

THE IMPACT OF PUBLIC SECTOR REFORM ON HUMAN RESOURCE MANAGEMENT IN HONG KONG

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INTRODUCTION

Public sector reforms have been widely launched in many modern governments under the name of New Public Management (NPM). In the minds of managerial reformers, the traditional paradigms and practices of public administration need to be "reinvented" (Osborne and Gaebler, 1992). This reflects a process of progressive movement different from the Weberian approach of public administration based on hierarchical order and bureaucratic neutrality. Instead, a post bureaucratic model which is anticipatory, strategic, result directed, based on executive leadership, market oriented, customer driven, and entrepreneurial is advocated (Aucoin, 1990). New principles to operate the public sector are suggested: (a) civil servants become managers who need increased autonomy from central organizational controls, (b) organizations and individuals should be measured and rewarded on the basis of whether they meet demanding performance targets, (c) human and technological resources have to be maximally used to produce maximum output with minimum cost, (d) competition and consumer orientations have to be introduced to raise efficiency, and (e) a quality assurance process should be in place (Borins, 1994). These principles have largely been introduced into the area of human resource management by governments practising public sector reforms.

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This paper presents a critical analysis of the impact of public sector reform on Human Resource Management in Hong Kong. In general, as of today literature on the relationship between NPM and human resource management is divided into two schools. One school postulates that NPM could improve human resource management by means of rational human resource planning and recruitment, objective performance measurement, adequate training and development, and cordial staff relations (Osborne & Gaebler, 1992; Gargan, 1997). Yet another school is more cautious, warning that NPM could reduce overall performance by placing business values over the public interest (Chapman & O'Toole, 1995) and producing unintended side-effects on accountability (Hood, 1995, Davies, 1998). In particular, the relationship between the Human Resource Management (HRM) practices and organizational performance is also far from clear. Different studies showed contradictory results. Huselid (1995, p. 635) proved that HRM practices had an economically and statistically positive impact on both intermediate employee outcomes (turnover and productivity) and short-and long-term measures of corporate financial performance. On the contrary, Lahteenmaki *et al* (1997, p.60) found that there was hardly any relationship between the state of HRM and company performance.

Under the waves of managerial reforms in the public sector, the Hong Kong government (1995) published a *Guide to Human Resource Management* which explained how human resource management would work in the Hong Kong Civil Service. This paper not only reviews the impact of NPM on human resource management in Hong Kong, but also sheds light on the practice of HRM principles in the context of a non-democratic political system. The HRM framework operates in a quasi-democratic political system in Hong Kong where the government is not directly elected and the legislature is limited in power. It is argued that the HRM framework produces both positive and negative effects in Hong Kong and that a democratic political framework and a stable socio-economic environment is

necessary for a successful application of the HRM framework in the public sector.

HRM Meanings and Practices in the Public Sector

HRM in the public sector denotes an NPM approach to human resource management. It largely borrows from and shares **with the HRM** concepts adopted in the private sector. Storey (1989, p.20) summarized four main pillars behind the HRM approach : i) the sense of direction for the way in which the human resource is to be managed stems from the corporate strategy ; ii) the objective is to elicit the commitment of employees and not merely secure their compliance; iii) the means of doing so are seen as attainable through a more systematic, careful, and individualistic approach to recruitment, selection, performance appraisal, training, reward, and communication; **and iv) human resource management is owned** by line managers. The basic motives of transforming personnel management from the bureaucratic and collective approach to the HRM approach are concerned **with** raising efficiency and **effectiveness** (MacDuffie, 1995), lowering costs of production and services (Guest, 1997), creating value (Becker & Gerhart, 1996), increasing employee motivation (Huselid, 1995) as well as generating and sustaining competitive advantage (Prefer, 1994).

