CHANGING GOVERNANCE STRUCTURES AND THE EVOLUTION OF PUBLIC SERVICE BARGAINS IN HONG KONG

John P. Burns
Department of Politics and Public Administration
The University of Hong Kong
E-mail: jpburns@hku.hk

Li Wei
Department of Politics and Public Administration
The University of Hong Kong
E-mail: liwei08@hku.hk

B. Guy Peters
Department of Political Science
University of Pittsburgh
E-mail: bgpeters@pitt.edu

Paper prepared for the 6th General Conference of the European Consortium for Political Research
Reykjavik, Iceland
25-27 August 2011
ABSTRACT

We examine the impact of changing governance arrangements, including new public management, regime change, and the introduction of political appointees on public service bargains in Hong Kong. We focus on the contested nature of public service bargains in changing governance arrangements that have encouraged bureaucrats in particular to slide easily into and out of political roles. We show that the post-colonial political executive’s attempts to introduce an agency bargain has been contested and that a new hybrid bargain with trustee and stronger agency elements has emerged.

Introduction

The concept of the ‘public service bargain’ provides an important insight into the relationships between public servants and their nominal political masters. This approach demonstrates that there are indeed bargains, even if subtle and tacit, among these major participants in the governance process. More specifically, the two variations of the basic model—trustee bargains and principal-agent bargains-- developed by Hood and Lodge (2005) describe important patterns of relationships and their nominal political masters. These two models, in many ways ideal types, demonstrate the ways in which the political officials interact with their civil servants.

The two models presented by Hood and Lodge can be used to describe the relationships between politicians and bureaucrats in relatively stable patterns of interaction. In order for these models to function the actors involved must have stable expectations about their roles and the roles of the other parties to be bargain. In the trustee model, for example, if there is a good deal of autonomy seemingly granted to a public servant, those public servants may be unlikely to

---

1 The authors gratefully acknowledge the support of the Hong Kong Research Grants Council for the preparation of this paper.

2 For another set of Ideal Type models see Peters (1987).
exercise that autonomy if there is some the political leadership has proven themselves unreliable partners in the past and begin to punish the public servants for their decisions. There is, of course, a thin line between enforcing accountability and reneging on an understanding between partners in an agreement.

These bargains may not be as applicable in more fluid settings in which the relationships among these actors may not be so clear. Some of the ambiguity in these relationships may arise from instability in the actors involved, especially the political leaders. For example, a change in governments may produce some questioning of the trustee relationship, especially if there are marked ideological differences among parties. As the more established political parties lose their appeal to ‘flash parties’ e.g. the anti-immigrant parties in the Netherlands and Denmark (Abedi, 2002; Deschower, 2008) become members of governments but may not have the same commitments to the understandings with the civil service.\(^3\) The ‘cartel parties’ (Katz and Mair, 2009) that have been dominating European politics have had a commitment to longer term relations with the civil service, but the newer and often transient parties have fewer of incentives to work cooperatively with the bureaucracy.

As well as the influence coming from changes in political parties, career structures for the participants in these bargains may not be unambiguous. In the United States, for example, many occupants of positions that in other political systems would be career public servants are political appointees (Light, 1995; Maranto, 2005). These ‘hybrid executives’ (see Fleischer, Smith and Peters, 2010) have some motivations to function as political officials, but they also have some reasons to focus on their administrative roles. Further, a number of the political appointments are actually career servants who move temporarily into excepted positions. And some appointments (up to ten percent of the non-technical members) in the Senior Executive Service also can be political appointees, some who may be remaining within the civil service after a period in political office.

The above officials in the United States are in structural positions that make them hybrids between the political and the administrative. There are also hybrids identified in the literature...\(^3\) Hood and Lodge quote Sideny Low in saying that not all tacit understandings in government are understood. They are much less likely to be understood by parties form outside the conventional political structures.
that focuses on the attitudinal characteristics of public servants. For example, in the original Aberbach, Putnam and Rockman (1981) study the authors identified officials who were “pure hybrids” having some values of the classical bureaucrats and some of the political bureaucrats. Their playing one role or the other was a function of situations and perhaps the nature of the political leaders involved (see Aberbach and Rockman, 1988).

Other analyses of politicians and bureaucrats have identified some of the same hybrid roles for civil servants. Building on Aberbach, Putnam and Rockman, Campbell and Peters (1988; see also Lee and Raadschelders, 2008) explicated the nature of the hybrid civil servant and the various games that these officials could play both to maintain their own positions and to enhance their policy capacity. Thus, the simple trustee or principal agent models may actually contain a number of dynamic elements and permit hybrids also being chameleons. That is, officials may want to fit into either of the two worlds–politics and administration–and adopt protective coloration in order to move back and forth with ease.

The current governance arrangements in Hong Kong present an especially attractive environment for chameleons in the public sector. As the political system of this Special Administrative Region of China has evolved, civil servants have moved relatively effortlessly back and forth between administrative and political roles.

Like many of the case studies presented in Public Policy and Administration 2011 special issue, the Hong Kong case represents the emergence of a hybrid public service bargain, and not so much a move toward managerialism. New public management in Hong Kong was mainly implemented during the 1980s and 1990s high-colonial era under mostly trustee-type conditions. Hong Kong allows us to better understand the difficulties of moving from one type of bargain to another (trustee-type to agency-type), where regime change (Hong Kong became a special administrative region of China in 1997) undermined the old trusteeship arrangements. In this paper we focus on the contested nature of public service bargains in changing governance arrangements that have encouraged bureaucrats in particular to slide easily into and out of

---

Politicians may vary as much or more in their understanding of the roles they are playing vis-a-vis their civil servants as do the civil servants themselves. Again, this variation may well be a function of the level of direct experience of the politicians and their political parties in government.
political roles.

**Theoretical considerations**

Following Hood and Lodge we define public service bargains as ‘explicit or implicit agreements between public servants and those they serve’ (2006, 6), which builds on Hood’s earlier definition: ‘any explicit or implicit understanding between (senior) public servants and other actors in a political system over their duties and entitlements relating to responsibility, autonomy and political identity, and expressed in convention or formal law or a mixture of both’ (2000, 8). By the ‘other actors’ in the Hong Kong case we refer to ‘political appointees’ (the Governor/Chief Executive (CE) and, since 2002, 16 to 18 politically-appointed Principal Officials or ‘Ministers’) and not, generally, to Hong Kong’s elected legislators who do not form the government. Until now the Hong Kong government has been appointed either by the British government under colonial rule or by the central government in Beijing, and has never been elected.

Hood and Lodge identify two major types of bargains: trustee bargains and agency bargain. In a trustee-type bargain, public servants are expected to act as independent judges of the public good and possess autonomy. In such a bargain, the tenure and rewards of public servants are not under direct control of political masters, their expected skills and competencies are not determined by the instrumental interests of elected politicians, and they are loyal to entity broader than the government of the day (2006, 24-5). Hood and Lodge argue that trustee-type bargains were most prominent in pre-democratic and colonial settings, such as Hong Kong (Hong Kong was a British colony until 1997, and has never had democracy in the sense of a government elected by universal suffrage). Hood and Lodge explain the persistence of trustee bargains into the democratic age as a result of historical lag, a desire for checks and balances, as well as politicians seeking to avoid blame (2006, 29-33). In an agency-type bargain, public servants (agents) are expected to follow the lawful orders of politicians (principals) and politicians in turn are responsible for the actions of public servants. Politicians directly control the reward and tenure of the public servants, the skills and competency required of the public servants are those needed to do the politicians’ bidding, and public servants are only loyal to the
wishes of politicians. The agency bargain is seen as a necessary condition for bureaucracy in democratic government (2006, 43-47).

Hood and Lodge discuss various kinds of bargains using three dimensions: rewards, competency, and loyalty. Based on grid-group cultural theory, and admittedly ‘loose linkages’, they observe certain patterns. A ‘fatalist’ type bargain corresponds to ‘lottery-type’ rewards, ‘sage-type’ competency and ‘jester-type’ loyalty; a ‘hierarchist’ type bargain corresponds to ‘escalator-type’ rewards, ‘wonk-type’ competency and ‘judge-type’ loyalty; an ‘individualist-type’ bargain corresponds to ‘turkey race-type’ rewards, ‘individual deliverer-type’ competency and ‘executive-type’ loyalty; and an ‘egalitarian’ type bargain corresponds to ‘noblesse obligé-type’ rewards, ‘boundary-spanner-type’ competency and ‘partner-type’ loyalty (2006, 135).

Hood and Lodge acknowledge that ‘we can find elements of all of the four ways of life in the world of PSBs’ and that ‘once we penetrate beyond first-order stereotypes, no public service system seems to fit within any one of these four bundles of bargains’ (2006, 135). The small case of Hong Kong, a city in China, confirms this generalization.

