fallick. 1981. *Pay in the Public Sector.* Hong Kong: Macmillan.
Elliott, R.H. 1985. *Public Personnel Administration: A Value Perspective.* Oxford: Reston.
Encyclopaedia Brittania.
Endacott, G.B. 1964. *Government and People in Hong Kong, 1841–1962: A Constitutional History.* Hong Kong: Hong Kong University Press.

Fabian, J. 1986. *Language of Colonial Power.* London: Cambridge University Press.
Far Eastern Economic Review. 9 Jan 1997. Hong Kong.
Finance Branch, Hong Kong Government. February 1989. *Public Sector Reform.* Hong Kong.
Flynn, N. 1997. *Public Sector Management.* Third edition. London: Prentice Hall, Harvester Wheatsheaf.
Fogel, W. and D. Lewin. 1974. Wage determination in the public sector. *Industrial and Labour Relations* 27 (Apr).
Frederickson, H.G. 1996. Comparing the reinventing Government movement with the new public administration. *Public Administration Review* 56, no 3: 263–70.
Gouldner, A. 1957. Cosmopolitans and locals: towards an analysis of latent social roles. *Administrative Science Quarterly* 2: 281–306.
Handy, C. 1985. *Understanding Organizations.* London: Penguin.
Harris, P. 1978. *Hong Kong, A Study in Bureaucratic Politics.* Hong Kong: Heinemann.
——. 1988. *Hong Kong: A Study in Bureaucracy and Politics.* Hong Kong: Macmillan.
Haynes, R. J. 1980. *Organization Theory and Local Government.* London: George Allen and Unwin.
Hong Kong Bill of Rights, The.
Hong Kong (British Nationality) Order 1986. Hong Kong: Government Printer.
Hong Kong Economic Journal. 28 October 1996, 16 October 1997. Hong Kong. In Chinese.
Hong Kong Economic Times. 15 January 1988. Hong Kong. In Chinese.
Hong Kong Government. 1968. *A Report on Public Service 1968.*
——. 1980. *Green Paper: A Pattern of District Administration in Hong Kong.* Hong Kong: Government Printer.
——. 1984a. *Green Paper: The Further Development of Representative Government.* Hong Kong: Government Printer.
——. 1984b. *White Paper: The Further Development of Representative Government.* Hong Kong: Government Printer.
——. 1988. *White Paper: The Development of Representative Government: The Way Ahead.* Hong Kong: Government Printer.
——. 1994. *Daily Information Bulletin.* 9 November.
——. 1997. *Hong Kong 1997.* Hong Kong: Government Printer.
Hong Kong Government Annual Report 1955.
Hong Kong Government Public Services Commission Report 1950–52.
Hong Kong Standard. 24 November 1994, 14 September 1995, 15 September 1995, 28 November 1995, 23 February 1996, 7 June 1996, 29 April 1998. Hong Kong.
Hood, C. 1990. Beyond the public bureaucracy state? Public administration in the 1990s. Inaugural lecture at London School of Economics, 16 January.
——. 1991. A public management for all seasons? *Public Administration* 69, no. 1 (Spring): 3–19.
——. 1996. Exploring variations in public management reform of the 1980s. In *Civil Service Systems in Comparative Perspective,* eds. Bekke, H., J.L. Perry and T.A.J. Toonen. 268–87. Bloomington: Indiana University Press.
Huque, A.S. 1996. The changing nature of public administration in Hong Kong: past, present, future. *Issues & Studies* 32: 113–30.
Huque, A.S. and G.O.M. Lee. 1996. Public service training in a changing society: challenge and response in Hong Kong. *Teaching Public Administration* 16: 1–16.
Ikenberry, G.J. 1990. The international spread of privatization policies: inducements, learning and 'policy bandwagoning'. In *The Political Economy of Public Sector*

Reform and Privatization, eds. Suleiman, E.N. and J. Waterburry. 88–110. Boulder: Westview Press.

Katz, P.A. 1984. Specific job evaluation systems: white-collar jobs in the federal civil service. In *Handbook of Wage and Salary Administration*, 2nd edition, ed. Rock, M.L. Chapter 14. New York: McGraw-Hill.

Kearney, R.C. and S.W. Hays. 1985. The politics of selection: spoils, merit and representative bureaucracy. In *Public Personnel Policy: The Politics of Civil Service*, ed. Rosenbloom, D. Port Washington: Associated Faculty Press.

Khandwalla, P.N. 1972. Environment and its impact on the organization. *International Studies of Management and Organization* 2 (Mar): 297–313.

