“New Public Management in Hong Kong: Financial, Personnel and Performance Aspects”

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Abstract

Hong Kong had started the first Public Management Reform in the late 1980s when it was still under the British’s colonial rules. In 1992, a second wave of Public Management Reform launched when The Efficiency Unit was set up. After the handover of the sovereignty of Hong Kong in 1997, the newly established HKSAR (Hong Kong Special Administrative Region) Government was confronting numerous of challenges, it did not cease or slow down the public sector reform. The HKSAR Government had started a third wave of Public Management Reform and started a series of new reform programmes and policies.

This paper will discuss the public management reform launched in Hong Kong since 1989 and focus on the reform development since the establishment of the HKSAR Government in 1997. Major programmes introduced in the NPM reform will be discussed with respect to the financial, personnel and performance aspects as well. By analyzing the situation that the HKSAR Government faced after the handover as well as the reform programmes implemented, we can foresee the prospect on future Public Sector Reform in Hong Kong.

Keywords: Accountability, Hong Kong, Public Management Reform,
I. Overview: Development of the New Public Management in Hong Kong

The first Public Management reform in Hong Kong could be traced back to the late 1980s. This was a reform driven by internal force as well as the global trend. In 1980s, although the economic growth of Hong Kong had been slowed down, the recession in Hong Kong was regarded not a serious problem. In 1989, the Finance Branch (named as Finance Bureau now) published a Public Sector Reform document. However, the reform document failed to draw a high attention from the community as it neither arouse a wide discussion among the society, nor the media coverage. Since Hong Kong was still considered as stable and prosperous, it would explain why the Hong Kong people did not see the immediate necessity for the public management reform at that time. Among most of the countries to carry out public management reform, the main reason for carry out reform was to release the financial pressure. Hong Kong, however, was an exception one at that time.

For Hong Kong, the public management reform was driving by the fashion of the globalization. The rise of “New Public management (NPM)” in western countries, especially in U.S. and U.K. may explain the starting of the public management reform in Hong Kong in 1989. In 1980s, the fashion of the “New Public management” have started to spread throughout the


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world and became a global trend in public administration. Since then, many countries’ governments started to adopt NPM. For instance, the United States, United Kingdom as well as New Zealand have already adopted the NPM in 1980s. The main idea of NPM is to apply the business principles to the public sectors. It emphasizes on quality control and focuses on results. It is not surprising for the British rule’s Hong Kong to adopt public sector reform by the late 1980s as it was a trend among the western society. Since the British government started to carry out NPM in 1979, it therefore served as a model for Hong Kong. The main objective of launching NPM reform is to achieve the “Two Es”, higher “efficiency” and “effectiveness” or “Three Es” in addition with “economic” in governance.

A. Hong Kong (HK)’s first phase of reform: Public Sector Reform

1. anti-corruption reform in 70s

In the 70's, the Government began to address, out of some ethical and economic concerns, the basics of good governance, particularly "Living within Our Means" and "Accountability". Ethical issues in the early 70's led to the establishment of the Independent Commission Against Corruption (ICAC). For more than twenty years, this agency has done a great deal to secure honesty and integrity among civil servants. The ICAC has invested heavily in promoting a culture of clean government as well as effective enforcement action.

2. Public Sector Reform document in 80s

The Public Sector Reform document produced in 1989 started to address this problem. The reform document discussed ways of broadening the Government's financial and general management philosophy to include on-going review of baseline expenditure; proper evaluation of results; better definition of responsibilities; appropriate organization and management frameworks; and more management and less administration. Essentially, a significant change in the attitude and approach to spending public money was proposed in order to improve efficiency and give a better service to the public.
The Public Sector Reform document that published by the Finance Branch in 1989 had formulated seven principles:

1. Regular, systematic review of the whole of public expenditure
2. Systematic evaluation of benefits and costs of all government activities and the provision of such information to decision makers to affect policy reviews.
3. Definition and delegation of responsibility for policy, implementation and resources.
4. Accountability of managers for all expenditures incurred in support of policy objectives.
5. Provision of services through an organization and management framework that is appropriate to the nature of each service.
6. Improvement of the relationship between related policy and executive functions.
7. Improvement of the managerial skills of civil servants.

Although the Public Sector Reform document in 1989 had failed to catch the public’s attention, it marked the rise of the public sector reform curtain. The reform involved all traditional Government Departments, public corporation which found by the Government and non-departmental public organization.

B. HK’s second phase of reform: serving the community in early 90s

In order to inculcate a culture change into the public sector, the range of initiatives then followed were packaged around the theme of "Serving the Community", which was the second major stage of public sector reform. Following the setting up of the Efficiency Unit in 1992, the

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earlier initiatives were quite deliberately customer facing with a view to securing visible improvements in services. The Government named the series of initiatives under the banner of "Serving the Community". This was seen as the best way of gaining credibility for the change management and at the same time actively involving both the public and civil servants. Some of the examples included: Performance Pledges, Trading Funds, Customer Liaison Groups, and Customer Service Improvement etc.