Although we conclude that public service bargains in Hong Kong, like the UK, Belgium, and Holland (van Dorpe and Horton, 2011; de Visscher, Hondeghem, Montuelle and van Drope, 2011; Steen and van der Meer, 2011) belong to the pragmatic (hybrid variety) there has been considerable variation and, indeed, contest between politicians and public servants over the nature of the bargains. During the late colonial era, the PSB in Hong Kong was largely a mix of a moralistic and technical trustee type bargain, with some agency elements as well. Regime change in 1997 brought to power a political executive determined to strengthen the agency bargain (albeit delegated) that was contested by the public service. Further governance reform resulted in compromise and the PSB landscape in Hong Kong now is largely a delegated agency-type bargain with some trustee elements. Like Belgium (de Visscher, Hondeghem, Montuelle, van Dorpe, 2011), Hong Kong has transitioned from mainly one type of bargain to another.

Our paper is based on archival research and a series of in-depth interviews with 57 political appointees and senior civil servants carried out from 2009-2011. Among the 57 interviewees, 13 were politically appointed current or retired ‘Ministers’ while 11 were current or retired permanent secretaries, the most senior civil service position. The others were

---

5 In this paper quotations from the interviewees are coded PO for politically appointed
politically appointed Deputy Ministers and political assistants, or if civil servants, deputies to permanent secretaries and department heads. Because our primary purpose was to investigate their perceptions of their role in the policy making process (Aberbach, Putnam, and Rockman, 1981) our questionnaire was a mixture of open-ended questions designed to elicit their reflections on their job and a closed-ended questionnaire composed of certain APR index items (tolerance of politics, programmic commitment, elitism, and traditional constitutionality) that while not directly focused on PSBs do shed light on the nature of the politician-bureaucrat bargains in Hong Kong. The scope of this paper stretches from the high colonial period (the 1990s) to the present.

The Hong Kong context

Colonial Hong Kong was an arch-typical bureaucrat-dominated state (see Peters, 1987), where the most senior civil servants, chameleon-like, played both political and civil service roles. They were responsible for making policy, defending it, and selling it to the public, all political roles. They had the best of both worlds and, for the most successful, easily moved between their political and administrative positions. On the one hand, they took credit for policy successes and, on the other, took little responsibility for policy blunders and were only disciplined for violating civil service regulations (Burns, 2004, 157-167). This situation characterized Hong Kong’s political arrangements from the late 1960s until 2002. Hong Kong’s last Governor, Chris Patten (1992-1997), himself a politician, brought new support for the political role of Hong Kong’s senior civil servants, most of whom were generalists organized into the elite Administrative Officer grade, following the practice in the UK.

With regime change in 1997, the Chinese government appointed a local businessman, CH Tung, to head the Hong Kong government, which continued to be formed by senior civil servants. In 2002 Tung introduced a system of politically-appointed ‘Ministers’ who together with Tung were formally responsible for policy making and policy outcomes (called the Principal Official Accountability System [POAS]). As a result of the new arrangements, Tung recruited talent from outside the civil service to staff many of these positions. The most senior civil servant in each policy bureau was re-titled as permanent secretary (for details see below).
Governance reform: NPM, regime change, and strengthened political accountability

Since the 1990s, the Hong Kong government has implemented new public management reforms and introduces the POAS. Regime change also resulted in the opening of a dramatic window that for the first time permitted a local political-appointee, the Chief Executive (CH Tung), to head the government.

New public management

Hong Kong’s adoption of NPM-type reforms dates from 1989 when the government set up a Thatcher-inspired Efficiency Unit to drive public sector reform (Sankey, 1995 and 2001; Burns, 2004, 67-73). From 1989 to 1992 reform focused on improved financial management, decentralizing many human resource management functions to the implementing agencies (departments) inspired by the slogan ‘letting managers manage’, decentralizing financial management in some departments that sold services to the public through trading fund arrangements, increased use of contracting out to provide public services, and the implementation of performance pledges across government (See Table 1). Government further decentralized HRM functions to government departments in 1995. Reflecting problems associated with the Asian Financial Crisis in 1998-99, government implemented programs to improve productivity, fundamental expenditure reviews, expanded use of trading funds, privatization, corporatization, and downsizing to achieve economies. The 1999 civil service reforms, also inspired by NPM-type ideas, included greater reliance on non-civil service contract staff (the civil service was downsized from about 190,000 in 1991 to 160,000 in 2004), pay cuts to bring civil service pay levels more in line with private sector rates, the replacement of pensions with a very portable and much less generous provident fund for new hires, and reform of the pay determination process. Although the government considered performance-based pay for the civil service, this was not implemented.

Table 1

<table>
<thead>
<tr>
<th>Approximate start date</th>
<th>Program Title</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972-73</td>
<td>McKinsey &amp; Co.</td>
<td>Separate policy making and implementation</td>
</tr>
</tbody>
</table>

---

6 Hong Kong’s McKinsey & Co reforms in 1973 also had certain NPM-like features including an attempt to separate politics and administration by creating separate institutional arrangements for policy making (bureaus) and policy implementation (departments).
<table>
<thead>
<tr>
<th>Year</th>
<th>Policy Area</th>
<th>Key Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s and 1980s</td>
<td>Improved Financial Management</td>
<td>Cash limits; longer term planning cycles; better forecasting; 'value for money' studies; top down reviews</td>
</tr>
<tr>
<td>1989</td>
<td>Public Sector Reform</td>
<td>Policy management reform; financial management reform; HRM reform; trading funds and contracting out; performance pledges</td>
</tr>
<tr>
<td>1992</td>
<td>Serving the Community</td>
<td>Performance pledges; trading funds; customer liaison groups; code of access to information; customer service improvement</td>
</tr>
<tr>
<td>1995</td>
<td>Improved Human Resource Management</td>
<td>Decentralization to policy branches and heads of departments, simplification, HRM planning, training and development</td>
</tr>
<tr>
<td>1997</td>
<td>Target-based Management Process</td>
<td>Managing for results by results; performance review system</td>
</tr>
<tr>
<td>1999-2000</td>
<td>Enhanced Productivity Program, phases I and II</td>
<td>Quantified productivity gains; fundamental expenditure reviews; trading funds; re-invent front-line services</td>
</tr>
<tr>
<td>1999</td>
<td>Improved Productivity</td>
<td>Further use of corporatization, privatization, contracting out to achieve downsizing</td>
</tr>
<tr>
<td>1999</td>
<td>Civil Service Reform</td>
<td>Lengthened probationary period, voluntary retirement, hiring more ‘non-civil service’ contract staff, abolish pensions for new hires; pay cuts; pay determination reform</td>
</tr>
<tr>
<td>2000</td>
<td>Productivity and Quality Improvement</td>
<td>Integrated call center, e-government, business and process reviews, more private sector involvement, outsourcing</td>
</tr>
</tbody>
</table>

Source: Adapted from Burns, 2004, 68.

Constitutional change In 1997 Hong Kong became a special administrative region of the People’s Republic of China, a local government with the status of a province (similar in some respects to Tianjin and Shanghai, although less connected to the central government). These arrangements gave Hong Kong a ‘high degree of autonomy’ and more say in the selection of the head of government, the Chief Executive (although the position is not elected through universal suffrage). Regime change enabled the terms of the PSB to change in Hong Kong, from a mostly trusteeship type to more of an agency type bargain.
Governance reform: the POAS  In 2002, the Chief Executive introduced the principal official accountability system, which created a new layer of politically-appointed ‘Ministers’ above the civil servants, the most senior of whom became a permanent secretary. The permanent secretaries retained complete financial (they are Controlling Officers for budget purposes) and personnel control over their programs (hence, ‘delegated agency type bargain’). The reform was introduced after years of tension between Tung and the civil service. Tung and his supporters, including many in the central government in Beijing, perceived that the civil service was obstructing his policy initiatives. From 1997 to 2001 a series of policy blunders, for which no civil servant was disciplined, encouraged the government to establish a mechanism that would allow the CE to hold principal officials accountable for policy mistakes. Since 2002 three politically-appointed ‘Ministers’ (and the CE himself) have resigned in the face of withering criticism, sometimes for specific policy blunders. The POAS era may usefully be divided into two phases. In POAS I (2002-2007), CE Tung recruited many non-civil servants to become ‘Ministers’ (8 out of 14 came from among ‘outsiders’ including three medical doctors, three from business (a banker, CFO from a private company, and a textiles tycoon) an environmental consultant, and a solicitor. The remaining 6 positions were filled by civil servants, turned political appointees (they had first to resign from the civil service to take up these new jobs). For many senior civil servants the introduction of the POAS was a shock. As one permanent secretary told us, on looking back at the time: ‘AOs did have a lot of anxiety, skepticism as well. We didn’t suffer in terms of pay, but in the past, AOs could get to CS (Chief Secretary) and FS (Financial Secretary), basically we were in charge, but now [that is] no longer the case. We get a political level [put] above the most senior civil servants. There was some sort of sentiment that [the POAS] system targeted AOs, there was distrust over AOs’ (PS11). The Chief Secretary for Administration, the most senior civil servant resigned in protest and many others took early retirement. Tung himself resigned half-way through his second term, worn out and defeated by low popularity ratings and criticism of his work from the central government (but, they had selected him in 1997, not knowing how things would turn out). He was replaced in 2005 by Donald Tsang, a former civil servant, to fill out Tung’s term and who was then appointed CE in his own right in 2007. POAS II, which dates from 2007, saw most positions filled by retired civil servants and a kind of equilibrium re-instated between the ‘Ministers’ and civil servants.
Components of the PSB in Hong Kong

Following Hood and Lodge we discuss the changing nature of public service bargains in terms of their dimensions: rewards, competency, and loyalty. In the spirit of ‘loose linkages’ generally we find the civil service reward dimension mostly of the pyramid and escalator type, with elements of noblesse oblige and occasional turkey races. The competency dimension is a mixture of sage, deliverers (reflecting the impact of NPM) and go-betweens. The loyalty dimension contains elements of judge and partners, with the partner aspect strengthening under the delegated-agency arrangements since 2002. The process of moving Hong Kong’s PSB from mostly trusteeship to mostly delegated agency type has been uneven and contested as both political appointees and civil servants have cheated and sought to avoid blame.