In order to achieve the above objectives, strategic HRM measures are developed. Strategic HRM means "the integration of human resources **with** the rest of business and its environment" (Lahteenkaki *et.al*, 1997, p.52). HRM strategy could be interpreted either in terms of organizational objectives, which seek to gain a competitive advantage for an organization, or as a process by which managerial actions can be combined to pursue important organizational objectives (Tyson, 1997, p. 277). In any case, it emphasizes long-term focus **and** linkage between HRM and business strategies (Martell & Carroll, 1995). In the words of Beaumont (1993), strategic HRM gives special consideration to the organizational import of all human resource

decisions and to their links with the external environment and the firms' competitive strategy. More specifically, strategic HRM emphasizes close co-ordination among internal HRM functions (recruitment, training, development, performance appraisal) and full integration of HRM policies with external business strategies (marketing, finance, production, research). The integration of HRM policies with business strategies and environment is conceptualized as "internal fit" and "external fit". "Internal fit" refers to the integration between the components of the human resource function to foster cohesion; while "external fit" refers to the integration of human resource systems to business strategy (Baird and Meshoulan, 1988, Huselid, 1995, Guest, 1997). The level of strategic HRM could be reflected in the timespan of human resource planning, the decision-making power of the human resource specialists in the top management team, the role of line managers, and the reactive/proactive role of human resources in relation to corporate business strategy (Brewster and Larsen, 1992).

Strategic HRM practices commonly adopted in the private sector include direct communication with employees, joint problem-solving groups, flexible working, introduction of appraisal and evaluation systems, increased attention to training, linking reward to performance increased managerial responsibilities and accountability, consideration of human resource factors when formulating business strategies, management by objectives, and participation of line managers in the decision-making process (Storey, 1989, Huang, 1998).

In line with the HRM practices in the private sector, the public sectors in various states have adopted a similar approach to manage human resources. In the public sector, Storey (1989) observes that the following HRM practices have been widely used in the public sector : attempts have been made to derive the direction for the management of people from "corporate objectives" rather than from some "professional tenets"; local authorities have been viewed as "corporate

entities"; the integrative concept of "general management" has been promoted to facilitate integrative strategic planning at corporate rather than departmental level; "management of change" rather than "administering standstill or growth" has been emphasized; the importance of developing a "vision" and "mission statement" for deriving strategies, plans and budgets has been underlined; systems for both individual and corporate performance review have been in place; managerial flexibility and responsiveness has been stressed at the expense of bureaucratic proceduralism; public services have been provided on a customer oriented basis; sustained commitment of staff through reward, punishment, quality circle, and problem-solving teams has been promoted; and the responsibilities of line managers have been raised. Most of these HRM practices have been witnessed in the British civil service. Kemp (1990), explicitly says that "we are trying to learn from the good experiences of business" (p.25). Kemp (Ibid., p. 28) further advances the view that "we need a move from management by command to one of management by contract, and a change of the role of the civil servants from bureaucrats to managers".

The HRM Framework in the Hong Kong Civil Service

The Hong Kong government published a document *Public Sector Reform* in 1989, setting out a new management framework for the civil service. Under this initiative, the Civil Service Branch carried out a review in 1993 to determine what changes were needed in implementing HRM practices. Consequently, a *Guide to Human Resource Management* was published by the Hong Kong government (1995). HRM is defined by the government as "a planned approach to managing people effectively for performance with a more open, flexible, and caring management style" (Ibid., p.5). The *Guide* establishes three directions for human resource management : (a) the Civil Service Branch is now concentrating more on its strategic role, determining policy, setting guidelines and rules, and advising branches and departments on implementation. Within this, the

Branch is delegating as much authority as possible to departments; (b) the emphasis is now more on the management of people rather than the administration of rules; and (c) departments are expected to review and to develop their own HRM plans for helping them meet their operational requirements (Ibid., p.3). These directions largely follow the main stream of the HRM approach as adopted in the British and American Civil Service. In addition, six HRM principles are identified by the Hong Kong government : i) departmental HRM plans must be guided by departmental plans and objectives; ii) staff management is the responsibility of all managers; iii) staff should take their share of responsibility for developing their potential; iv) people are the most important asset; v) staff are recruited and their careers managed on the basis of merit; and vi) the government should be a good employer (Ibid., p.5). These principles are backed up by the HRM values of trust, care, teamwork, encouragement, and development.