C. HK’s third phase of reform: "managing for results" in late 90's

The handover of the Hong Kong sovereignty in 1997 marked the change of the regime. Entering the new SAR era, one of the curial task of the newly established HKSAR government is to earn the legitimacy and confident from the public. Government that leading by the first Chief Executive of HKSAR, Tung Chee-hwa facing high expectation from citizen. There was an unprecedented pressure for the government to strive for better performance. In response to such expectation, Chief Executive made plenty of promises to the public in his first Policy Address in October 1997. Unlike the situation of the colonial government, the driven force of the public administration reform since 1997 was not only from internal but also external, huge pressure and expectation from the community forced the government to move ahead with the times. Reforms were no longer taken in a low-profile manner. Driven by economic pressure under the Asian financial crisis in July 1997, the Chief Executive Tung Chee-hwa launched an Enhanced Productivity Programme (EPP) in his 1998 Policy Address. The programme achieved both short-term quantified productivity gains and a lasting improvement in public sector productivity by a combination of reduced growth in baseline expenditure, reviews of major spending areas, and changes in the management framework secured a more proactive resource management culture. Improving the management process is essential to sustained performance improvement. Recognizing that individual departments and policy bureau have different public management processes and programmes, the Government must bring together efforts across traditional organizational boundaries in order to secure real improvements.
The return of Hong Kong to China in July 1997 provided the impetus to tackle the challenge when the Chief Executive, Mr. Tung Chee-hwa intended to focus more on managing for results. The Government seized the opportunity of the Chief Executive's policy agenda to propose a Target-based Management Process (TMP) as a means of focusing Government on managing for results by results. Implementation is well under way and policy objectives for the whole of Government have been published reflecting the outcomes the Government is seeking to achieve for the community. Moreover, the process also helps the Government direct resources to priorities; clarify responsibilities and relationships; and manage delivery across Government by focusing on results. This is particularly important as problems such as the economic downturn and community concerns are no respecters of our organization structure. For the Government to achieve its aim to serve the community, citizens’ expectations must be met. But our resources are limited, and we must do all we can to achieve value for money, using our baseline resources to best effect while asking for additional money only when absolutely necessary. We therefore manage service delivery through key tasks designed to focus on effective and efficient performance and on continuous improvement.

II. New Public Management in Hong Kong: Financial Aspect

As early as 1989, the Finance Branch (now the Financial Services and the Treasury Bureau) published a report on Public Sector Reform in which the Hong Kong government stated that “we are seeking a change in the attitude and approach to the spending of public money in order to improve efficiency and give a better service to the public”. A reform proposal recommended by the report was the setting up of ‘Trading Fund’ departments. The difference between traditional and trading fund departments is that the latter would enjoy greater financial flexibility than the former. Trading funds are ‘accounting frameworks established by law for departments providing services on a quasi-commercial basis with the objective of recovering costs. Trading fund departments would operate on a commercial basis and aim at recovering costs. The overarching goal of a trading fund department is to become a self-financing department.
A. Implementation of Trading Fund Scheme in 1993

Under the Trading Fund Ordinance (1993), trading funds were set up in five departments, including the Companies Registry, Lands Registry, Office of Telecommunications Authority, Post Office, and the Electrical and Mechanical Services Department.

The basic criteria of a trading fund operation are that:

1. the revenue consists principally of receipts in respect of goods and services provided in the course of the fund’s operation;
2. financing by a trading fund would improve the management efficiency and effectiveness of the operation;
3. it is essentially providing a commercial or quasi-commercial service and
4. the operation should be able to break even and make a profit.

Trading fund reform represents the government’s efforts to decentralize financial management and increase the flexibility of government departments. The ultimate objective of trading fund reform is to transform government departments into organizations that could do more with less resource. Trading fund departments offer more commercial services and are allowed to “retain revenue and operate with more financial autonomy in order to improve services.”\(^3\) In addition, “the establishment of Trading Funds could be viewed as one of the critical steps toward introducing major changes through flexibility in management and exposure to open competition”\(^4\) Under the Trading Fund reform, competition and pressure were inevitable, a customer-driven system was resulted, cost reduction and higher efficiency were achieved deservedly.

\(^3\) Ibid.


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B. Private Sector Involvement

As for the 'Private Sector Involvement (PSI), the major types are Privatization, Public Private Partnerships (PPPS) and Outsourcing. In 1999-2000 budget speeches, Financial Secretary Donald Tsang stated contracting-out, privatization as immediate targets of the government’s reform. These policies can improve the low cost-effectiveness of operation and release the financial pressure of the Government.

1. Privatization

For instance, The Hong Kong SAR government announced the Privatization Plan of the Airport Authority(AA) on 6th, August 2003. Besides, the Mass Transit Railway Corporation (MTRC) is another example of privatisation of public corporations. By privatizing public corporation such as the AA and MTRC, the old public services therefore could be operated more efficient and achieve higher cost-effective by its investors.

2. Public-private partnerships (PPPS)

For Public-private partnerships (PPPS), they are more commonly adopted in recent years, which public and private sectors both bring their complementary skills to a project. Hong Kong Disneyland, Cyberport and the West Kowloon Cultural district Project would be famous examples. These joint ventures which involved a huge among of investment represent that the Hong Kong Government attempted to increase its capacity in economic development. The Efficiency Unit also issued a booklet 'An introductory guide to PPPS" to Public-private partnerships in August 2003, more Public-private partnerships projects would therefore come in foreseeable future. Nevertheless, the ultimate aim of private sector organization is always to earn more profit. The recent practice of the PPPS revealed the drawback of such projects: Hong

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Kong Disneyland, Cyberport and the West Kowloon Cultural district Project may serve as examples to demonstrate this failure.