Rewards

Politicians provide rewards (including access, anonymity, relatively permanent employment, and reasonable salaries and pension) to public servants in exchange for loyal and competent service.

Career Patterns Following the practice in the UK some time ago, Hong Kong’s civil service is divided into two broad classes of occupations, generalist grades the most senior of which is the Administrative Officer grade (establishment about 600) and specialist or departmental grades. At the top, the Directorate grade of about 1,000 positions is made up mostly of specialist or departmental grade officers (about 80 percent) and AOs (about 20 percent). Although the AO grade occupies only about 20 percent of the Directorate AOs staff all the top positions (permanent secretary, deputy secretary, and principal assistant secretary) in the now 12 policy making bureaus, and head many government departments. Accordingly our focus will be on the AO grade at the top. There is a single entry point for the grade at the lowest rank (that is, no competition from lateral entry), and administrative officers can expect regular progression (that is ‘pyramid and escalator’) until they hit the fourth rank from the bottom (AO Staff Grade B) in the seven-rank grade, when the number of posts goes from 183 to 48. The pyramid is further

7 The permanent secretary for development is usually recruited from among senior works civil servants (civil engineers, for example) but becomes an AO on appointment to the post of permanent secretary.
winnowed to 27 (at Grade B1) and then 14 (at Grade A), which introduces an element of an individual ‘turkey race’ to get into the top positions. In 2011 there were 17 permanent secretaries (Grade A1). Hong Kong has neither a Senior Executive Service (such as in the Australia, New Zealand and the US) nor a Senior Civil Service (such as in the UK) that might bring together lateral entrants and civil servants from the generalist and departmental streams.

Selection, Appointment, Mobility Senior civil servants themselves select permanent secretaries and other senior generalists, led by the Permanent Secretary of the Civil Service Bureau who chairs Administrative Officer grade promotion and postings boards, which consists of other permanent secretaries. The Secretary for the Civil Service is herself a political appointee and formally not part of the selection process. All of our interviewees agreed that politically appointed ‘Ministers’ had no say in who would become their permanent secretaries, nor did they participate directly in the promotion and postings decisions of top civil servants, which some ‘Ministers’ felt weakened their position. As one former politically appointed ‘Minister’ said, speaking of the relationship to the permanent secretary: ‘I was not on promotion boards, and because of that, civil servants [seemed to] say, “Yeah, I [should] listen to you?”’ (PO1).

Hong Kong’s permanent secretaries have become younger on appointment since the POAS was introduced in 2002 (See Table 2). Then most permanent secretaries were from 50-54 years of age, while in 2011 most are 45 to 49 years of age with three in the 40-44 year age group on appointment. On average permanent secretaries serve for a little over four years, probably because the government is reluctant to rock the boat during the Chief Executive’s 5 year term.

Table 2

<table>
<thead>
<tr>
<th>Years of age</th>
<th>July 2002</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>40-44</td>
<td>0</td>
<td>3(16.7%)</td>
</tr>
<tr>
<td>45-49</td>
<td>5(31.25%)</td>
<td>9(50%)</td>
</tr>
<tr>
<td>50-54</td>
<td>9(56.25%)</td>
<td>5(27.8%)</td>
</tr>
</tbody>
</table>

Unlike other politically appointed ‘Ministers’ the holder of this post is entitled to return to the civil service on completion of his/her term. This arrangement was made to reduce opposition from the civil service to the POAS proposal in 2001. The assumption is that the Secretary for the Civil Service would always come from among the civil service itself.
The risk of dismissal for a permanent secretary is very remote. In our data of 40 permanent secretaries from 2002 to 2011, we are aware of only two permanent secretaries that might be said to have been ‘replaced’ in these cases because they could not work with the politically appointed ‘Minister’. Either their work styles clashed or conflict over their roles and functions was so intense that in these cases Ministers lobbied for change, and were granted them. Changes were very rare, and our interviewees confirmed that for the most part the two, Minister and permanent secretary, attempted to make the best of the situation. Indeed from 2002 to 2011 personal relationships among the dyads in our data ranged from open warfare to cozy partnerships (‘we were the “dream team”,’ one former permanent secretary told us, an evaluation agreed to by the Minister), and various relationships in between, such as ‘speaking truth to power’ and ‘Yes, Minister’-types of arrangements. Since 2007, when most politically appointed Ministers have once again themselves come from the civil service, the relationships have become much smoother (‘village life’-like, Peters, 1987). Given the so far rare cases of incompatibility or conflict between Ministers and permanent secretaries, the government has seen no need to establish a conflict resolution mechanism as was set up in Holland (Steen and van der Meer, 2011).

Pay amounts and components Like the rest of the civil service, permanent secretaries are paid for their position (there is no performance-based pay in the Hong Kong civil service) and their monthly (base) pay is less than that for politically-appointed ‘Ministers’. The Ministers, however, receive a lump sum, no housing allowance and no pension. If these are included then the pay package for the current permanent secretaries is clearly more generous than for ‘Ministers’.9

<table>
<thead>
<tr>
<th></th>
<th>55-59</th>
<th>60+</th>
<th>unknown</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1(6.25%)</td>
<td>1(5.6%)</td>
<td>0</td>
<td>1(6.25%)</td>
<td>16(100%)</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
<td>18(100%)</td>
<td></td>
</tr>
</tbody>
</table>

Note: The July 2002 set up also include 3 doubling up appointments

---

9 In 2011 permanent secretaries were paid a maximum of US$330,000 per annum, plus benefits (medical, dental, education, housing, and use of a car and driver) and a monthly pension on retirement, usually at 60 years of age. Pensions are generous. Former Chief Secretary for Administration Anson Chan, who resigned in 2001 to protest the introduction of the POAS,
In the absence of elected government Hong Kong’s approach to rewards for politically appointed ‘Ministers’ and civil servants has been entirely bureaucratic. From at least the 1970s the government had established complex salary scales and institutionalized processes for reviewing and adjusting them (Lee, 2003). This approach has resulted in transparent but relatively high civil service salaries, second only to Singapore in Asia (Hood and Peters, 2003). The high salaries for top civil servants, however, are considerably lower than salaries for comparable positions in the private sector, reflecting a kind of noblesse oblige-type bargain. In the absence of democratic politics which tends to keep public sector salaries down, civil servants in Hong Kong have been able to set their own salaries, constrained only by the occasional budget deficit (Burns 2004). The civil service salary cuts described below where thus more traumatic given Hong Kong’s lack of recent experience of economic decline.

**Fig. 1: Rewards for High Public Office in Hong Kong, 1997-2009**

Sources: Lee, GOM 2003; Burns, 2004; SCMP June 2009. In 1996 the colonial governor’s salary was reportedly HK$3.03 million per annum, tax free. Salaries for civil servants do not show received a lump sum payment of US$15 million on her official retirement date, and a pension of over US$9,000 per month (adjusted annually) until her death (Lee, 2003, 137). Civil servants face more onerous vetting on taking up post-retirement employment, however, than do politically appointed ‘Ministers’.
allowances and pensions. Since 2002 political appointees generally receive neither allowances nor pension.

In 1999 the political executive introduced reforms of the civil service compensation system that resulted in several changes, including the abolition of pensions for all new entrants. This change, contested by civil service unions at the time, fundamentally altered the public service bargain. The 1999 reforms also made it more difficult to obtain a permanent job in the civil service, although these reforms have since been relaxed.