The responsibilities of the Civil Service Branch, policy branches, departments, managers, and individual civil servants are also defined in the *Guide* (Ibid., pp. 9-12). The strategic role of the Civil Service Branch is to develop to promote, and to implement HRM policies, standards, and good practices in the management of civil servants through discussions, explanations, guidelines, regulations, and circulars. Policy branches oversee the effectiveness of all management task in departments by agreeing HRM plans with departments as part of their annual departmental plans and monitoring progress on HRM plans in their departmental progress reviews. Departments are then responsible for implementing their own policies and procedures, and providing opportunities to motivate, to develop, and to manage staff in a way which maximizes their contribution to departmental objectives. Managers in departments are the implementers of HRM policy. They should identify individual objectives for staff, provide guidance and supervision, conduct appraisals, identify training and development needs for staff, and communicate regularly with staff.

Individual civil servants are required to be committed to the government's aim to "Serve the Community".

Within this framework, each department is required to produce a departmental HRM plan which is used to link together the overall policies of the Civil Service Branch, the mission, objectives and values of the department, and any specific HRM activities being undertaken at line management level. Plans should provide answers to the following three questions:

- a) What staff will be needed, and how to acquire and to retain the number and quality of people required to meet the forecast needs of the department?
- b) How to ensure, establish, and sustain a well motivated workforce ?
- c) What actions will be needed to train, develop, and fit people for greater responsibility and responsiveness to change and the resulting demands for different skills and abilities ?

To answer these questions, each departmental HRM plan should cover six key components. The first component is human resource planning which involves succession planning and turnover monitoring. The second is recruitment which determines the terms of appointment, selection of right candidates, and probation guidance. The third is performance management which addresses the issues of motivation, performance appraisal, promotion, guidance and supervision, and addressing poor performance. The fourth is staff training and career development which covers induction, management development, vocational training, communication skills, posting, acting appointment, and secondment. The fifth is staff relations which covers securing staff commitment, dispute resolution, addressing grievances, and welfare. The sixth is management information system which aims to systematically collect and analyze various levels of information for performance measurement and management. This HRM framework as adopted by the Hong Kong government is identical with the HRM

frameworks of both the private and public sectors in the United Kingdom and the United States. After all, the objective of the HRM framework is to motivate, develop, and manage staff in such a way that their contributions to the public service are maximized so that the overall organizational performance could be improved.

The Impact of HRM on Organizational Performance

Numerous researches were conducted to reveal the relationship between HRM practices and organizational performance. The objective of these research studies is to assess whether HRM practices have positive impact on the performance of organizations. In the private sector, Huselid's study (1995) confirmed that HRM practices diminished employee turnover and increased productivity as well as corporate financial performance. Delaney and Huselid (1996) further observed that progressive HRM practices (those affecting employee skills, employee motivation, and the structure of work) were positively related to organizational performance. Youndt *et al* (1996) found that there was a "fit" between high performance and HRM practices and that a quality strategy provided the best results. Huang's (1998) recent study on Taiwanese business firms also echoed that firms engaging in strategic HRM practices received a higher rating than other firms on the indices of organizational morale, financial performance, and overall performance.

