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**Increasing the Civil Service Retirement Age in Hong Kong:
A Study of Policy Processes and Dynamics**

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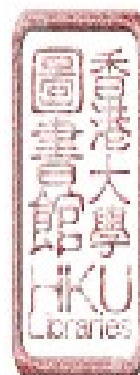
Capstone project report submitted in partial fulfillment of the requirements
for the Master of Public Administration

Department of Politics and Public Administration

The University of Hong Kong

2014

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DECLARATION

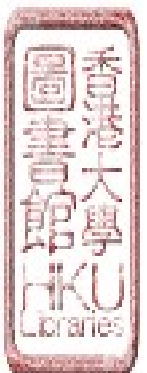
We declare that this Capstone Project Report, entitled Increasing the Civil Service Retirement Age in Hong Kong: A Study of Policy Processes and Dynamics, represents our own work, except where due acknowledgement is made, and that has not been previously included in a thesis, dissertation or report submitted to this University or to any other institution for a degree, diploma or other qualification.

CHAN Chi Cheuk Sunny

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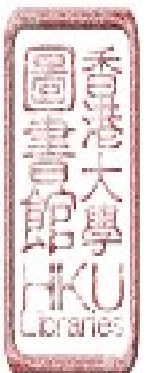
NG Wai Yee Rachel



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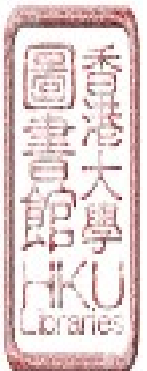
We would like to express our sincere gratitude to our supervisor Professor Ian THYNNE, for his guidance, patience and support to our capstone project over the past year. During the research period, Professor Thynne has provided us with valuable advice that has inspired and enlightened us on how to conduct the research and present our findings. We are also grateful to other professors, lecturers, instructors, facilitators and administrative staff in particular, Professor Peter CHEUNG, Professor Eliza LEE, Professor Danny LAM, etc. for their support, comments and assistance all along.

We also appreciate the unfailing support, kind understanding and warm regards from our families, friends, colleagues and classmates in the completion of this capstone project. The whole process is a challenge full of ups and downs yet a memorable and rewarding experience.



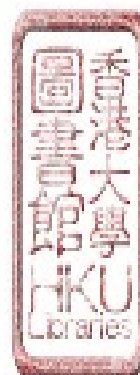
ABSTRACT

In Hong Kong, we are facing an ageing population problem and as set out in the population policy's consultation document, it is predicted that a shrinking working population will slow down the pace of our Hong Kong's economic growth and thereby affecting the job opportunities and living standards. Even worse, an ageing population means that our narrow tax base will be further compressed and blooming public expenditures will also add burden the Government financial burden. Likewise, the ageing population also affects the Hong Kong civil services, in particular, there was an expansion of the Civil Service in the 1980s and almost 20% of the 170,000 civil service is expected to retire between 2016 and 2021. Under the one country, two system regime, civil services were the cornerstone of the Hong Kong's public administration machinery and if the experienced civil servants, in particular the directorate-level civil servants were to be replaced or succeed by inexperienced successors, the quality of government services will suffer and Hong Kong's prosperity and stability may also be impaired. Under this backdrop, the Government considers it an opportune time to examine possible options for extending the working life of civil servants.



To enable Hong Kong's civil service to better respond to such demographic challenges, a consultation paper regarding the extension of the Service of Civil Servants was announced by the CSB in April 2014 and several initiatives including adopting a higher retirement age for civil service new recruits as from a future date, were also proposed. During this 4-month consultation period, many public opinions would be heard and in this project the focus is on the HKSAR Government policy agenda on extending the civil servants' retirement age. Also, in 1987, by adopting a new pension scheme, there was similar experience that the Colonial Government had extended the then retirement age for the civil servants and in this project the background and underlying rationale at that time are compared with the situation facing by the HKSAR Government. The analysis indicates that the current suggestion on extending civil servants' retirement age is not a windfall policy agenda but is a step by step approach and perhaps now the policy window has opened for the policy to be discussed widely, confirmed and implemented.