Before 2002, the reward structure is best described as a ‘pyramid and escalator’ type (Hood & Lodge, 2006). Based largely on grade and rank, the reward for civil servants as we have seen was relatively predictable. Although the annual pay adjustment was based on net pay trend indicators collected from private sector companies, there had never been pay cuts since 1937 until 2002, when the Asian Financial Crisis produced years of negative growth, deflation, and growing budget deficits (Burns, 2004, 282). In less serious economic declines in the past, civil servants expected pay freezes, not cuts. The government had established a staff consultation mechanism that made it politically difficult to implement pay cuts. The 2002 across the board salary cuts were negotiated with unions, but also, unusually for Hong Kong, legislated pre-empt law suits from civil servants (Burns, 2004, 282; Scott, 2010, 89). Linking the salaries of civil servants more closely with the performance of the economy introduced an element of lottery into the pay situation. Although Tung assured civil servants in July 2002 that the ‘pay cut bill’ was a one-off piece of legislation, ‘no more, no less,’ in 2009, CE Tsang again introduced legislation to cut pay for civil servants.11

Table 3

<table>
<thead>
<tr>
<th>CIVIL SERVICE PAY CUTS, 2002 AND 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>categories</td>
</tr>
</tbody>
</table>

---

11 The pay cut only adversely affected 18,734 civil servants in the upper salary level and above, the rest more than 130,000 civil servants only got pay freeze. See LegCo Brief: 2009-2010 civil service pay adjustment.
The introduction of the POAS in 2002 negatively affected the promotion prospects of senior civil servants. As part of the process the government deleted over 1,000 directorate level posts (through merging the Housing, Education, and Environmental Protection bureaus with their policy implementation departments), and by appointing many outsiders to become ‘Ministers’, functions previously performed by civil servants. In 2007 the new CE Donald Tsang shifted the balance in the appointment of ‘Ministers’, most of whom were drawn from among retired civil servants. The Tsang administration also expanded the directorate, improving the promotion prospects of senior civil servants (Scott, 2010, 82). By addressing the concerns of the civil servants, these changes helped to stabilize the PSB. But since the Chief Executive is not returned by universal suffrage, is not allowed any political party affiliation, and is appointed by the central government, there is a considerable lottery element for current civil servants who have ambitions to become ‘Ministers’.

An important part of the rewards for civil servants in Hong Kong where the civil service retirement age is 55 to 60 (civil servants may take ‘early retirement’ at 55 and receive their pension which most civil servants are still eligible for), has been very generous post-retirement employment opportunities. Since the 1990s there has been an explosion of new regulatory and hybrid quasi-governmental agencies, leadership positions of which mostly pay high salaries. To a great extent, the government has placed retired civil servants in leadership positions of these agencies (See Table 4). This has also resulted in some retired civil servants being paid substantially more than their politically appointed superiors (e.g., the Head of the Monetary Authority has been paid HK$9m per year while the Financial Secretary, to whom he reports, has

<table>
<thead>
<tr>
<th>2002 pay cut (Tung administration)</th>
<th>Upper salary level</th>
<th>-4.42%</th>
<th>pay freeze</th>
<th>-4.42%</th>
</tr>
</thead>
<tbody>
<tr>
<td>middle salary level</td>
<td>-1.64%</td>
<td>pay freeze</td>
<td>-1.64%</td>
<td></td>
</tr>
<tr>
<td>lower salary level</td>
<td>-1.58%</td>
<td>pay freeze</td>
<td>-1.58%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2009 pay cut (Tsang administration)</th>
<th>upper salary level</th>
<th>-5.38%</th>
<th>pay freeze</th>
<th>-5.38%</th>
</tr>
</thead>
<tbody>
<tr>
<td>middle salary level</td>
<td>-1.98%</td>
<td>pay freeze</td>
<td>pay freeze</td>
<td></td>
</tr>
<tr>
<td>lower salary level</td>
<td>-0.96%</td>
<td>pay freeze</td>
<td>pay freeze</td>
<td></td>
</tr>
</tbody>
</table>

(Sources: Brief for LegCo: 2002 civil service pay adjustment; LegCo Brief: 2009-2010 civil service pay adjustment.)
been paid about HK$2.2 million per year), a phenomenon observed in Australia, the UK, and New Zealand as well.

Table 4

<table>
<thead>
<tr>
<th>Agency</th>
<th>Salary (HK$) per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>HK Monetary Authority</td>
<td>9-9.5m (2002)</td>
</tr>
<tr>
<td>Securities and Futures Commission</td>
<td>7-7.5m (2002)</td>
</tr>
<tr>
<td>Mandatory Provident Fund Schemes Authority</td>
<td>4.26m (2002)</td>
</tr>
<tr>
<td>Equal Opportunities Commission</td>
<td>2.28m (2002)</td>
</tr>
<tr>
<td>Privacy Commission</td>
<td>1.95m (2010)</td>
</tr>
<tr>
<td>Mass Transit Railway Corp</td>
<td>7.5-8m (2001)</td>
</tr>
</tbody>
</table>

Source: SCMP 4.1.2002; Privacy Commission homepage.

Retired civil servants, who have been under a relatively loose regime of control after leaving their positions, may also take up jobs in the private sector. A series of scandals in which high profile retirees took jobs in businesses they had dealings with while in government forced the government to carry out two reviews of the system and an apology from the Secretary for the Civil Service for mismanaging the approval process for the former Permanent Secretary for Housing (Leung Chin-man). Hong Kong civil servants, then, are rewarded not only on the job but post-retirement as well.

Competency

In exchange for rewards, civil servant provide competent advice, which should be tailored to the needs of their political masters.

Education and training  During the colonial era, Hong Kong’s top civil servants were overwhelmingly recruited from among arts graduates, reflecting the influence of the UK generalist tradition on the Administrative Service. In 2002, with the introduction of the POAS, 62.5 percent of permanent secretaries had arts undergraduate degrees (See Table 5). By 2011, however, the educational background of permanent secretaries was much more diversified. Arts graduates represented only about one third of these positions and social sciences another third. Recent recruitment trends among the AO grade also reflect this diversification with business
administration and science degrees steadily increasing (Burns 2004, 113). These changes reflect the impact of NPM-type initiatives that have required more managerial skills and reflect a shift from a kind of ‘sage’ type bargain to ‘deliverer’ type bargain.

Table 5

<table>
<thead>
<tr>
<th>EDUCATIONAL BACKGROUND OF PERMANENT SECRETARIES, 2002 AND 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>July 2002</strong></td>
</tr>
<tr>
<td>Non-university education</td>
</tr>
<tr>
<td>University education</td>
</tr>
<tr>
<td>Arts</td>
</tr>
<tr>
<td>Social sciences</td>
</tr>
<tr>
<td>Engineering</td>
</tr>
<tr>
<td>Science</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: Civil Service Bureau, *Who’s Who in the Administrative Service* (various years).

The most important training for permanent secretaries is ‘on the job’ through acting appointments, where their performance is evaluated by superiors. Although a few AOs have advanced degrees (MPA degrees, for example), for the most part training is informal, with deputy secretaries training principal assistant secretaries and permanent secretaries training deputy secretaries. A common career progression is for a deputy secretary to spend some time as a department head, more focused on implementation, before being promoted to permanent secretary.

Role and function Until 2002 civil servants in Hong Kong performed both political and administrative roles. They, together with the Governor or Chief Executive made policy (not just gave policy advice), sold it to the public, defended policy and of course implemented policy, moving back and forth in these roles, as we have suggested, chameleon-like. This had long been their role, since at least the late 1960s (Scott, 1989). With the introduction of the POAS in 2002, politically appointed ‘Ministers’ formally assumed responsibility primarily for the ‘strategic direction, policy formulation, policy decisions and public advocacy of policy proposals’ (Civil Service Code, 5.1) that is, policy formulation, selling and defending policy, and more controversially were ‘to accept total responsibility for policy outcomes and the delivery of
services by the relevant executive departments’ (Framework of Accountability System for Principal Officials, 17 April 2002, emphasis added). The ‘Code for Officials under the Political Appointment System’, subsequently issued in 2007, softened the responsibility for policy implementation somewhat, stating simply that ‘Ministers’ were responsible to the CE for the success or failure of their policies and no mention was made of their responsibility to the public.

The Code for Officials did not give ‘Ministers’ exclusive responsibility in any of these domains, however. Indeed, according to a separate Civil Service Code, issued in 2009, permanent secretaries, who remained Controlling Officers and in charge of civil service personnel management within their portfolio, were responsible for developing policy options or proposals (providing ‘the best advice they believe they can give’) and assessing their full implications. They are to assist ‘Ministers’ in selling and defending the policy, that is, formally they continued to play a kind of residual political role (Civil Service Code, 5.6). The government instructed civil servants to be sure that their involvement in or contribution to any public debate or discussion in public matters was in accordance with the policies of the government of the day, and was appropriate for their position. The government instructed them ‘not to seek to obstruct or frustrate a policy or decision taken by politically appointed officials, or delay its implementation’ (Civil Service Code, 5.6). The government laid down that their advice to ‘Ministers’ was to remain confidential (anonymity). In the official view, senior civil servants and ‘Ministers’ were admonished to establish a good working relationship based on mutual trust and confidence ‘in the spirit of partnership’ (Civil Service Code 5.9 and 6.1). The new arrangements then sought to move the relationship from primarily a trustee-type to an agency-type bargain and adding to the competency requirements a new dimension, namely partnership.