In the public sector, some evidences showed that there was also a positive linkage between HRM practices and performance. For instance, it was reported that the British Rail's Network Southeast grew off-peak income by 28 percent, reduced controllable costs by 30 percent and improved both service delivery and customer perceptions from worst ever to best ever on record (Meetings, 1995). Kemp (1990) observed that Her Majesty's Stationery Office of the British government was reported to achieve a surplus of 1.7M pounds in its first year as an agency. The British Historic Royal Palaces Agency was also able to increase its net trading surplus. More efficient

services in terms of cutting turnaround times were also provided, as reflected by the reduction from 25 to 12 days the time the British Companies House took to process documents. Financial rewards linked to achievement of quality of service and financial targets were also in place to motivate staff performance. Staff in the British Vehicle Inspectorate and Companies House received bonuses of 350 pounds and 240 pounds respectively in 1990. Based on these data, Kemp (*Ibid.*) argued that the new HRM practices produced a more cost-effective and efficient service which also provided opportunities and incentives for staff to use maximally their latent talents and inner drives.

Based on the British experience, the Hong Kong government invested great effort to fully implement the HRM practices in the civil service. The government is committed to making the performance measurement system more target and result-oriented, by implementing a Target-based Management Process. In the 1998 *Policy* Address (p.60), the Chief Executive requested departmental managers to deliver productivity gains amounting to 5 percent of their operating expenditure between 1999 and 2002. Departments and agencies are required to put forward proposals for new or improved services without giving them additional financial resources under an Enhanced Productivity Programme. Managers are also reminded to make more use of appointments on contract, rather than permanent appointments. The Hong Kong government also commissioned consultants to help departments develop their HRM training programmes, improve their performance management system, and enhance career development of their staff. The Civil Service Branch meets the senior management in each department regularly to review human resource management initiatives and planning. The trend of delegating more authority to department heads and managers continues, together with the introduction of greater flexibility in the use of contract terms. A customer-based service culture in the public sector is emphasized, with the adoption of the motto "Serving the

Community" as the government's single important aim all civil servants should be committed to.

With the implementation of the above HRM initiatives, improved performance in some service areas was recorded. According to the *Progress Report* (1998), the Construction Industry Training Authority increased its training capacity for new workers for the construction industry from 3,653 in 1996-97 to 4,950 places in 1997-98. The training capacity for in-service workers has also been increased from 19,110 in 1996-97 to 53,989 in 1997-98. The Health and Welfare Bureau provided specialist consultation to an additional 2,000 children with psychiatric disorder in 1997-98. Additional evening and public holiday consultations were provided by more clinics. The queuing time for consultation in specialist clinics was reduced from 120 minutes to 90 minutes. An additional of 3,930 residential places (an increase of 100 percent) was provided for the mentally handicapped in 1997-98, 2,110 additional places in sheltered workshops and 1,650 additional places in day activity centres were also provided for the mentally handicapped. The Housing Bureau rehoused 6,200 overcrowded families in public housing estates in 1997-98 and reduced the average waiting time for public rental flats to 6.5 years. The Works Bureau reported that underspending on public works projects in 1997-98 was below 5 percent. These data showed that public service performance was enhanced after the implementation of the HRM practices and public sector reform.

Yet a cautious approach is taken by some academics who warn against a simple and direct transplant of the HRM model and practices from the private to the public sector. For instance, Guest (1987) argued that "no approach can be recommended as best practice in all circumstances. What is best is contingent upon the particular circumstances." Storey (1989) observed that reappraisal and experimentation of HRM practices did not necessarily translate into a systemic transformation from the private to the public sectors. In the

words of Storey (*Ibid.*), bureaucracy in the public service undoubtedly impedes responsiveness of service, it nonetheless, offers a way to achieve the objective of consistency, equity, and impartiality of service. These objectives might not be fully compatible with the HRM approach. The professional and conservative orientations among the public sector employees might also resist the much more aggressive and proactive HRM approaches of managing staff and setting year plans. Stewart and Ranson (1988) further pointed out that other political objectives such as political support from elected politicians and retention of political power have to be considered in managing the personnel in the public sector, apart from simply considering the market and cost factors. Besides, the ruled-ruler relationship between government officials and citizens could not be totally removed. Storey (1989) pointed out recipients and employees of public service organizations were enveloped in a much more complex web of relationships than simple customer-provider. The government somehow has to regulate the society and therefore could not always treat citizens as customers. In view of these constraints, Storey (*Ibid.*) was cautious of the direct application of the HRM approach into the public sector, warning that the HRM approaches and principles of the private sector should not be expected to translate easily into organizations in very different settings.