Finally, ageing population is not a standalone Hong Kong problem; other places around the world face the same situation. Singapore, being another international city which has a similar historical background with Hong Kong,



has been adopting a series of measures in reforming its civil services and one of the reform objectives is to embrace the challenges of an ageing civil service. The experiences of Singapore and the policy agenda of the Singaporean Government are discussed as indicating possible lessons for the HKSAR Government.

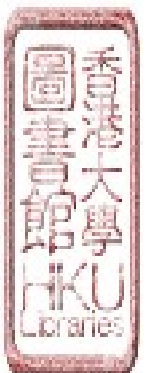
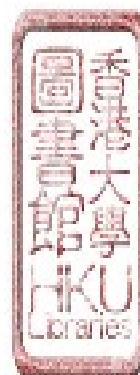
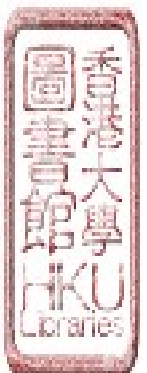


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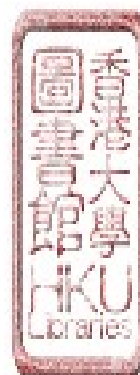


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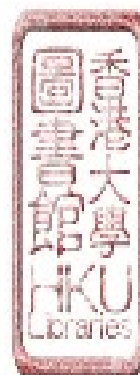
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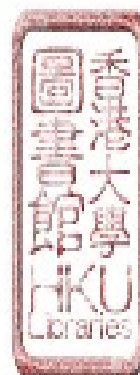
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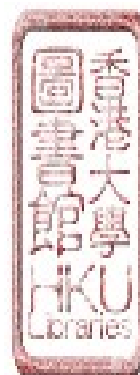
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LIST OF ABBREVIATIONS

| | |
|-------|---|
| CS | Civil Service |
| CSB | Civil Service Bureau |
| CSPF | Civil Service Provident Fund |
| HKSAR | Hong Kong Special Administrative Region |
| LegCo | Legislative Council |
| MPF | Mandatory Provident Fund |
| NPS | New Pension Scheme |
| OPS | Old Pension Scheme |



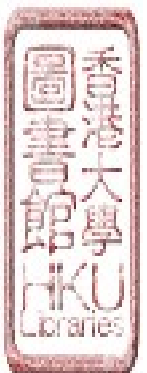
CHAPTER 1 INTRODUCTION

Focus and Objectives of the Project

This project addresses the civil service retirement age in Hong Kong. Its objective is to study the feasibility of the proposed new retirement age arrangements (“the policy”). Recommendations are given on how and what the government can do to promote and implement the policy.

Why this Topic was Chosen for Study

The Government announced in 2013 that it was soon going to conduct a consultation exercise to invite public comments on increasing the retirement age of the civil service. This issue is intriguing because any change in retirement age is surely a big and sensitive concern for civil servants, who are a solid part of the public administration machinery of Hong Kong. As civil servants, we understand all of our CS colleagues in the government and our families keep a close eye on such a subject in the employment terms and

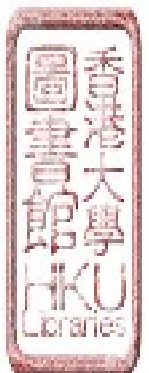


conditions so influential to every one of us. Even fellows outside the Government are very interested as well, especially public organizations which usually follow the practice of the Government, and business enterprises which look to the Government for comparison of employment practices and benefits. Increasing the retirement age of the civil service will be a key issue in the Hong Kong public administration and very probably be an indicative action in the whole society. Thus, it is worthwhile for the group to study this topic in the capstone project.

Research Questions and Propositions: Theory and Practice

This project focuses on the policy process and dynamics of the changes in the retirement age of the civil service over time. Thus, the research questions are as follows:

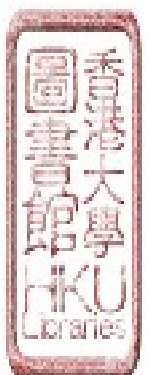
- What theories of policy processes and dynamics might assist in exploring a government's changes to civil service terms and conditions of employment?