Hong Kong citizens are discontent towards Hong Kong Disneyland’s lack of accountability: Numerous of management mistakes were reported since the grand opening of the Hong Kong Disneyland. For example, in the lunar New Year 2006, many tourists with tickets could not enter the park because the park has already met its full capacity. Some tourists then climb over the barrier gates in order to get into the park. This was definitely a shame experience of Hong Kong Disneyland. For the case of Cyberport, the Hong Kong Government was criticized by the public for assigning the partnership project to PCCW in 2000 without a competitive bidding process. Similar case also happened in the West Kowloon Project: Citizens believed that the rich developers had benefited and were given preferential treatment from the Government.

3. Out-sourcing

Departments out-sourcing were another common seen practice in recent year. According to the data from the Efficiency Unit, on 31st July 2006, there were 3984 government outsourcing contracts, the total value of the contracts were $208 billion, with $135 billion (65%) on works and $73 billion (35%) on non-works services. The total annual expenditure was $44.14 billion, with $32.07 billion (73%) on works and $12.07 billion (27%) on non-works services. The main purpose of departments to outsource is to acquire services unavailable in-house and to reduce cost. For example, in 2006, the non-works services that were originally delivered in-house have been achieved an average savings of 26.6%.

PCCW Limited is the premier telecommunications provider in Hong Kong and a world-class player in Information & Communications Technologies (ICT). PCCW offers comprehensive telecoms and infotainment services to Hong Kong consumers and businesses, as well as a full range of integrated ICT solutions for the private and public sectors locally and abroad.

Ibid.

2006 Survey on government outsourcing by Efficiency Unit (Accessed 2008, February 26)
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4. Drawback of Private Sector Involvement: Lack of accountability

Hong Kong citizen have always show their demand for social fairness. It is not hard to understand why the public are always questioning on the fairness of contracting-out, public-private partnership and privatization programmes. Looking at the cases in other western countries, out-sourcing, PPPS and privatization programmes are not new or fresh ideas. They not only could help government to release financial burden and but also enhance the quality of the services. In fact, in Hong Kong these projects also achieved money saving and earning profit as stated above. Therefore, the ideas of out-sourcing, PPPS and privatization of public services are nothing wrong in its nature. The main problem of these projects in practicing in Hong Kong is lack of accountability.

To eliminate the dissatisfaction feeling of the citizen, government should enhance the transparency of the operation of such projects as soon as they negotiate the co-operation with the private sector. It is a matter of fact that, public’s expectation is increasing day by day, accountability is essential in practicing these projects, especially when mistakes or errors occurred. Government should strengthen supervise and monitor the management. If our Government is able to make these changes, contracting-out, PPPS and privatization would receive a warmer welcome by the community and achieve a “triple-win” situation, which not only Government and private sector advantaged but most importantly, the citizen could also be benefited.

HK has a long history of involving the private sector in delivering services, particularly through out-sourcing. Most of the government departments had adopted it in delivering their services. To obtain opinions, evaluate the effectiveness and make further improvement, the EU conducted surveys of government departments using outsourcing regularly since 2000.

III. New Public Management in Hong Kong: Personnel Aspect
A. The early Personnel Reform after the 1997 handover

Before the change in sovereignty in 1997, Hong Kong citizens were generally satisfied with the performance of the Hong Kong civil service and regarded it as a team of highly professional and efficient staff. However, several events in one way or another triggered the personnel management. First, since the introduction of direct elections in 1991, the Legislative Council has taken on a more active role in overseeing the work of the government. Second, as Hong Kong society became more advanced and wealthy, and as its people gained an increasing level of civic awareness, a rapid development in Hong Kong's civil society demanded better public services, greater accountability, responsiveness and efficiency from the government. Third, the introduction of public sector reform in 1989 rendered changes in the civil service management system necessary. After turnover, the 1997-98 Asian financial crisis brought Hong Kong's economy to a bottom with a high unemployment rate. The economic 'hard times have thrown into sharp contrast the comfortable salaries and security of employment enjoyed by Hong Kong's civil servants compared with the rest of the workforce. The ongoing economic crisis and record high unemployment rates have presented senior officials with a rare window of opportunity to make reforms which could not have been embarked upon during an era of greater prosperity. Reform is now politically acceptable and socially desirable, as well as making good economic sense. All of these factors explain why human resource reform accelerated after 1\textsuperscript{st} July 1997.

In 1989, the then Finance Branch published a report on Public Sector Reform. The Public Sector Reform report also recommended the government to consider whether the authority to control staff - especially at the general grades - should be delegated from the then Civil Service Branch (now renamed as Civil Service Bureau) to individual departments. Such a recommendation was implemented in 1995. From 1995 onward department heads were permitted to lower entry qualifications to facilitate hiring and to employ staff on non-civil service short-term contract terms. As a result, more civil service posts were filled by non-civil service contract staff. Similar to practices found in other developed countries, the Hong Kong government began to recruit people from outside the civil service directly into middle-level and higher-level positions in the civil service that traditionally have been held by those within the grade. Finally, to enhance the quality and performance of government departments, the government introduced
the Management-initiated Retirement Scheme (MIRS) in September 2000. MIRS was applied to permanent and pensionable civil servants at directorate-level if the government considered that their continued service would 'hinder organizational improvement to the department or grade;' or if their retirement was considered to be 'in the interest of organizational improvement of a department or grade. Overall, the government asserted that the scheme would allow for the injection of new blood by creating space at the directorate ranks, and thus helping to maintain the quality of senior civil servants.