Tyson (1990) also took a cautious view towards the implementation of the HRM approach in the public sector. His argument is that the functions of the executive have been thought to include a social or human aspect, hence requiring more than an appreciation of cost/benefit analysis (Tyson, 1990, **p.27**). The over-emphasis of "value for money" principle would overshadow and contradict other important political and social values that a civil society should uphold. The "value for money" principle is also unlikely to inspire leadership or evoke great emotional support among civil servants (*Ibid.*). It is because departmental objectives become

confused and conflicting. The reliance on market forces with the consequential individualistic approach to pay and to employee development, the assertion of managerial prerogatives, the emphasis on performance through bonus pay, and the improved discipline procedures would also make civil servants feel that their promotion chances dwindle and their pay fall behind their private sector friends. The establishment of a new mechanism to monitor performance standards and improving performance in the current job is also questioned (*Ibid.*, p.28). It is argued that competencies cannot be measured objectively and that the emphasis on individual rather than collective performance would hamper collegiality, unity, and morale. Tyson (*Ibid.*, p.30) concludes that "an ideology of managerialism based on efficiency is not enough in motivational terms. There must also be a commitment to the public good, because unless there is a moral purpose to public policy, it has no intrinsic worth."

Focusing on the operational side of the HRM approach, Becker and Gerhart (1996) also raised three technical concerns. First, it is difficult to grasp the precise mechanisms by which the interplay of human resource practices and policies generates value. It is therefore not possible to imitate a HRM system from one organization or sector to another. Second, there is no consensus on what constitutes a high performance HRM strategy. "Best Practices" vary significantly from one organization to another. There seems to be no best practice magic. Third, a set of practices that have individual and positive effects on performance may be a necessary, but not sufficient, condition for a larger effect on firm performance. Becker and Gerhart (*Ibid.*, p. 797) concluded that firms should carefully evaluate their decisions to outsource human resource responsibilities. They acknowledged that HRM systems had considerable economic potential, but there was little consensus on how to achieve that potential. Guest (1997, p. 273) echoed that there was little consensus on the nature of HRM practices.

The intensive and extensive use of performance indicators also encounter problems. Smith (1995, p. 13) observed that performance measurement was in its infancy stage. In measuring the outcomes and performance of a public organization, several complications arise : (1) the treatment of outcomes which are produced jointly with some other organizations; (2) variations in organizational environments; and (3) the treatment of longterm issues. Consequently, identification and measurement of performance is difficult. Such exercise may not be reliable reflections of the performance of the public sector. Smith (*Ibid.*) is of the view that performance indicators can only act as proxies and are therefore used in a vacuum. Performance indicator schemes will always be partial, short term, and may reflect the preoccupations of only some of the stakeholders. The absence of reliable, accurate, and purposeful performance measures fatally compromises the principles underlying the NPM and the HRM approach (Smith, p.15).

Sharing the concern on the use of performance measurement, Guest (1997, p.274) advanced the concept of the balanced score card. Recognizing that HRM practices could bring about positive effects on outcomes on the one hand but could create negative side-effects on the other, Guest suggested that compromises may sometimes be necessary. An over-emphasis on one single goal to be achieved might create new problems or sacrifice other important values. For instance, Guest and Hoque's study (1994) found that the firms which got good financial results were not attractive places in which to work. A study conducted by Cranfield School of Management (1998) on the impact of downsizing confirmed a similar result. According to the study, the performance of staff was increased and staff became more task focused through downsizing. Yet it increased the workload of job security as well as levels of motivation. Other areas adversely affected were trust in the organization, loyalty, career opportunities, and personal satisfaction. The study (p.34) concluded that unless organizations manage these negative side-effects in a structured way,

any performance gains might be short-lived. Young *et al's* study (1998) also showed that intrinsic rewards were more important than extrinsic rewards to elicit commitment for public service employees. The result of this study implies that performance-based pay system may not be a good motivational factor for civil servants to commit themselves to their jobs.