Kilmann, R.H., M.J. Saxton and R. Serpa. 1989. Issues in understanding and changing dulture. In *Organizational Behaviour*, eds. Newstrom, J.W. and K. Davis. Singapore: McGraw-Hill.

King, A.Y.C. 1981. Administrative absorption of politics in Hong Kong: emphasis on the grass roots level. In *Social Life and Development in Hong Kong*, eds. King, A.Y.C. and R.P.L. Lee. 127–46. Hong Kong: The Chinese University Press.

——. 1986. The Hong Kong talks and Hong Kong politics. *Issues and Studies* 22, no. 6 (Jun): 52–75.

Lam, J.T.M. 1996. De-bureaucratization of politics: Hong Kong as a case study. *Asian Perspective* 20: 165–83.

——. 1997. Transformation from public administration to management: success and challenges of public sector reform in Hong Kong. *Public Productivity & Management Review* 20: 405–18.

Lane, J.E. 1993. *The Public Sector — Concepts, Models and Approaches.* London: Sage.

Lau, C.K. 1997. *Hong Kong's Colonial Legacy.* Hong Kong: The Chinese University Press.

Lau, S.K. 1982a. *Society and Politics in Hong Kong.* Hong Kong: The Chinese University Press.

——. 1982b. Local administrative reform in Hong Kong: promises and limitations. *Asian Survey* 22, no. 9 (Sep): 858–73.

——. 1987. *Decolonization without independence: The Unfinished Political Reforms of the Hong Kong Government.* Occasional papers no. 19 (May). Hong Kong: The Chinese University of Hong Kong, Centre for Hong Kong Studies.

Law, F. 1995. Human resource management in the Hong Kong civil service. *Hong Kong Public Administration* 4 (Feb): 275–81.

Lee, G.O.M. and A.S. Huque. 1995. Transition and the localization of the civil service in Hong Kong. *International Review of Administrative Sciences* 61: 107–20.

Lee, H.Y. 1991. *From Revolutionary Cadres to Party Technocrats in Socialist China.* Berkeley: University of California Press.

Lee, J. 1993. The dilemmas of governing in Hong Kong's transition. In *Hong Kong in Transition.* Hong Kong: One Country Two Systems Economic Research Institute.

——. 1994. Civil servants. In *The Other Hong Kong Report 1994*, eds. McMillen, D.H. and S.W. Man. Hong Kong: The Chinese University Press.

——. 1995. The civil service. In *From Colony to Special Administrative Region*, eds. Cheng, J. and S. Lo. Hong Kong: The Chinese University Press.

Lee, J. and J. Lam. 1992. The changing public administration: issues in Hong Kong's transition. *Teaching Public Administration* 12.

Lethbridge, D. 1978. *Hong Kong: Stability and Change.* Hong Kong: Oxford University Press.

Leung, J.Y.H., B. Brewer and G.O.M. Lee. 1995. Redefinition of roles: Hong Kong's

politicians, civil servants and the general public. *Hong Kong Public Administration* 4 (Feb): 205–22.

Leung, Y.H.J., B. Brewer and G.O.M. Lee. 1996. *Hong Kong Civil Service Retirees: A Study of Lifestyles and Attitudes.* Hong Kong: City University of Hong Kong.

Likierman, A. 1993. Performance indicators: 20 early lessons from managerial use. *Public Money and Management* 13, no. 4 (Oct/Dec):15–22.

Lugard, F.J.D. 1970. *Political Memoranda: Revision of the Instructions to Political Officers on Subjects Chiefly Political and Administrative, 1913–1918.* Third edition. International Specialized Book Service.

Lui, T.T. 1984. Recruitment and selection. In *The Hong Kong Civil Service, Personnel Policies and Practices,* eds. Burns, J. and I. Scott. Hong Kong: Oxford University Press.

——. 1988. Changing civil servants' values. In *The Hong Kong Civil Service and Its Future,* eds. Burns, J. and I. Scott. Hong Kong: Oxford University Press.

Lui, T.T. and T.L. Cooper. 1996. Bureaucracy, democracy and administrative ethics: a study of public service values in Hong Kong. *International Review of Administrative Sciences* 62: 177–96.

McKevitt, D. and A. Lawton, eds. 1994. *Public Sector Management: Theory, Critique and Practice.* London: Sage.

McKinsey & Co. 1973. *The Machinery of Government: A New Framework for Expanding Services.* Hong Kong: Government Printer.