B. Civil Service Personnel Reform after 1999

In response to the 1998 financial crisis and public frustration, a Civil Service Personnel Reform consultation document published in March 1999. It created much controversy among the society when comparing with the first reform document published 10 years ago. Not just because of social unrest, high officials of Government have pointed out the aim of the reform. “To make the civil Service more open, more accountable, more able to attract talents and remove poor performers and more cost-efficient.” Said Woon-kwong Lam, the Secretary for Civil Service at that time. In addition, Anson Chan, the Chief Secretary for Administration at that time, addressed in the first issue of the Civil Service Reform Newsletter, "the civil service must be in step with expectations of the community, it must be alert to the changing needs of the community, and must improve itself and enhance its efficiency and flexibility to meet the challenges ahead ... we have initiated this debate on Civil Service Reform not because of pressure from the community to do so, although there is undoubtedly public interest in this. The main reason is, with transition behind us, it is opportune for us to take a hard look now to see

9 Lam Woon-Kwong (2001), Foreword. In Cheung B.L. Anthony & Lee C.Y Jane (Eds.), Public Sector Reform in Hong Kong, Hong Kong: The Chinese University Press.
how we can position ourselves to serve the community in the next millennium”.\textsuperscript{10} Meanwhile, many discoveries of civil service waste and sleaziness cases by the Director of Audit in his “value for money” audit reports after the 1997 handover has also evoked a greater pressure for the reform.\textsuperscript{11}

1. The reasons for the reform have also been mentioned in the consultation document. They can be summarized as four points:

2. Hong Kong was suffering from severely economic downturn and unemployment rate keep climbing after the 1998 Asian Financial crisis. Expectations from community towards the Government keep rising.\textsuperscript{12}

3. Public were discontent about the government performance in handling of a number of specific incidents, they criticized about the efficiency of certain, in response to such opinions, government determined to improve the civil service.\textsuperscript{13}

4. To keep pace with the community and to Ensure Government of the HKSAR has a clean, trustworthy, quality, efficient Civil Service.\textsuperscript{14}


\textsuperscript{11} Lee C. Y. Jane (2001) The Changing Context of Public Sector Reform and Its Implications in Hong Kong. In Cheung B.L. Anthony & Lee C.Y Jane (Eds.), \textit{Public Sector Reform in Hong Kong} (pp.64), Hong Kong: The Chinese University Press.


\textsuperscript{13} Ibid.

\textsuperscript{14} Ibid.

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Seize this opportunity to review in depth the current civil services management system, make the system more flexible so as to meet the needs of the community.\(^\text{15}\)

There are three main objectives of the reform:

1. To create an open, flexible, equitable and structured civil service framework, with more flexible means of entry and exit to allow for intake of talent and removal of non-performers at all levels\(^\text{16}\);

2. To create an enabling and motivating environment for civil servants by a competitive remuneration package and performance-based reward system to attract, retain and motivate civil servants;\(^\text{17}\)

3. To create a proactive, accountable and responsible culture, increase the sense of responsibility and motivation of civil servants all levels, enhance efficiency and quality of service, and nurture a performance-based and service-oriented management culture.\(^\text{18}\)

The government had realized the importance of the flexibility of human resources for managers. As a result, the flexibility of human resources managements were increased, it could therefore achieve a greater success along with the financial management flexibility that increased of previous reform.\(^\text{19}\)

\(^{15}\) Ibid.  
\(^{16}\) Ibid  
\(^{17}\) Ibid  
\(^{18}\) Ibid  

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The reform reviewed on the entry and exit of civil servants by introducing new entry terms, appointment system and retirement system. Under the reform plan, only the disciplined services members, for instance, the Police Force, Customs and Excise departments and the Immigration, were remained as permanent employees, however, over 120,000 civil servants would be employed on contract basis. Meanwhile, the government introduced a pay freeze and freeze on hiring new staff as permanent civil servants, offering new recruits one to five years contracts. It should be noted that, the reform plan for civil servants in 1999 was focusing on new recruit, according to the Basic Law, the policies that Hong Kong SAR Government should not affect its current employees. Such plans were still received a tremendous opposition from civil service associations and unions. Nevertheless, considered the economic downturn and recession, Tung Chee-hwa, Chief Executive of the Administration at that time, believed that civil services should have changes so as to move forward with the times. He therefore determined to carry on the plan and reforms were started in 2000.