The above concerns are evident in some forms or another in the Hong Kong civil service. Although improved performance in productivity is recorded in several areas of public service in Hong Kong, negative side-effects are visible with the implementation of the HRM approach. The experience of Hong Kong could perhaps shed some light on the application of HRM approach in transitional and developing societies.

Lack of the Coherent Strategy

A problem found in the Hong Kong public service is the lack of a coherent strategy of coordinating various tasks within a department or a public organization. As managers are empowered to make more decisions and to manage departmental budgets, different units within a public organization could produce different programmes and plans that would be either duplicated or redundant. It could also be possible that the programmes and policies are inconsistent and contradictory to each other. The new Hong Kong international Airport fiasco in July 1998 was a case in point. On the first day of operation of July 6 1998, numerous problems, large and small, came out. These ranged from the breakdown of the main frame computer, the malfunctioning of the Airport Cargo Station, to the close down of the air conditioning system. The Hong Kong Legislative Council set up a special inquiry committee and produced a report on the airport debacle. The report named several key government officials and managers and directors of the Airport Authority for negligence, failure to discharge duties, misconduct, miscommunication, overconfidence, ineffective monitoring, and after all, lack of coordination of various tasks and units.

A renewed coordination framework in the HRM approach could enhance the coordination capability of the government to minimize waste, loss of control, and negligence. What is missing in the new management framework in Hong Kong is the emphasis on cross-functional coordination. This is particularly important in transitional societies like Hong Kong where there are divergent needs arising from the rapid and dynamic socio-economic changes. Hood (1996, p.113) has pointed out that a possible unintended outcome arising from NPM is the emergence of a "headless chicken" state (a structure of no-one-in-charge management in which everything is up for grabs at every stage and there are no clear rules of the road or demarcation of responsibilities). The airport opening fiasco reflected that the Airport Authority was just like a "headless chicken" state where there was a total failure of coordination, hence exposing a serious problem in the implementation of the HRM approach in the Hong Kong public service.

Neglect of Social Values

Another problem found in the application of HRM approach in the **Hong Kong public service is the overemphasis of the principles of "value for money", "cost minimization", "output maximization", and "users pay" at the expense of other equally important social values.** Human resources are deployed and personnel policies are set for achieving maximum efficiency in economic terms. The emphasis of the HRM framework of the Hong Kong public service is to link departmental functions such as performance management and training to departmental aims (Guide, 1995, p.7). There is now a high degree of consciousness towards the manpower costs in the provision of public service. Efficiency (to achieve value for money) and propriety (to ensure proper use of public money) are stressed (*Ibid.*, p.6). Efficiency initiatives take the forms of business reviews and value-for-money studies in every government department and corporate body. The Chief Executive of the Hong Kong government has requested

departments to save labour costs by freezing the number of permanent staff, employing more contract staff, contracting out more services, and implementing productivity gains. The entire government is now running like a business with cost and measurable output identified as the most important considerations in the provision of public services.

With such kind of thinking, there is a danger that such social values as justice, fairness, and equality or the political values of liberty and freedom might be neglected or sacrificed, for the sake of cutting labour and operational cost. As some social functions like welfare, health care, and housing might not simply take economic costs as the only consideration, the indiscriminate use of business and economic values in the provision of public services began to provoke criticisms from elected politicians, particularly the democrats who advocated for an equal and fair society. For instance, in the area of social welfare, the government is criticized as relying heavily on subverted and voluntary organizations to provide social welfare services to community, in the area of health, the Hospital Authority is criticized as putting too much manpower resources on providing "private medical services" charged on much higher private market rates. Thus there is a concern of the emergence of "gridlocked contract state" in which public service provision is a matter for private corporations or organizations operating in a business look-alike style (Hood, 1995, p.113).