With the introduction of the POAS, politically appointed ‘Ministers’ were supposed to take up the political roles. The evidence indicates that some did, but that others did not. During POAS I (2002-07), the mostly outsider ‘Ministers’, who were professionals in their own right but not elected politicians, depended heavily on senior civil servants for policy advice and to perform ‘political work’. ‘Ministers’ had no staffs of their own, and neither could they rely on political parties or think tanks, both of which were weakly developed (Ma Ngok, 2007). Lines of responsibility were not clearly differentiated, which was reflected in the fact that codes of conduct for both POs and civil servants were only formally promulgated in 2007 and 2009.
During POAS I (2002-07), political appointees and civil servants contested the very meaning of ‘competency’. Unlike the politicians that feature in typical public service bargains (Hood and Lodge, 2006), Hong Kong’s outsider political appointees were experts in their own fields – including finance, medicine, education, the environment, and so forth. Indeed, in many cases they had more expertise in their own area than the generalist permanent secretaries who served them (Politicians/Bureaucrats Project 2009-2010). At the level of perception, each side tended to see itself as the repository of expertise, which sometimes resulted in conflict. As one former ‘Minister’ told us: ‘Poor civil servants! They had to make room [for us] somehow. In the [policy making] process they will argue pros and cons [when you try] to introduce something new, they will say you don’t have the resources to do it. They embrace everything they are already doing. Whereas, [if] there is someone coming from outside, they don’t necessarily have regard to what you [the civil service] are already doing. Maybe at the back of their mind, they [the new ‘Ministers’] think you [the civil service] can do something at the expense of what you are [already] doing, but choosing policies from different views is not sufficiently articulated. This may give rise to the impression on the [part of] someone from outside [the ‘Minister’] that civil servants are obstructing.’ (PO6) Permanent secretaries admitted that: ‘In the old days, everything was considered from administrative point of view, less political, although this has changed somewhat since the mid-80s. For civil servants, particularly for the administrative officers, we were trained to look at things rationally, look at the cost-benefit analysis, general public interest and so on.’ (PS3) And from another, reflecting on the least appealing part of his/her job as permanent secretary: ‘The least appealing is the frustration that the political side takes precedence of so called rational thinking, long term considerations. In Hong Kong such an increasingly politicized society, sometimes, (it’s) too short term consideration [that’s emphasized].’ (PS11)

Senior civil servants, moreover, even if they acknowledged the expertise of their ‘Minister’, sometimes perceived the ‘Minister’ to be mainly self-seeking and usually administratively (bureaucratically) incompetent. As one permanent secretary told us: ‘I was very disillusioned as a result after working closely together [with the ‘Minister’] for a couple of months. I realized the Minister’s top priority was [his/her] own personal survival…. in terms of
mission, [it was] far stronger among civil servants than politicians. Politicians unfortunately are very much self-seeking more than anything else.’ (PS4)

The introduction of POAS II in 2007 solved this problem by replacing most outsider ‘Ministers’ with retired civil servants. The expansion of the number of political appointees in 2008 (with the appointment of Under Secretaries and Political Assistants, mostly outsiders, to assist the ‘Ministers’) strengthened the policy-selling role of political appointees vis-à-vis the civil service. Change was slow, however. Speaking of the situation after 2008, permanent secretaries told us that: ‘We are still expected to do a lot of lobbying and being exposed politically in a way.’ (PS11) ‘We ended up having to do a lot of full time work to play politics. It’s [appointing additional Undersecretaries] not going to be any positive way forward. The Undersecretary should be doing it [political work], but he/she is so new, you just can’t leave it to him/her.’ (PS8)

Over the time, the ‘public face’ of government came more to be represented by political appointees. For example, political appointees began attending more Legislative Council (LegCo) meetings than previously and spoke more often (Table 6). Undersecretaries have come to take a larger share of such work. Among our interviewees, many (both politicians and bureaucrats) expressed frustration with politics in Hong Kong and a general dislike of political work, especially attending LegCo, which some said they considered a waste of time (Politicians/Bureaucrats Project, 2009-2010).

Table 6
COMPARISON OF POLITICAL APPOINTEES AND SENIOR CIVIL SERVANTS LEGCO PARTICIPATION, 2006-2010

<table>
<thead>
<tr>
<th></th>
<th>2006-2008</th>
<th>2008-2010</th>
<th>Comparison of two periods (change)</th>
<th></th>
<th>2008-2010</th>
<th>Comparison of two periods (change)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of times attended</td>
<td>No. of speeches</td>
<td>No. of times attended</td>
<td>No. of speeches</td>
<td>Comparison of two periods (change)</td>
<td>Comparison of two periods (change)</td>
</tr>
<tr>
<td><strong>All Political Appointees</strong></td>
<td>994</td>
<td>7543</td>
<td>1200</td>
<td>+20.7%</td>
<td>7277</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Secretary</td>
<td>994</td>
<td>7543</td>
<td>921</td>
<td>-7.3%</td>
<td>5818</td>
<td>-22.9%</td>
</tr>
<tr>
<td>Under secretary</td>
<td>244</td>
<td>1</td>
<td>1458</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political assistants</td>
<td>35</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Competency among politicians and bureaucrats may have a number of dimensions, not only the extent to which they are effective managers or provide appropriate policy advice. We asked our interviewees to evaluate the leadership, expertise and experience that each group brought to their jobs, and detected a gap in their perceptions. Political appointees saw themselves as having good leadership qualities, while about half of senior civil servants we interviewed either disagreed with this evaluation or were neutral (See Table 7a and 7b) More than 80 percent of senior civil servants saw themselves as having good leadership qualities, but around a third of political appointees were neutral.

Table 7a

<table>
<thead>
<tr>
<th>Have good Leadership qualities</th>
<th>strongly agree</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
<th>strongly disagree</th>
<th>no basis to judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>POs (n=13)</td>
<td>2 (15.4%)</td>
<td>7 (53.8%)</td>
<td>4 (30.8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>senior civil servants (n=30)</td>
<td>5 (16.7%)</td>
<td>10 (33.3%)</td>
<td>9 (30%)</td>
<td>4 (13.3%)</td>
<td>2 (6.7%)</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 7b

ATTITUDE OF INTERVIEWEES TOWARD SENIOR CIVIL SERVANTS

<table>
<thead>
<tr>
<th>Have good Leadership qualities</th>
<th>strong</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
<th>strongly disagree</th>
<th>no basis to judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>POs (n=13)</td>
<td>2 (15.4%)</td>
<td>7 (53.8%)</td>
<td>4 (30.8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>senior civil servants (n=30)</td>
<td>3 (10%)</td>
<td>22 (73.3%)</td>
<td>4 (13.3%)</td>
<td>1 (3.3%)</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>


Among civil servants, there was also considerable variation in how they interpreted leadership. One civil servant linked leadership to commitment: ‘Theoretically speaking, it’s about time like rest of the world that we should bring in people from outside to work in the civil service. Then it’s really how you bring people in, what kind of leadership that you are bringing in, what quality of people, people’s commitment. In fact, the public only talk about ‘Oh they [political appointees] don’t have enough support’, but that’s beside the point, it’s really leadership quality that we were looking for and commitment.’ (PS8) While another civil servant looked for teamwork: ‘They [political appointees] don’t demonstrate leadership. They are a bunch of people getting together.’ (PS5) We also detected considerable variation among political appointees. One political appointee interpreted leadership as charisma and having a public personality: ‘Most of them [civil servants] don’t have personalities. Bureaucrats were not trained to be charismatic leaders... they really preferred working behind closed doors, crunching numbers, writing papers. A lot of them really don’t like to face up to the public, [and are] camera shy. So leadership doesn’t come easily to civil servants. Most of them [civil servants] did that [joined the civil service] for [the] package, security.’ (PO5) Another political appointee expected civil servants to be proactive: ‘When you posed questions to them [civil servants], they are pretty good, but if you ask him to initiate something... You should ask questions like that: do you ever initiate policies. That’s what is lacking now.’ (PO9)

In terms of bringing relevant experience to the job, the gap in perception was not very wide (See Tables 8a and 8b). Still, more political appointees thought of themselves as having
relevant experience, an evaluation challenged by some senior civil servants. There was a consensus between political appointees and senior civil servants, however, that civil servants brought valuable experience to their jobs. Some political appointees appreciated this: ‘For the new comer, you just had to get yourself acquainted with civil service regulation of 500 pages. But it’s good they get AOs [to be senior civil servants], they are very well versed in those. If you have problems, they will tell you what article [of the regulations is relevant], I have to rely on them.’ (PO2) From another political appointee: ‘Civil servants always have the sensitivity, ok, there is a lot of read across [material that needs to be linked up], if you treat this issue in this way, you need to look at other issues in the same way, and also there are links to other bureaus as well. So they give you that broad perspective and sensitivity, which is very helpful.’ (PO3)