IV. New Public Management in Hong Kong: Performance Aspect

In 1992, the new Governor of Hong Kong, Chris Patten arrived. Following his arrival, the Efficiency Unit (EU) was set up to ensure the reform principles implement in a proper manner. The EU reports directly to the Chief Secretary for Administration. Its ultimate mission is to ensure the civil services run in an effective and efficient manner. Under the banner of “Serving the Community”, the EU had laid down the aims and values for developing future plans, the aims and values were then transformed into four core principles, namely, “Living within Our Means”,


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“Managing for Performance”, “Developing our Culture of service” and “Being Accountable”. Under the four core principles, government also devised a set of programmes, such as Performance Pledges, Trading Funds, Customer Liaison Groups, Code on Access to Information and Customer Service Improvements.

A. Performance Pledges

‘Performance management’ (Sometimes it is also referred to as ‘management by objectives’) has been borrowed from management practices in the private sector. Essentially it involves establishing clear goals for organizations, specifying desired objectives (or outcomes) that can be measured by means of performance indicators and providing incentives (both for the organization and for individuals) to improve actual performance. The advantage of this system is that it forces organizations to clarify exactly what they are doing and what they hope to achieve. The overarching purpose of an organization is drafted as a broad goal or mission statement. For example, a health department might see its mission statement as providing the best health care available to citizens. Having established its general goal, an organization would then set more specific objectives. These should be measurable outcomes. At the same time there is a clear line of accountability with everyone from the lowest level to the highest being answerable to a supervisor for his or her annual performance.

Look at the earliest stage of the reform of public sector in Hong Kong, “Performance Pledges” have to be mentioned in the very beginning. “New governor Patten…emphasis on viewing the public as clients…the method of achieving this objective was through the introduction of “performance pledges” to all government departments.” 22 Performance Pledges publish by government departments every year, which set out the performance standards of services which the public has the right to expect. 23 The Performance Pledges was one of the

22 Ibid.

programmes that undertaking in a high-profile manner. By setting out quantity measure, citizen could supervise the quality of public services. It create a positive pressure from both within the Government and out with the government. Under this programme, departments with identified customers hold meeting regularly, discuss about service improvements with their customers. Moreover, “Code on access to Information” was carried out by the government in order to be more open and accountable. “The Code authorizes and requires civil servants, on request, to provide information within specified time frames unless there are good reasons for not doing so.”

B. Customer Service Improvements Programme

Numerous of departments were resourced to conduct customer surveys so as to improve the services that provided by them. The Hong Kong Police Force was one of the departments that pay special attention to this programme.

C. Managing for Results

One of the first reforms carried out immediately after July 1997 was the introduction of the Target-based Management Process (TMP). Having the experience learned from overseas administrations, especially from New Zealand, Hong Kong SAR Government recognized the need to change the management process and introduced a new focus, “Managing for Results” by proposing a Target-based Management Process (TMP). In short, TMP was designed to focus on results, direct resources to priorities, clarify responsibilities and relationships as well as manage delivery across Government departments. Under TMP, a top-down hierarchy was established. At the top level, it specified the policy objectives and key result areas explicitly. Afterward, it will

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consider the practical steps and activities would be implemented. This system played an important role in the public sector reform by providing wide executive information.

**D. Enhanced Productivity Programme**

In October 1998, the HKSAR government launched an “Enhanced Productivity Programme” (EPP). This programme was coordinated by the Efficiency Unit. Its purpose is to achieve quantified productivity improvement in both short term and long run, by combination of reduced growth in baseline expenditure. Under EPP, government placed importance on policy objectives. Firstly, policy objectives allowed government to priorities bids when there are additional resources. Secondly, policy objectives allowed government to ensure the resources and efforts were directed to real priorities. The EPP also required all administrative units to achieve a 5% improvement in productivity from 2000-2003. The EPP achieved a remarkable success in allocating resources, enhance productivity and reduce cost. According to the official EPP booklet published by government, government bureau, departments and subvented organizations delivered total productivity gains of $818 million in 1999-2000. During year 2000-2001, 20 Bureaus including the Chief Executive's Office saved 28.92 millions HKD, 65 departments participated in the EP, which recorded 783.39 millions HKD saving. Furthermore, 15 subvented organizations contributed 335.30 million HKD saving for the HKSAR government. A Total 1,147.61 million HKD was achieved under EPP in year 2000-2001. In financial year 2001-2002 and year 2002-2003, the EPP continue to achieve a progressive success, which saved up 2,247.71 million HKD and 2,036.19 million HKD respectively.

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25 Ibid.13
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In addition, the five “Trading Fund” Departments continued to operate under the HKSAR administration and were categorized as a part of the EPP. They have been given additional flexibility in managing resources in order to increase productivity. During financial year 2000-01, 2001-2002 and 2002-2003, they saved up 312.62 million HKD, 307.86 million HKD and 231.03 million HKD respectively.

Chief Executive Tung Chee-hwa once addressed reform for education policies was one of his major goals. In July, 1998, a consultation report on the Review of the Education Department was published. The consultation document quickly became a controversial topic. One of the famous new policies was “Mother tongue as the medium of teaching”. All secondary schools except those qualified to remain to use English as teaching medium were forced to carry out this policy. However, the education reform did not create a good image for the newly established SAR government mainly because of its lack of consultation and flexibility.33

E. Citizen Centric Services Programme


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The HKSAR Government launched the 'Citizen Centric Services Programme' in order to design and delivery government services which meet the needs of citizens across departments and channels. The key element of the programme is customer feedback. Customer feedback is a vital tool for understanding the needs and expectations of citizens better. The recent initiatives under 'Citizen Centric Services Programme' including the “Customer Management Assessment Framework” and the “Integrated Call Centre (launched in 2001)”.