Neglecting the dominant social values could be dangerous specially in transitional societies, resulting in social unrest and political instability. As transitional societies like Hong Kong are becoming politicized through various dynamic changes in the political economy, a careful balance between business and social values has to be drawn in the provision of social services. In times of economic prosperity, the public sentiment against the use of business practices in social services may not be visible. Yet, in a time of economic

depression when most citizens cannot afford expensive social services based on economic calculations, the entrepreneurial approach would be problematic. This scenario could be extended to a wider context in developing societies where there is a wide gap in income distribution. If most of the people could not afford to buy the expensive social services formulated according to the HRM framework, social problems could be aggravated and social stability could be disrupted.

Declining Civil Service Morale

The success of a new HRM framework of the public service would partly depend on among other factors the support of staff. Job satisfaction, stress, commitment, rewards, loyalty, and sharing of goals would affect the morale of civil servants, hence their support of the new HRM framework. Hayllar (1994) argues that "success of public sector reform is unlikely if staff regard themselves as being involuntarily pledged by management to perform to externally imposed standards"(p.1). Similarly, Blackman and Stephens (1993) point out that "there may be high levels of staff cynicism about the new NPM initiatives which may be seen as something which will raise expectations but are impossible to meet within existing or diminishing budgets" (p.38). Hayllar (1994) conducted a study to find out Hong Kong civil servants' perceptions towards the imposition of performance pledges and new standards of service. Most respondents of the survey indicated that:

Civil servants are now under too much pressure and job stress; civil servants are anxious about the changes involved : increased paperwork and workload, fears of being measured, and the increased possibility of losing their job; the pledges are set in an arbitrary or unrealistic manner without regard to the resources actually available or needed to achieve them; and organizations might focus on too narrow a perspective with attention being given to what could be quickly achieved or publicized at the expense of longer term objectives (pp. 8-9).

Hallar's study concluded that the process of the implementation of the new HRM framework encountered staff resistance and lowered the staff morale in the Hong Kong civil service.

With the launch of the Productivity Gain Programme and the request for the use of contracts in recruitment from the Chief Executive, the degree of job stress and insecurity among the civil servants would further be increased. The increasing use of contract staff would also affect the degree of continuity and loyalty of the Hong Kong civil servants. Yet the Chief Executive reiterated in January 1999 the following civil service reforms: replacing pensionable employment with contracts; linking pay rises with performance; developing a new culture with emphasis on cost-effectiveness; and simplifying rules for disciplinary action against staff and reviewing the appraisal system. Reactions from the Hong Kong civil servants were somewhat negative. Chinese Civil Servants' Association president said it should be made clear whether the service was intended to operate as a private enterprise, running on commercial principles with profits as the target (*South China Morning Post*, 15 January, 1999). The chairman of the Senior Non-Expatriate Officers' Association added that it would be difficult to measure performance in some departments (*Ibid.*).

Another dimension on the question of staff morale in the HRM framework was added by Chapman and O' Toole (1995). Instead of promoting the virtue that "the civil servants should be influenced by no thoughts of private advancement and that they should have no end in view but that the work be carried out faithfully and well (*Ibid.*, pp.7-8), the HRM framework is criticized as promoting individual interests and gains over public duty. It is further warned that the importation of business-like techniques that place a premium on individual achievement and a greater emphasis on relationships with private organizations would seriously hurt internal collegial relationships (*Ibid.*). This would result in the lack of unity and trust as well as

alienation in the civil service. It is also suggested that performance-related pay is not a strong motivating factor and that it can demotivate staff in the public sector where there is a budget limit on the amount available for incentives. This is certainly true in developing societies and even some developed societies in which the public sector is facing financial crisis. Hong Kong's economy experienced a negative growth rate of 7.0 percent and that Hong Kong is now operating a deficit budget (Government Statistics Department, 1999).