- Which particular theories of policy processes and dynamics are especially useful in exploring, and possibly explaining, various changes over time by the Hong Kong government to civil service terms and conditions of employment and especially to the retirement age?
- What decisions and action has the government taken over time in reviewing and changing the civil service retirement age?
- What triggered the government to review the present civil service retirement age?
- What lessons are learnt about policy processes and dynamics from the decisions and action taken by the government to review and change the civil service retirement age?

In support of these research questions, the following propositions are made.

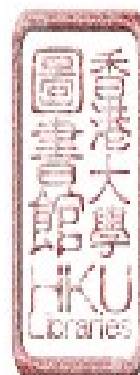
In the literature, there is a wide array of theories of policy processes and



dynamics looking into changes of government policies and each of them has its own strengths and weaknesses. Some are particularly useful in exploring and explaining various changes over time while some are more helpful for changes at a particular timing. Some are better for analysis of policies changes when a government stays in a relatively stable situation while some are more applicable in more shaky circumstances. In the process of policy making, the triggers that can prompt a government to review existing policies need not only be the conditions recognized and defined as problems, but also political changes in which many different actors are involved. Under the effect of complicated interaction of these different dimensions of problems, policy proposals and politics, the government will take different decisions and actions that it is capable of doing and believes can best cope with the circumstances created by such intricacies at that time being.

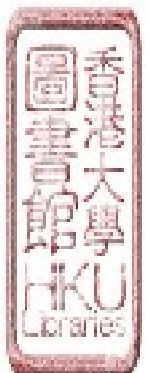
Overview of Analytical Framework

As the emphasis of this project is on the agenda-setting of the policy cycle, Kingdon's (2003) three streams model of the problem, policy and political



streams form the backbone of the analytical framework to describe and assess the empirical materials of the retirement age policies in the past and current proposals. The problem stream concerning problem definition is substantiated by theories and concepts raised by Bardach (1981), Dery (1984) and Ostrom (2000). The political stream is backed up by May's (2005) views on politics and policy analysis as well as on political feasibility and mapping. The policy stream is discussed, indicating how windows are opened therein by changes in the problem and political streams. The intricacies of the coupling of the streams leading to civil service retirement issues being put on the agenda are elaborated.

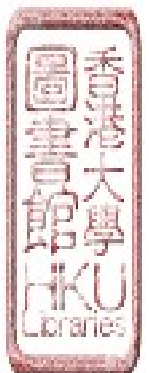
Cobb *et al's* (1976) three models of process-based assessments of agenda-setting are employed to examine both the past retirement policies and current proposals. The three models are the outside-initiative model, the mobilization model and the inside-access model. The argument for evidence-based policy-making by Head (2014) is also used as an aid to examine the effects of evidence-based practices and conditions over agenda-setting of the policies in addition to Kingdon's (2003) model.



Last but not least, Lindblom's (1959) incrementalism is included as a very important approach for analyzing the policy-making of civil servant retirement age changes over time as part of the framework for assessment.

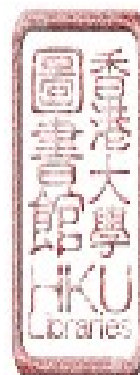
Research Methodology

The analysis of this project is mainly based on desktop research which makes primary reference to information in publications, websites, speeches, discussion papers, minutes and other relevant official documents of the Hong Kong Government and the LegCo. These papers provide fundamental information on the policy actions taken in the past and the current proposals. The LegCo papers contain the originals of comments from of different stakeholders and interest groups. The major document is the Consultation Paper on Extension of the Service of Civil Servants released by the CSB of the Government on 3 April 2014. Relevant papers and publications by other organisations and academics are also reviewed and examined.



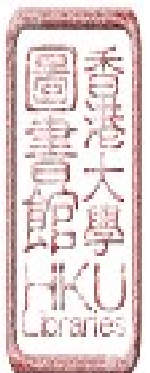
In addition, secondary reference materials from newspaper editorials, journals, commentaries and public reactions via press interviews towards the public engagement campaign for population policies and consultation exercise on civil service retirement age extension are used for analysis. Editorials and commentaries are also useful for assessment of responses and reviewing comments of different stakeholders and interest groups.