F. Customer Management Assessment Framework

The Customer Management Assessment (CMA) Framework was launched in 2007. Its function is to assist bureaus and departments to review their customer relationships and customer satisfaction levels. The CMA Framework has been adapted from several industry-proven customer management models to fit the unique government environment in Hong Kong. It is an assessment framework provided departments with an integrated and structured approach with which to review their customer-related activities and identify improvement opportunities to deliver quality services to the public.34

G. Integrated Call Centre (launched in 2001)

A contract costing $48 million HKD was signed between the HKSAR Government and Pacific Century Cyber Works Ltd. (PCCW) in November 2000 for establishing a integrated contact centre for HKSAR Government. As a result the Integrated Call Centre (ICC) launched in 2001 and was fully operational in October 2002. It provides a 24 hour, 7 days one-stop service. Citizen can make enquiries, get information and address complaints for a wide range of government services for 20 departments by the Citizen’s Easy Links hotline “1823”.35

34 Ibid.


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H. Public Service delivery through teamwork among departments

More recently, Government innovated a new direction, which is to provide public service through teamwork while all departments as a whole. It is believed that by departments work in a coordinated manner could improve the public service delivery. Government therefore designed joined-up services between to fulfill the needs of the community. For instance, in 2008 February, a new scheme was launched in order to reduce the time that public hospital patients wait for cataract surgery, The Government has allocated 40 million HKD to the Hospital Authority to implement this scheme, 70 private ophthalmologists have already signed up. Moreover, the Hospital Authority is piloting a project to share electronic patient records, in order to provide a continua care for patients, cut costs by avoiding repeated investigations and reduce medical errors. To cite another example, Hong Kong Police Force is now piloting cross-discipline initiatives. In the New Territories South Region the Police have adopted a multi-agency coordinate with psychologists, educators and social workers to handle and reduce juvenile delinquency.36

IV. Recent Development of the New Public Management in Hong Kong

A. The 1st Chief Executive Period: Tung Chee-hwa’s era (1997--2005)

The first five years following the handover of Hong Kong (1997-2002) was widely regarded as a dark period by the Hong Kong citizen. Social unrest and frustration were seen and heard everywhere. Such dissatisfaction reached a climax on the 1st July 2003, the 6th anniversary of the

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handover, which half a million of people went on the streets to express their frustration and discontent with the poor performances of the HKSAR Government. Did it indicate the failure of the Public Management Reform in the post-1997 Hong Kong?

Hong Kong was involved in the Asian Financial crisis and suffering an economic slump only three months after the British handed the sovereignty back to the People Republic of China. As a result, economic downtown and recession were an inevitable outcome. On the other hand, the Legislative Council of Hong Kong was fully elected in 1998. Consequently, most of the politicians regarded monitoring the Government as their mission and obligation. Along with the media, politician trend to opposite and criticize the government frequently, which evoked the awareness of the general public to expect the HKSAR Government to improve their performance. Government thus faced severe criticism by politicians, media and the public about its efficiency. Actually, it is not hard to understand people tend to look for someone to blame under such a difficult time. To be fair, when the unexpected Asian Financial Crisis attract the countries among Asia abruptly, it is not possible for a single country or enterprise to withstand. Hong Kong was therefore no exception. It was not reasonable to blame all on the Government of the HKSAR about the accidentally economic decline.

Nevertheless, many social unrest, frustration and discontent during the first five years after the handover could be attributed to the misrule of the HKSAR government leaded by the first Chief Executive of the HKSAR, Tung Chee-hwai. As soon as the establishment of the HKSAR Government, the fundamental problem that it confronted was the legitimacy of the authority. The HKSAR Government was just quickly obtained the power from the central government in Beijing instead of getting local mass base support. Worst of all, the newly established SAR government left a bad image to the public about its lack of consultation and flexibility while implementing policies, forcing “unqualified secondary schools” to adopt the mother tongue as teaching medium policy was a good example. As times go by, Hong Kong citizen was in despair. According to a poll done by media, the level of optimism for the future of Hong Kong dropped from 60% in June 1997 to 26% in April 2002, three months before the fifth anniversary of the handover.
Hong Kong experienced a historic date on the 1st July 2003, the 6th anniversary of the handover. Half a million of people went on the streets to express their frustration and discontent with the performances of the Hong Kong Special Administrative Region Government. 2003 was the darkest period for the Hong Kong people after the handover. We had faced many dramatic incidents, such as the outbreak of SARS, the blunder of the Financial Secretary, Mr. Anthony Leung, as well as the proposed legislation to implement of Article 23 of the Basic Law. The Tung Chee-hwa Government failed to tackle these problems. The Government handled the SARS incident badly; as a result nearly two hundred Hong Kong citizens were dying. The Secretary for Security, Mrs. Regina Ip took a sledgehammer attitude to the drafting and “consultation” on Article 23 angered the public. In addition with the unemployment and negative equity, Hong Kong citizen’s dissatisfaction reached a peak level. Finally, the public lose all the confidence to the Chief Executive and could not tolerate for the misrule of the Tung’s government anymore. Thus, the demonstration happened on the 1st of July 2003.