Meek, V.L. 1994. Organizational culture: origins and weaknesses. In *Public Sector Management: Theory, Critique and Practice,* eds. McKevitt, D. and A. Lawton. 264–80. London: Sage.

Megaw Committee. 1982. *Inquiry into Civil Service Pay.* London: HMSO.

Merton, R.K. 1952. Bureaucratic structure and personality. In *Reader in Bureaucracy,* eds. Merton, R.K., *et. al.* New York: Free Press.

Meyer, J.W., W.R. Scott and D. Strang. 1987. Centralization, fragmentation, and school district complexity. *Administrative Science Quarterly* 32 (Feb): 186–201.

Miners, N. 1986. *The Government and Politics of Hong Kong.* Fourth Edition. Hong Kong: Oxford University Press.

——. 1991. *The Government and Politics of Hong Kong.* Fifth edition. Hong Kong: Oxford University Press.

——. 1995. *The Government and Politics of Hong Kong.* Fifth Impression (updated). Hong Kong: Oxford University Press.

Ming Pao. 22 October 1989, 14 August 1993, 12 September 1993. Hong Kong. In Chinese.

Mushkat, M. 1984a. Pay determination. In *The Hong Kong Civil Service: Personnel Policies and Practices,* eds. Scott, I. and J.P. Burns. 258–88. Hong Kong: Oxford University Press.

——. 1984b. Staffing the administrative class. In *The Hong Kong Civil Service, Personnel Policies and Practices,* eds. Scott, I. and J.P. Burns. Hong Kong: Oxford University Press.

Newsweek. 9 June 1997.

Ng, S.H. 1990. Labour and employment. In *The Other Hong Kong Report 1990,* eds. Wong, R.Y.C. and J.Y.S. Cheng. Hong Kong: The Chinese University Press.

OECD. 1995. *Governance in Transition: Public Management Reforms in OECD Countries.* Paris: OECD.

Ozaki, M., *et al* . 1988. *Labour Relations in the Public Service: Developing Countries.* Geneva: International Labour Organization.

Pagano, M.A. 1985. An exploratory evaluation of the Civil Service Reform Act's merit pay system for GS 13–15s: a case study of the US Department of Health and Human Services. In *Public Personnel Policy: The Politics of Civil Service*, ed. Rosenbloom, D.H. 161–76. New York: Associated Faculty Press.

Patten, C. 1992. *Our Next Five Years: The Agenda for Hong Kong.* Hong Kong: Government Printer.

——. 1994. *1994 Policy Address.* Hong Kong: Government Printer.

——. 1995. *The 1995 Policy Address and Progress Report on Undertakings in the Policy Address 1992–1994.* Hong Kong: Government Printer.

Perry, J.L. 1986. Merit pay in the public sector: the case for a failure of theory. *Review of Public Personnel Administration* 7, no. 1 (Fall): 57–69.

——. 1989. Making policy by trial and error: merit pay in the federal service. *Policy Studies Journal* 17, no. 2 (Winter): 389–405.

Peters, T.J. and R.H. Waterman, Jr. 1982. *In Search of Excellence.* New York: Warner Books.

Podmore, D. 1971. Localization in the Hong Kong government service. *Journal of Commonwealth Studies* 9.

Policy Programmes, The 1997 Policy Address.

Pollitt, C. 1993. *Managerialism and the Public Services: Cuts or Cultural Change in the 1990s?* Second edition. Oxford: Blackwell.

Putnam, R.D. 1993. *Making Democracy Work: Civic Traditions in Modern Italy.* Princeton, N J: Princeton University Press.

Quah, J.S.T. 1996. Public administration in Singapore: managing success in a multi-racial city state. In *Public Administration in the NICs· Challenges and Accomplishments,* eds. Huque, A.S., J.T.M. Lam and J.C.Y. Lee. 59–89. Basingstoke: Macmillan.

Ranson, S, B. Hinings and R. Greenwood. 1980. The structuring of organizational structures. *Administrative Science Quarterly* 25 (Feb): 1–17.

Rear, J. 1971. One brand of politics. In *Hong Kong: The Industrial Colony,* ed. Hopkins, K. 55–139. Hong Kong: Oxford University Press.

Report of the Civil Service Branch 1996.

Robbins, S.R. 1988. *Management: Concepts and Applications.* Second Edition. New Jersey: Prentice-Hall.

Schuler, R.S. 1984. *Personnel and Human Resource Management.* Second edition. St. Paul, Minnesota: West Publishing Co.