This method is considered appropriate as the said documents provide detailed information about the government's problem recognition and policy initiatives for analyses of problems and policies in the policy process. Then the secondary reference materials provide ample additional information, particularly a relatively neutral reflection of the spectrum of political voices in Hong Kong for analysis of the politics. Continued efforts have been made to follow the on-going consultation exercise on extension of the service of civil servants in order to collect and examine the up-to-date information for a comprehensive analysis.

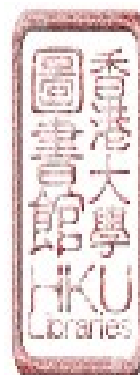


Chapters Outline

The project contains five chapters, including this Introduction. Chapter 2 establishes the analytical framework of the study drawing on a literature review of the dynamics of the policy process and policy change. It is developed from the broad to the specific with the emphasis being on agenda-setting for why an issue gets on the agenda at a specific time. Chapter 3 provides an overview of civil service retirement schemes in Hong Kong. Kingdon's (2003) three streams theory is applied to discuss the problem, political and policy streams regarding the civil service retirement ages that Hong Kong had faced in the past from 1949 to 1 June 2000. Analysis under with process-based assessments of agenda-setting, evidence-based policy-making and Lindblom's (1959) incremental model is laid out. Chapter 4 addresses civil service' retirement age policies in the near time since 1 June 2000 and thereafter in Hong Kong. Similarly, Kingdon's (2003) three-stream theory, along with process-based assessments of agenda-setting, evidence-based policy-making and Lindblom's (1959) incremental model are applied to analyse the current situation starting from 1 June 2000. Then the



changing elements involved from the past to present are discussed. Chapter 5 concludes the project by summarising the main findings and discussions, the retirement age of the Hong Kong civil service, as well as limitations and recommendations of the research, including relevant comparison with the experience of Singapore in this area in terms of possible lessons for the government.

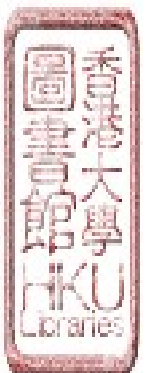


CHAPTER 2 ANALYTICAL FRAMEWORK

Introduction

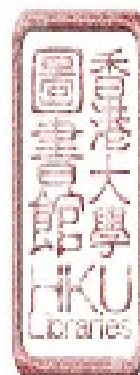
According to Knill and Tosun (2012), the most common approach to the policy process in the literature is the distinction and integration of different policy stages into a process model – the “policy cycle”. This models the policy process as a series of political activities, which basically consists of the following phases: (1) problem definition and agenda-setting; (2) policy formulation and adoption; (3) implementation; and (4) evaluation with the potential consequence of policy termination or reformulation. Such a cycle model is employed as a standard approach for structuring the theories and concepts of policy-making. The policy cycle model is interpreted as a sequential development and hence following closely the idea underlying the rationalist approach in many cases.

Knill and Tosun (2012) have chosen to depart from the classical cycle approach by not assuming a sequential model of policy process, apart from the fact that current policy decisions are not independent of decisions taken



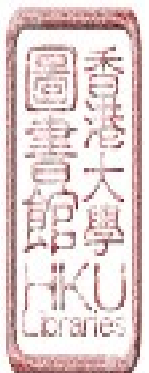
before and that policies under current discussion may have “knock-on effects” leading to further policies in the future. In line with other authors, they consider it more useful to conceive of the different policy stages as potential analytical lenses on the policy-making process. Distinctive questions, concepts and theories are applied to explain observed patterns, depending on the specific lens.

This project adopts a similar approach by constructing an analytical framework that provides a lens from the broad to the specific through which it is useful to explore the policy of extending the retirement age of the civil service in Hong Kong. The emphasis is on agenda-setting, in accordance particularly with the present review still being at the early stages of the policy process cycle, instead of going through the policy process sequences by systematic evaluation.