Despite it was an iron truth that the inability of the Tung Chee-hwa’s government could neither gain the legitimacy nor earn the confident and support from the Hong Kong citizen, under his first term of being the Chief Executive of HKSAR (1997-2002) (2002-2005), Tung Chee-hwa’s government had continuing to undertake the public sector reform which was initiated since 1989. There were numerous successful achievements by the implement of public sector reform programmes which should not be neglected. The social unrest and dissatisfaction in the first few years after the handover was an undeniable fact, it was mainly resulted of the inability and misrule by the Tung Chee-hwa’s Government. The discontent feeling among the society could not be an indicator of the fail of the Public Sector Reform as the social frustration was due to numerous of incident such as financial crisis and the outbreak of SARS. We could not blindly generalize all the policy and administrate as failure because of the social unrest. Especially, the effort and achievement of the Public Sector reform should not be under-estimated. After 1997 handover, the Public Sector reform was no longer merely a self-awareness exercise within the civil service. Instead, it encountered with external pressure and carried out to cope with crises. In fact, the Public Sector Reform that undertaken in the post-1997 Hong Kong had successfully achieved significant and remarkable results, it increased the productivities and enhanced the efficiency of the Government. The reform had met numerous of its objectives, if not all, for
instance, the “Target-based Management Process” (TMP) provided wider executive information for public administration. It enabled the administration to direct resources to real priorities clarify responsibilities and relations as well as manage delivery across Government departments; The Enhanced Productivity Programme (EPP) success in allocating resources better, enhance productivity and reduce cost. Over thousand millions HKD saving was recorded under the EPP per year. In addition, the five “Trading Fund” Departments continued to operate under the new HKSAR administration also saved up hundred million HKD per years; For the Civil Service Reform proposed in 1999, it released the financial burden by reducing the expenditure of the government. Last but not least, the Private Sector Involvement improved the low cost-effectiveness of operation and released the financial pressure of the Government as well.

B. The 2nd Chief Executive Period: Donald Tsang’s era (2005-present)

During the present Chief Executive, Donald Tsang’s administration, he continued the effort of Public Sector Reform. For example, the Public Sector involvement programmes are still widely adopting. At the same time, new initiatives are implemented, such as public service delivery through teamwork, Citizen Centric Services Programmed and the EU’s joining of Hong Kong Association for Customer Service Excellence. All these are contributing to our government to work in a more efficient and economical manner.

The Chief Secretary for Administration, Henry Tang, spoke at the Public Sector Reform Conference on 27th, March, 2008 on the topic “on the next generation of public services.” During the conference, the CS asked the audience to vote for the overall services provided by the Hong Kong Government and the private sector separately. As a result, the Government services scored 7.2 out of 10 while the private sector of 7.6 out of 10. Actually, the Efficiency Unit has done three public opinion surveys covering the above two questions over the past year. Although it is a common sense that there are several fundamental differences between public and private sectors, for examples, the public sector is not profit driven, most of the public services have little or no competition, however, this not uncommon to hear the people in Hong Kong to compare the services quality of Government with the services provided private sector. The results of the votes
and surveys indicated that the overall performance rating of the Government is comparable with the services provided by private sector. The surveys also indicated that the Government performs best in terms of fairness and competence of staff, and least well in terms of timely provision of service and in response time. Our Government should pay a special attention to improve their weaknesses and maintain their strength in order to provide services as least as good as the private sector, if not better.  

Actually, Public Sector Reform Development could not be accounted easily, for example, we cannot simply measure the effectiveness of the reform by viewing the overall government productivity or expenditure. For example, the increase and decrease of government's annual expenditures and the size of civil service depends on many factors, including economic situation, demand for new service and implementation of new initiatives. So an increase or a decrease of government expenditure could not indicate the effectiveness of the reform. Therefore, “customers’ satisfaction” (citizen’s satisfaction) maybe is a more accurate indicator in evaluating the effectiveness of Public Sector Reform. Look at the charts of poll about “Appraisal of Degree of Efficiency” from June 1997 to February 2008, done by the HKU Pop site in the table 1.

We can notice that the rating of the government have recently scored over 7 (scored 7.18) again in August 2007 and maintain this score until the latest poll (February, 2008). It is the first time the rating scored higher than 7 since March 1998 (which scored 7.18 at that time). It is an encouraging result which admired the efficiency of Government. The citizen’s satisfaction about Government efficiency is now raising steady and very likely will maintain high rating even if it will not be keep raising.

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Table 1: Appraisal of Degree of Efficiency” from June 1997 to February 2008.  


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As we can see, the lowest rating the government received after the handover is in 2003, and the trend of scoring a low rating started since 1999, so we can easily attribute the reasons to the economic recession after the Financial Crisis as well as a series of misrule in 2003. With the economic recovery and stronger administrate under the present CE, Hong Kong citizen are now showing their higher satisfaction to the efficiency of public services. It again proved the citizen would easier mixed up the economics consideration with the public administrate, therefore the social discontent throughout the first few years after the handover could not draw to a conclusion of the failure of the Public Sector Reform.