Table 8a
ATTITUDE OF INTERVIEWEES TO THE EXPERIENCE OF POLITICAL APPOINTEES

<table>
<thead>
<tr>
<th>Bring valuable experience to their jobs</th>
<th>strongly agree</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
<th>strongly disagree</th>
<th>No Basis to Judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>POs (n=13)</td>
<td>3 (23.1%)</td>
<td>7 (53.8%)</td>
<td>3 (23.1%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>senior civil servants (n=30)</td>
<td>7 (23.3%)</td>
<td>13 (43.3%)</td>
<td>6 (20%)</td>
<td>3 (10%)</td>
<td>1 (3.3%)</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Politicians/Bureaucrats Project, 2009-2010

Table 8b
ATTITUDE OF INTERVIEWEES TO THE EXPERIENCE OF SENIOR CIVIL SERVANTS

<table>
<thead>
<tr>
<th>Brings valuable experience to their jobs</th>
<th>Strongly agree</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
<th>strongly disagree</th>
<th>No Basis to Judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>POs (n=13)</td>
<td>8 (61.5%)</td>
<td>5 (38.5%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>senior civil servants (n=30)</td>
<td>16 (53.3%)</td>
<td>14 (46.7%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

In terms of expertise, again more political appointees perceived their talents were comparable to private sector executives, while a few senior civil servants had reservations about the expertise of the new POs (See Tables 9a and 9b). The same portion of POs and senior civil servants agreed that senior civil servants had relevant expertise, but nearly one third of POs are neutral, while a few civil servants disagreed with the statement. Several professional outsiders among POs expressed their dissatisfaction with the generalist administrative officers: ‘In today’s age you do need people with special training and special professional training to advise you. It’s not just common sense any more. People tell you that some technology is going to do the magic, solve oil problems, pollution, would you believe him or not? …It’s not true or false, it’s the bias, you need to figure [it] out [for] yourself…General grades people don’t think so and they have been brought up with the colonial government that being a generalist is good. I agree to a certain extent, because you don’t only look at one angle, not from the technical issue only, you have the bigger picture to look at. Considering the political and social conditions and then you make decisions. Yes, only if you understand that technical issue thoroughly.’ (PO9) And from another retired ‘Minister’: ‘The problem is administrative officers are generalists, not specialists…But generalist in today’s world, I have to emphasize, it may have worked years ago, but today it’s difficult.’ (PO4) And again: ‘But the problem with our AO system is that they changed posts very quickly and they don’t have the professional support.’ (PO12). Still, some senior civil servants contested the view that AOs lacked appropriate professional expertise, one calling it a ‘public myth’. (PS4)

<table>
<thead>
<tr>
<th>Expertise is comparable to the best executive talent in the private sector</th>
<th>strongly agree</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
<th>strongly disagree</th>
<th>No Basis to judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>POs (n=13)</td>
<td>1 (7.7%)</td>
<td>7 (53.8%)</td>
<td>5 (38.5%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>senior civil servants (n=30)</td>
<td>5 (16.7%)</td>
<td>9 (30%)</td>
<td>10 (33.3%)</td>
<td>3 (10%)</td>
<td>2 (6.7%)</td>
<td>1 (3.3%)</td>
</tr>
</tbody>
</table>

Table 9b
ATTITUDE OF INTERVIEWEES TOWARD SENIOR CIVIL SERVANTS EXPERTISE

<table>
<thead>
<tr>
<th>Expertise is comparable to the best executive talent in the private sector</th>
<th>strongly agree</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
<th>strongly disagree</th>
<th>No Basis to judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>POs (n=13)</td>
<td>1 (7.7%)</td>
<td>8 (61.5%)</td>
<td>4 (30.8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>senior civil servants (n=30)</td>
<td>8 (26.7%)</td>
<td>13 (43.3%)</td>
<td>4 (13.3%)</td>
<td>4 (13.3%)</td>
<td>0</td>
<td>2 (6.7%)</td>
</tr>
</tbody>
</table>

Source: Politicians/Bureaucrats Project, 2009-2010

Not all political appointees were unsympathetic to the generalist orientation of senior civil servants. One political appointee, who held more sympathetic views towards the senior civil service, disagreed that appropriate expertise in the public sector could be compared with private sector: ‘Expertise, you can’t compare with [the] private sector. [The] private sector is very, very different. Our public role is so broad that even the biggest private corporation can’t be compared with [it]. So it’s still early times, I won’t be so complacent to say we [politically appointed ‘Ministers’] have [the] expertise.’ (PO3) An administrative officer turned PO defended the generalists: ‘From my point of view, it is analytical power, not so much your expertise, although you’ve got [to have] a basic understanding of the policies.’ (PO6)

We conclude then that during POAS I (2002-07), outsider ‘Ministers’ who were professionals in their own fields were more likely to find the competency of senior civil servants wanting. In the terms of Hood and Lodge(2006), the outsider ‘Ministers’ wanted a ‘wonk’ and ‘delivery’ type bargain, that is, civil servants providing technical and subject knowledge and creatively getting things done. But Hong Kong’s AOs were best at ‘sage’ and ‘go-between’ bargains, that is, assessing risk, providing policy options, and knowing how to move things around in a huge bureaucracy. Without control of civil service personnel policy, the civil service promotion system or even the appointment of their subordinates, the outsider ‘Ministers’ could do very little to change the bargain in their favor. They could at best bypass the generalists and direct the professionals at departmental level.
Since outsider ‘Ministers’ had little public administration experience, they still had to rely on civil servants to avoid risk and to provide orientation. This was expressed by an outsider ‘Minister’: ‘Sometimes if you want to get things done, you go to [directly to] department heads. Because I knew [the] department very well, so you can get things done very smoothly. But the permanent secretary started raising some concerns, then you think twice about it. I can’t just ignore that [the permanent secretary’s concern about being bypassed] because there was some risk involved.’(PO12)

Such a love-hate relationship destabilized the bargain in POAS I (2002-2007). Both sides feared the other side would cheat. During POAS II (2007-present), more retired AOs were appointed as ‘Ministers’, as discussed before. The retired civil servants were more likely to hold sympathetic views towards their civil servant subordinates, thus helping to stabilize the bargain. But then, the reform of POAS itself did little to change the competency bargain.

The competency requirements for civil servants in Hong Kong have evolved in some sense like those in the Australia, New Zealand and the UK, requiring more managerialist orientations and training. Unlike these countries, however, Hong Kong’s colonial heritage thrust civil servants into political roles from the very beginning. The introduction of a delegated agency-type bargain in 2002 initially put outsider politicians, who were also experts, in charge. They challenged the civil service, which then eventually retreated into a role that focused more on its expertise of managing bureaucratic process.

**Loyalty and accountability**

According to the Basic Law, the civil service is accountable to the government of the HKSAR (that is, the Chief Executive and the principal officials) (Basic Law, Art 99). We argue that Tung interpreted this accountability in agency terms. This meant that civil servants were seen as servants of political masters, that civil servants were ‘directable at will’ and were expected to transfer their loyalty to the government of the day (Hood and Lodge, 2006, 21). In this sort of bargain loyalty is highly prized. In exchange for their loyalty, demonstrated by enthusiastically accepting the direction of the CE (who in 1997 was virtually the only political appointee) and providing their expert judgment, civil servants were handsomely rewarded (Hood
and Lodge, 2006). As Hood and Lodge observe, citing the example of Singapore, ‘post-colonial
governments have also often sought to develop more of an agency style of PSB in their efforts to
bring formerly autonomous colonial bureaucracies under the heel of their new political masters’
(2006, 45).

To ensure continuity and to reassure jittery investors and citizens after several years of
acrimonious sparing between the British and Chinese governments over the transition
arrangements in Hong Kong, both sides agreed to transfer the entire senior civil service, lock
stock and barrel (with the exception of the Secretary for Justice) into the same senior policy
making positions they had held under British rule. They came to their ‘new’ positions, we argue
for the most part continuing to hold their trusteeship orientations. That is from 1997 civil servants
contested the newly-arrived agency bargain. Politicians sought to hold civil servants directly
responsible for policy outcomes, which civil servants resisted. In one case, the Director of
Housing refused to resign to take responsibility for short-piling in a public housing estate that
meant that two newly completed 33-story buildings had to be pulled down because they were
unsafe. He pointed out that as a civil servant he could only be dismissed for violating the civil
service regulations, which had not happened. The government apparently agreed with him
(Burns, 2004). In another case the Chief Secretary for Administration, who chaired the
government’s committee on the new airport, refused to resign after an investigation of the airport
opening fiasco in 1998 severely criticized her handling of the process. Again, the reason given
was that no civil service regulations had been breached (Burns, 2004).