The Problem of Accountability

The new HRM framework aims to enhance managerial responsibility and accountability. Managerial responsibility is enhanced by empowering managers with more powers and duties. Managerial accountability is increased through strategic planning, financial review, and a quality assurance system. One of the objectives of these measures is to give more autonomy to managers and to decentralize more responsibilities to middle management. However, this also raises the concern of political accountability to most elected politicians in Hong Kong. As more responsibilities and functions are delegated to more departmental managers and independent bodies, it becomes a practice that they, rather than the central government, are made answerable for their policies and decisions to the Legislative Council.

Yet there is a lack of democratic structure and effective mechanism to hold the departmental managers and independent bodies responsible for their performance and decisions. In the context of Hong Kong, ministerial responsibility system is absent. Although most of the major decisions are made by the civil servants, they are immune from political responsibility. Moreover members of Executive Council (advisory body to the Chief Executive) are not politicians with departmental portfolio or full time politicians, hence holding no political responsibility at all. Further more, the Chief Executive is not

a directly elected politician who is elected by an Election Committee established by the Chinese National People's Congress. The Chief Executive refused the request of the Legislative Council to attend Legislative Council meeting once a month to explain government policies and performance. The Chief Executive is protected by the Basic Law which does not provide any mechanism to remove the government or the Chief Executive on the basis of poor performance. The Legislative Council is also inhibited from initiating any bills that are related to government structure, operation, policies, and expenditure. Although the government explains that the HRM framework is carried out to provide more economical and effective services, politicians are doubtful of the motive of the government. It is believed that the government intends to shift the political burden and responsibility to departmental managers and independent bodies. Yet there are no effective constitutional measures to hold departmental managers and independent bodies as well as the Executive Council politically responsible. Consequently, it is feared that the government will be held less accountable for public policies and decisions. As public control is lessened, political accountability will decline.

Conclusion

The HRM framework aims to manage human resources in the best way that could enhance productivity and competitiveness of organizations. It is intended to be a comprehensive management framework that considers a wide range of interests ranging from minimizing economic costs, maximizing outputs, promoting staff commitment, providing better services and products, matching with the overall organizational development, to increasing job satisfaction. There are evidences and studies to prove that the HRM framework works successfully in the private sector. As such, the HRM framework is also brought and applied to the public sector in modern governments. There are several reasons for transplanting the HRM framework from the private to public sectors : i) budget constraints, ii) rising expectations on public service, and iii) increasing political

pressure for accountability. In any case, the public sector is undergoing various reforms under the NPM movement. The HRM framework forms part of the whole public sector reform package. Evidences and studies also suggest that the HRM framework results in productivity gains and provision of better public services. Hong Kong is a case in point.

Yet the case of Hong Kong also suggests that the HRM framework applied in the public sector could produce side-effects or that a partial application of the HRM framework in the public sector could be problematic. As the HRM approach emphasizes decentralization, empowerment, managerial accountability, individual performance, and management by contracts, there are concerns of absence of a coherent strategy, neglects of social values, declining civil service morale, and decreasing political accountability. These problems are particularly acute in transitional and developing societies like Hong Kong where there is a lack of a democratic structure to effectively monitor the performance of the whole civil service. The proper role of performance measurement should be to inform political debate, therefore it may be necessary to strengthen democratic institutions that allow that debate to take place (Smith, 1995, p.16). The political, economic, and social systems are also fluctuating in transitional and developing societies, hence making it more difficult to manage the civil service through the HRM framework. Conflicting demands and values and the quest for a unified civil service in transitional and developing societies complicate the issue of human resource management. Human resource management in the public sector may not be simply managed simply on the basis of economic and business considerations. Perhaps the application of the HRM framework in the public sector requires certain pre-conditions for a successful transplant, specially in transitional and developing societies. The experience of Hong Kong suggests that a democratic framework and a stable socio-economic environment are necessary for a successful application of the HRM framework in the public sector.

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