There is another interesting point can be noticeable in the poll, the HKSAR Government has never been rated as high as the colonial Government under the British rule’s. The colonial government was rated 7.63 in June 1997 while the highest score of the HKSAR Government was 7.18 during the early 1998. It has been more than ten years since the handover, is that our government efficiency have never been meet up the level of the colonial government? Is that our Government efficiency in 2008 is not improving but even declining when comparing to ourselves in 1998? Obviously, the answer is negative. So why didn’t the HKSAR government rated as high as it did in 1998? Why did the HKSAR government rated lower than the colonial government score in June 1997? I believe that, it is because of the raising expectation and demand of the citizen. It is not reasonable to say the government efficiency keeps declining. It would be more fair to say the pace of our Government to improve is slower than the rapid grow of citizen’s expectation. Nowadays, citizen’s expectation towards the government is extremely high not only in Hong Kong but also all over the world. To think in a positive side, it could be a positive pressure for Government to strike for improvement and creating an opportunity to maximize their ability to serve the citizen.

C. Prospect of the New Public Management Reform in Hong Kong

To start with, as the expectation of citizen will continue to serve as a strong driving force for Government to improve their performance, the Public Sector Reform in Hong Kong will
defiantly keep going in the coming future. The HKSAR government will rethink its role in the public sectors from time to time because changes are inevitable for fulfilling the changing needs of the citizen. External factor, for instance, the globalization and technological innovation will also be the factors that affecting the future reform. Actually, the objective of Public Sector Reform can be simplified as “to do more with less” or “to do better and cost less”. Resources for meeting demands and expectation are always limited and finite, the golden principle, “to do better and cost less” therefore will still be an ongoing task for our Government. The Efficiency Unit had pointed out that “putting citizens at the heart of public service provision will be the mantra guiding future public sector reform.”\(^{39}\) Actually, the Chief Executive, Donald Tsang had expressed a similar idea in his latest Policy Address, "identify what our people need, so as to provide them with more efficient and convenient services..." One common understanding of public sector reform is that, citizen are the “customer” of public services, to meet the needs and expectations of the customers, policies have to be designed under a customer-orientated doctrine instead of a resource-oriented. The Chief Secretary, Henry Tang had provided supplement ideas in the Public Sector Reform Conference which held on 27\(^{th}\), March, 2008. The topic of the Conference, “on the next generation of public services” has disclosed the future plan of public sector reform. Firstly, higher levels of service will continue be expected by citizens in the future. Secondly, government will tailor the public services for the next generation. Setting targets and objectives for future instead of just for present, it could point the effort to a right direction. The Chief Secretary for Administration has also mentioned the encouraging result from the Hong Kong General Chamber of Commerce's Business Prospects Survey 2007. According to the survey result, Hong Kong scored 9 points out of 10, for its business strengths including civil service efficiency, legal and regulatory framework, tax regime and physical infrastructure. It marked the success of improving civil service efficiency. The efficiency civil service received a warm welcome by the investors. Meanwhile, Hong Kong scored much less favourably on the cost of doing business. So, to balance the high costs by rising service and productivity will be a notable task of HKSAR Government.\(^{40}\) In the coming future, the right way of Hong Kong is to

\(^{39}\) Future Public Sector Reform Agenda by the Efficiency Unit. (Accessed 2008 February 4).


\(^{40}\) CS speaks at Public Sector Reform Conference 2008 (Accessed 2008, March 31).

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learn from experience and devise and implement unique reforms with own characters which customize to meet the need of Hong Kong and the Hong Kong citizen.

V. Conclusion

The sovereignty of Hong Kong had been passed back to the People Republic of China for over ten years. Despite the early years after the handover was regarded as unpleasant experience due to the inability of crisis management of the HKSAR government. However, the Public Management Reform since 1997 have successful to obtain a more efficient and effective governance in face of economical downturn and Asian financial crisis. Since then, procedures of public services delivery were simplified. Hong Kong Government has enhanced productivity by adopting a more flexible and autonomy financial, personnel and performance management programmes. The Hong Kong Government has taken NPM reform opportunity to enhance public services quality and to relieve financial pressure. As the expectation of citizens will continue arise, the Government has a strong driving force for improving its performance. Moreover, external factors, such as the globalization and technological innovation, will also be a strong driving force for future reform. Undoubtedly, The NPM Reform will continue in the future.

The objective of Public Sector Reform can be simplified as “to do more with less” or “to do better and cost less”. Resources for meeting demands and expectation are always limited, the golden principle, “to do better and cost less” therefore will still be an ongoing task for our Government. One common understanding of the recent public management reform is that, “citizen are the “customer” of public services”, to meet the needs and expectations of the customers, policies have to be designed under a customer-orientated doctrine instead of a resource-oriented approach. As the Chief Secretary, Henry Tang had provided supplement ideas in the Public Sector Reform Conference which held on 27th, March, 2008. The topic of the Conference, “on the next generation of public services” has disclosed the future plan of public management reform of the government. Firstly, higher levels of public service will continue be


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Commerce in 2007, Hong Kong scored 9 points out of 10, for its business strengths including
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It marked the success of improving civil service efficiency. The efficiency civil service received
a warm welcome by the investors. Meanwhile, Hong Kong scored much less favourably on the
cost of doing business. Therefore, justifying the high operating costs by increasing the
productivity and the quality of service will be an important task of the Hong Kong Government
in the future.
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