Interviews with senior civil servants during the period revealed that they continued to see
their role in trustee-ship terms. The civil service, they pointed out, was the only institution in
Hong Kong that was truly protecting the public interest. Senior civil servants were especially
critical of Hong Kong’s elected legislature, which they continued to see as dominated by short-
term, electoral considerations. The circle surrounding the CE, and including officials of the
Central Government accused the Hong Kong civil service of obstructionism and disloyalty.
Indeed, central government officials with responsibility for Hong Kong publicly urged the Hong
Kong civil service to more enthusiastically support the CE (Burns, 2004, 65).

In the end, the Chief Executive decided that new governance arrangements were needed
to increase his control over the civil service and to demonstrate to the public that the government
was politically accountable to the community. POAS I (2002-07) was an attempt by the Chief Executive to install serial loyalist bargain, to make civil servants more responsive to political appointees. The design of the loyalty part of the system comprised strong element of ‘partnership bargain’, more particularly ‘serial monogamy’, a traditional Westminster-model of civil service: anonymity, politically neutrality and impartiality. In such a bargain, there must be trust and confidentiality between civil servants and political appointees. Civil servants enjoyed the ‘right to be heard’ by ministers in private in exchange for their loyal defense of the decided position in public (Hood and Lodge, 2006, 116-120).

_Loyalty and responsibility to whom?_ Since the introduction of the POAS in 2002, with the reality of fixed-term Chief Executives and governments, the political executive has formally instructed civil servants through the Civil Service Code to serve (and, thus, be loyal to) the government of the day. Civil servants shall provide ‘full, honest, and impartial advice, without fear or favor, and whether or not the advice accords with the views of politically appointed officials’ (Civil Service Code, 6.1). Although permanent secretaries are supposed to serve and support political appointees, they are accountable to only the ‘Minister’, and are not in a hierarchical relationship to the Undersecretaries or political assistants (Civil Service Code, 6.4).

Hong Kong’s constitutional design means that the government is unelected, and arguably lacks legitimacy, a weakness acknowledged by some ‘Ministers’. ‘The government, the CE, doesn’t have the so-called mandate, even though many sides would disagree. When LegCo said I’m elected by a lot of people to so-called monitor you, what can the CE say? The CE would not have the gall to take on, say, the media, [saying] ‘I think the media is no good’, but if the CE is elected by the people … you may not like it, but this is what I believe should be done….’’ (PO1) Indeed, Hong Kong’s most senior civil servant, who resigned in protest in 2001 over the proposal to introduce the POAS complained that in the reform ‘There is no indication as to how the process of political appointment will be legitimized in such a way as to ensure that political appointees have a mandate and are appropriately qualified to hold office. As the next Chief Executive will not be elected on the basis of universal suffrage, a process of validation is essential, to assure the public that political appointees will have the qualities necessary for good
governance … and will ultimately be accountable to the public and to the legislature." Because the CE and his appointees are not elected by universal suffrage, the normative argument about the division of roles between civil servants and political appointees has been contested.

Civil servants saw political appointees as lacking in commitment and a sense of mission, perceiving that they focused primarily on political survival making policy merely for political expediency, which some condemned. We asked interviewees to evaluate senior civil servants and political appointees in terms of their sense of mission, that is, the extent to which either party viewed their roles as an opportunity to make positive long term improvements for society (See Tables 10a and 10b). We found that political appointees tended to see themselves as having a mission while quite a few senior civil servants disagreed. More senior civil servants, however, tended to see themselves having a sense of mission, perhaps a holdover from their trustee-type orientation, while relatively more political appointees remained neutral.

Table 10a

<table>
<thead>
<tr>
<th>Sense of Mission</th>
<th>strongly agree</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
<th>strongly disagree</th>
<th>No basis to judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>POs n=13</td>
<td>7 (53.8%)</td>
<td>5 (38.5%)</td>
<td>1 (7.7%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Senior civil servants n=30</td>
<td>9 (30%)</td>
<td>12 (40%)</td>
<td>2 (6.7%)</td>
<td>6 (20%)</td>
<td>1 (3.3%)</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Politicians/Bureaucrats project, 2009-2010.

Table 10b

<table>
<thead>
<tr>
<th>Sense of Mission</th>
<th>strongly agree</th>
<th>agree</th>
<th>neutral</th>
<th>disagree</th>
<th>strongly disagree</th>
<th>No basis to judge</th>
</tr>
</thead>
<tbody>
<tr>
<td>POs n=13</td>
<td>2 (15.4%)</td>
<td>7 (53.8%)</td>
<td>4 (30.8%)</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Given the recent origins of the POAS system, and the dominant role civil servants played before 2002, we sought to better understand the perceptions of political appointees and civil servants to the system of ‘ministerial responsibility’ introduced with the reform, namely, that ‘Ministers’ were totally responsible for the success or failure of policy outcomes. To the question whether ‘the primary duty of the senior civil servant was to serve the interests of his or her Principal Official as faithfully and as competently as possible’ 77 percent of ‘Ministers’ among our interviewees agreed or strongly agreed while only 46.6 percent of senior civil servants among our interviewees agreed or strongly agreed. Indeed fully one third of senior civil servants disagreed or strongly disagreed with this statement (Politicians/ Bureaucrats Project 2009-2010). Perceptions on the degree to which senior civil servants have a duty to act in the general public interest, even if the wishes of their Principal Official may contravene this interest also demonstrated a gap. Eighty percent of senior civil servants among our interviewees agreed or strongly agreed with this statement, compared to 53.8 percent of political appointees among our interviewees (Politicians/ Bureaucrats Project 2009-2010). There is some evidence, then, of the divided loyalty and the contested nature of the government’s attempt to impose an agency bargain in 2002. A significant proportion of senior civil servants continued to see themselves as the arbiter of public interest, trustee-style. Their perception is probably reinforced by the lack of legitimacy of Hong Kong’s politically appointed government and the fact that permanent secretaries as Controlling Officers are accountable to the Financial Secretary (a political appointee since 2002) and must appear before LegCo’s Finance Committee and before LegCo and its Panels to answer questions on government policy (See Table 6). Unlike the UK and Dutch cases require permanent secretaries to sign individual performance agreements (van Dorpe and Horton, 2011; Steen and van der Meer, 2011) there are no such agreements at this level in Hong Kong. That is, formally at least, ministers and not permanent secretaries are held accountable (to the Chief Executive) for the success or failure of government policy.

---

| senior civil servants | n=30 | 8 (26.7%) | 19 (63.3%) | 3 (10%) | 0 | 0 | 0 |

Source: Politicians/Bureaucrats project, 2009-2010

14 Since 1993 as part of Hong Kong’s NPM, the heads of the five trading fund
In addition to differing perceptions about to whom they were accountable, not surprisingly civil servants and political appointees also contested what they should be accountable for. In spite of the various Codes of behavior, making ‘Ministers’ accountable for policy successes and failures, many political appointees perceived that they should only be held accountable for policy decisions rather than policy implementation or day to day execution. According to one retired ‘Minister’: ‘As ministers, we are not supposed to be on day to day execution. Otherwise, you can’t have time to sleep. So in my view, the responsibility lies on the civil servants to execute the policy. I say this not because I was a member of [the group of] political appointees, [but because] I believe we should distinguish between policy level and operational level.’ (PO4) Some others stressed that accountability should be collective, not just the duty of political appointees but also of civil servants under the new system: ‘…even if you are a civil servant, you have to be accountable to something else. … this system of appointment is the first step that addresses the civil servants’ red tape, to really put someone to be accountable [in] to the system and to the public. …The main point of [the] system is [the] political appointees, rather than accountability. But for some reason, accountability seems to have been much [more]appealing to the public [rather] than [the] political appointment system. I don’t think accountability is singular to this system, and is the highlighting point of the system. Rather, for the entire government, they have to be held accountable. Political appointment meaning that we [‘Ministers’] move, we retreat and we advance with chief executive, just like [the] American system has worked.’ (PO13)

In this environment, with contested perceptions and few written rules, cheating was inevitable. The adversarial environment of POAS I (2002-2007), that included economic decline, SARS, and a very brusing battle over national security laws, encouraged cheating and blame avoidance. In one case, the Harbour Fest Event, several ‘Ministers’ approved a plan for a private company to organize an event to re-launch Hong Kong after SARS. Yet, no ‘Minister’ was made responsible for the event, and when it was not executed as planned, they collectively blamed a civil servant who had been the Controlling Officer. He was disciplined and fined, action that was

departments do sign framework agreements with the Financial Secretary. Permanent Secretaries as Controlling Officers of their programs have formal responsibilities for the prudent management of their budgets through the Public Finance Ordinance.
overturned only through judicial review. No ‘Ministers’ took responsibility for the fiasco. In this case, the civil servant became a scapegoat to shoulder political responsibility (Rowse, 2009; Li 2011). In another case, taking responsibility for the handling of the SARS epidemic in Hong Kong, a civil servant, the Director of Health, failed to shoulder responsibility for a policy blunder. Instead, the politically appointed Secretary for Health resigned to take responsibility for waves of criticism of government’s slow reaction to the epidemic. But the statutory power to amend the law to implement more stringent control measures was actually in the hands of the Director of Health. Only in the wake of the SARS case did the Civil Service Code clarify that civil servants with various statutory powers should be held accountable for their exercise under the Laws of Hong Kong (Zheng, 2010).