Schuler, R.S. and V.L. Huber. 1990. *Personnel and Human Resource Management.* Fourth edition. St Paul, Minnessota: West Publishing Co.

Scott, I. 1986. Policy-making in a turbulent environment: the case of Hong Kong. *International Review of Administrative Sciences* 52: 447–69.

——. 1988. Generalists and specialists. In *The Hong Kong Civil Service and its Future,* eds. Scott, I. and J.P. Burns. 17–49. Hong Kong: Oxford University Press.

——. 1989. *Political Change and the Crisis of Legitimacy in Hong Kong.* Hong Kong: Oxford University Press.

Scott, I. and J.P. Burns, eds. 1984. *The Hong Kong Civil Service, Personnel Policies and Practices.* Hong Kong: Oxford University Press.

—— (eds.). 1988. *The Hong Kong Civil Service and its Future.* Hong Kong: Oxford University Press.

Seibel, W. 1996. Administrative science as reform: German public administration. *Public Administration Review* 56, no. 1 (Jan/Feb): 74–81.

Selznick, P. 1961. Foundations of the theory of organization. In *Complex Organizations,* ed. Etzioni, A. New York: Holt, Rinehart and Winston.

Senior Staff Course, The. 1994. Hong Kong: Government Printer.

Shafritz, J.M., W.L. Balk, A.C. Hyde and D.H. Rosenbloom. 1986. *Personnel Management in Government, Politics and Process.* New York: Marcel Dekker.

Sing Tao Daily. 4 December1996. Hong Kong. In Chinese.

Smith, I. 1983.*The Management of Remuneration.* London: Institute of Personnel Management.

South China Morning Post. 6 April 1977, 10 April 1993, 31 July 1993, 15 August 1993, 21 August 1993, 2 September 1993, 3 September 1993, 23 November 1994, 29 June 1995, 5 November 1995, 6 July 1996, 12 July 1996, 13 July 1996, 14 July 1996, 11 January 1997, 10 January 1998, 19 January 1998. Hong Kong.

Spence, P. 1990. The effects of performance management and performance related pay in local government. *Local Government Studies* 16, no. 4: 1–15.

Standing Commission on Civil Service Salaries and Conditions of Service. 1979. *First Report on Principles and Practices Governing Civil Service Pay.* Hong Kong: Government Printer.

State Council, People's Republic of China. 1993. Provisional regulations on the state civil service. *Gazette of the State Council of the People's Republic of China,* no. 18 (2 Sept): 837–49. Beijing. In Chinese.

Sunday Morning Post. 8 September 1996, 21 December 1997, 30 November 1997, 11 January 1998. Hong Kong.

Symonds, R. 1966. *The British and Their Successors: A Study in the Development of the Government Services in the New States.* London: Faber.

Ta Kung Pao. 11 August 1993, 29 July 1995, 9 January 1998. Hong Kong. In Chinese.

The Laws of Hong Kong, Cap 115, Immigration Ordinance.

The Sino-British Joint Declaration on the Question of Hong Kong. 1984. [Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the Question of Hong Kong.] September. Hong Kong: Government Printer.

Thomason, G.F. 1978. *A Textbook of Personnel Management.* Third edition. London: Institute of Personnel Management.

Time. 1 July 1996. 28–9. The pearl will shine brighter. Interview with Zhou Nan.

Treasury and Civil Service Committee, British House of Commons. 1982. *Efficiency and Effectiveness in the Civil Service.* London: HMSO.

Tsang, S. 1995. *Government and Politics: A Documentary History of Hong Kong.* Hong Kong: Hong Kong University Press.

Tung, C.H. 1996. *Building a 21st Century Hong Kong Together.* 22 October. Hong Kong.

——. 1997. *Building Hong Kong for a New Era.* Policy Address at the Provisional Legislative Council meeting on 8 October 1997. Hong Kong.

Wettenhall, R.L. 1976a. Modes of ministerialization. Part I: towards a typology — the Australian experience. *Public Administration* 54, no. 1 (Spring): 1–20.

——. 1976b. Modes of ministerialization. Part II: from colony to state in the twentieth century. *Public Administration* 54, no. 4 (Winter): 425–51.

Yaroschak, P.J. 1983. Merit pay in an engineering organization. In *Personnel: Recruiting, Motivation, Rewarding.* Proceedings of a symposium sponsored by the Engineering Management Division of the American Society of Civil Engineers, ASCE National Convention, Philadelphia, Pennsylvania, 16–20 May.

INDEX