**Political affiliation** The civil service in Hong Kong has long held ‘political neutrality’ to be a core value, both before and after 1997 (Burns 2004). Critics of the POAS claimed that its introduction would undermine civil service neutrality, in part because it would encourage senior civil servants to slant their advice to improve their chances of promotion and a political post later on. Under the POAS the terms of a ‘partnership’ bargain that included notions of anonymity, political neutrality, ‘the right to be heard’ and confidentiality, were set out, and political appointees were specifically admonished to uphold the political neutrality of the civil service (See Civil Service Code, 2009; Code for Principal Officials, 2007). The 2002 Circular and the 2009 Code differed somewhat in their interpretation of political neutrality, however. The 2002 Circular stressed neutrality as ‘loyalty to the government of the day,’ which added a new dimension to the traditional concept of political neutrality as held by the Hong Kong civil service, which meant ‘speaking truth to power’ (Scott, 2010, 81), that is, in the process of policy formulation, once a decision was made, civil servants should faithfully implement it irrespective of their personal views. Civil servants are also banned from speaking against government policies in the public (Civil Service Circular, 2002) In 2009 the Civil Service Code did not mention ‘loyalty to the government of the day’ as part of political neutrality; rather it defined the concept in terms of not allowing civil servants to take a personal political stance when they gave advice and made decisions. At the same time, ‘Ministers’ were admonished to ‘give fair

---

15 May 29th, 2002, Hansard; Anson Chan, the Chief Secretary until 2001 defended political neutrality when she left the post, see Scott, 2010, p. 81
consideration and due weight to honest, informed and impartial advice from civil servants”
(Code for Principal Officials, 2002; Code for Political Appointment System, 2008)

In practice, the terms of a ‘partnership bargain’ were contested by civil servants and political appointees. Among our interviewees, while political neutrality was mostly valued by senior civil servants, some outsider political appointees considered it a myth and an obstacle for civil servants to exercise their vision. According to one political appointee: ‘The problem is that they are told to be neutral, they are told because you are elite civil servant, you must not get yourself contaminated by pushing any particular things through because that’s not your job. So a lot of them feel frustrated. They see a lot of things that needed doing, is not being done, or they want to do something, but the minister says wait a minute, I’m not going to go to LegCo and talk about this.’ (PO10). And another: ‘My opinion on neutrality of civil servants, particularly senior ones is, nobody could be really neutral, and particularly for AOs. Up to a certain level, like the directorate level, they need to engage political parties and the public. And they need to have political sensitivity. So you can’t actually say totally neutral.’ (PO3)

Among our interviewees, civil servants overwhelmingly agreed with the statement that ‘government works better if civil servants are politically neutral’ (86.7 percent agreed or strongly agreed), while political appointees were less certain. Among our 12 principal official interviewees, seven (or 58 percent) agreed or strongly agreed (Politicians/Bureaucrats Project, 2009-2010)

Conclusion

Our discussion of the evolving PSB landscape in Hong Kong indicates that they are of the pragmatic hybrid variety. We have traced the evolution of what started out as primarily a trustee-type bargain with some agency elements during the high colonial era (See Hood and Lodge, 2006, 154-155), into what has become a delegated agency bargain with some trustee characteristics, especially as most ‘Ministers’ have come from among retired civil servants (See Table 11). Returning to our initial imagery of chameleon-like actors, the Hong Kong PSB has been primarily one of civil servants adapting to their surroundings and donning political garb as necessary. Hong Kong’s brief experiment with ‘Ministers’ from outside the civil service in control (2002-2007) was pronounced a failure by the civil servants and probably by the community at large. The outsiders, while experts in their own areas, were unable to master the intricacies of the bureaucracy, knowledge of which was required to get things done. Indeed,
when the new CE, a retired civil servant, was appointed in 2007 he campaigned for the post on the pledge of ‘I can get things done.’

Table 11

<table>
<thead>
<tr>
<th>EVOLVING PUBLIC SERVICE BARGAINS IN HONG KONG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bargain type and status</td>
</tr>
<tr>
<td>stable trustee-type, with some agency</td>
</tr>
<tr>
<td>pyramid and escalator, some turkey race</td>
</tr>
<tr>
<td>Sage, deliverers, go betweens</td>
</tr>
<tr>
<td>judge</td>
</tr>
</tbody>
</table>

Governance changes and reform have had a major impact on Hong Kong’s PSB. New public management initiatives, dating from the 1980s and 1990s, required civil servants to develop managerial skills. But the emphasis on individual performance was not pursued, and to this day Hong Kong has neither individual performance contracts for most senior civil servants nor performance-based pay. Regime change in 1997 provided an opportunity for a new political executive to impose an agency-type bargain, which was resisted by the civil service. Indeed, from 1997 to 2002, civil servants continued to see themselves as defenders of the public interest rather than as servants of the government of the day. The resignation of the Chief Secretary for Administration in 2001 to protest the introduction of the POAS symbolized the end of overt resistance from the civil service. In the 2002 governance reforms, the government imposed a delegated agency bargain on civil servants and brought ‘Ministers’ from outside to serve as their ‘masters’.

The reward component of the bargain continues to emphasize a pyramid and escalator form, with some turkey race elements and increasingly a lottery as the reward structure is more
tightly linked to Hong Kong’s volatile economy and civil servants eye the possibility of political appointments on retirement. With the government now apparently more eager to rely on the familiar (‘village life’-like) arrangements of appointing civil servants to ‘Ministerial’ positions, each permanent secretary and some deputy secretaries will have a possibility, depending on who is the next CE, to ‘move up’. The central government chooses the CE, and how the choice is made is very untransparent, which only adds to the lottery element.

The competency part of the bargain we have shown to be contested. Political appointees search for ‘wonk’ and ‘deliverer’ type civil servants while civil servants cultivate ‘sage’ and ‘go between’ type skills. NPM has undoubtedly had an impact in requiring more attention to managerial skills at the top of the civil service. So too has the arrangement that makes permanent secretaries the Controlling Officers for their program area. Introduction of the POAS, however, has required more go between-type skills among senior civil servants.

Hong Kong’s changing and contested loyalty component of the bargain came under further strain with the introduction of the POAS. We have documented cheating on both sides and attempts to shift blame.

How well does the notion of public sector bargains travel, especially to Asia? Although generalization on this question based on a single small case study is entirely unwarranted, we offer a few observations. In many Asian countries, the boundary between politicians and bureaucrats is blurred and, the same individuals operate in both political and administrative milieux. In ‘democratic’ Singapore, for example, ministers are recruited from among high flying civil servants who have been active in the People’s Action Party. In China, where even the premier and president of the People’s Republic of China are formally classified as ‘civil servants’ according to the Civil Servants Law, bureaucrats as they move up the administrative hierarchy take on more political roles (policy formulation, selling and defending policy, and taking blame). Also in China, the Chinese Communist Party selected political leaders (such as provincial governors) from among high flying executives of state-owned enterprises. In South Korea and Japan, bureaucrats retire early, enter politics and become parliamentarians or take on high-paying leadership jobs in quasi-public organizations (‘the descent from heaven’). That is, separate career structures for politicians and bureaucrats are something of a rarity. Yet the
concept of public service bargains has mainly been employed in European contexts where the roles of politicians and bureaucrats arguably are clearer.

Hong Kong is an interesting case of a European-style civil service system being grafted on to a Chinese social (and now political) system. We argue that while we have been able to use the concept to analyze the changing relationship between politicians and bureaucrats, using PSBs became more feasible when the government introduced the POAS governance reform. As the reform has been implemented, however, its initial intention to bring talent in to staff the political class has been subverted by the administration seeking, perhaps, more effective policy implementation, comfort and stability. Once again, the bureaucracy dominates in Hong Kong.
REFERENCES


Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China (1990) (online)

Bourgault, J. (2011) "Canada's Senior Public Service and the Typology of Bargains: From the Hierarchy of Senior Civil Servants to a Community of "Controlled" Enterpreneurs." *Public Policy and Administration* 26, no. 2 : 253-75.


Li, Wei, (2011) ‘How and Why Policy Entrepreneurship turned out to be a Political Accountability Crisis’ (paper prepared for the 69th MSPA Annual Conference, 31 March -3 April, Chicago.


Politicians Bureaucrats Project, 2009-2010 (Interviews with 57 current and former POs and senior civil servants, ongoing University of Hong Kong, Hong Kong).


Scott, I (1989) *Political change and the crisis of legitimacy in Hong Kong*, Hurst


**Documents**

*Budget Speech by Financial Secretary.*(2003).


*Code for Principal Officials under the Accountability System.*(2002)


*Code for Officials under the Political Appointment System.*(2008)

Speech by CE at the Symposium on Leadership Development for the Civil Service.