Kingdon's Three Streams Model

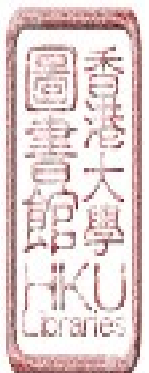
Kingdon's (2003) three streams model has been chosen as the backbone concept in setting the analytical framework for analysis of the Hong Kong government's policy changes in civil service terms and conditions of employment, especially the retirement age. This model focuses on the agenda-setting phase of the policy process and takes into account the different processes at work and the politics of policy processes. Kingdon (2003) defines "agendas" as the lists of subjects or problems to which government officials, and people outside of government closely associated with those officials, are paying some serious attention at any given time. Non-governmental agendas are the list of subjects that are getting attention from concerned individuals or groups; government agendas are the list of subjects that are getting governmental attention; and decision agendas are the list of subjects within the governmental agenda that are up for active decision. There are three major processes: problem, policy and political.



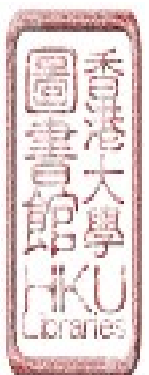
Problem Stream

The problems stream is about problem recognition. Kingdon (2003) believed that there is a difference between a condition and a problem in society. Conditions do not rise to prominent places on policy agendas while conditions defined as problems have a better chance of rising on the agenda. Definition of problems is therefore important that the following renowned concepts and ideas of a few scholars on what is problem definition and how to define problems are worth elaborating.

Dery (1984) argued that a problem is often taken to mean simply a state of difficulty, or a set of undesirable conditions, as in everyday language. Problems, like disease or injury, are objective entities, or empirical phenomena. However, there are differences with regard to who may legitimately define certain conditions as a social problem. Since some problems are inevitably insolvable and the causes of the problem are simply the effect of other causes, therefore, problem definition that deals with problem, must be both solvable and worth solving. As such, problems are



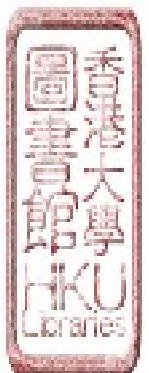
therefore not usefully considered as undesirable situations, discrepancies between a given state and a desired state, or bridgeable discrepancies. Bardach (1981) added on that for policy analysts in a democratic society, a social problem may easily become a problem worth drawing attention, meaning that people discontent and the overall effect to the society may also be measured in problem definition. It is because if a problem is not significant to affect the citizens, a solution is not worth discussing. However, it should also be born in mind that raw feelings of the population (i.e. an undesirable situation) should not be simply taken up and allowed to define policy problems. Not all problems, in the sense of citizen dissatisfaction, can or should be dealt with by a government. In other words, an undesirable situation may not have policy legitimacy. Ostrom (2000) warned that policy maker should not presume their “common sense” to be true. He observed that self-evident truths are frequently invoked when scholars and policy makers propose political reforms. He pointed out the possibility that people’s common sense dictates their understanding of a problem and its solution, and indeed, something widely believed does not necessarily means that it is correct. In policy-making, there is always overreliance on self-



evident truths which provides poor foundations for policy reforms. Each and every assumptions should be well-supported by empirical research instead of simply self-explanatory.

Bardach (1981) also pointed out that defining a problem is not an easy task and several important factors affecting a problem definition, should be alerted during the process of problem definition, according to. A hypothetically best solution may be missed if a problem is defined in in a too vague and narrow way sense. One of the important factors is the avoidance of errors of fact, in which means that a condition should be not seen as problematic only because it is the mirror of a “solution” already believed in. Another factor is avoidance of a linguistic pitfall, which recommends to avoid using emotional terms like “we are using too much”, “production is not enough”, where all these terminology are pending to test.

Kingdon (2003) argued that conditions defined as problems can come to the attention of governmental decision makers not through some sort of political pressure but simply because indicators show that there is a problem.



Besides, in considering whether the problem is justify enough for a solution, the governmental agencies will also assess the magnitude of the problem. In other words, the government formulates policy to tackle a specific problem.

Furthermore, Kingdon (2003) argued that even there is a problem, because the problems itself are often not self-evident by the indicators, there is a need for a push, i.e. a focusing event, a crisis or a disaster, for the problem to get the government attention. Although a focusing event is important, it rarely carries a subject to policy agenda immediately if a focusing event is not accompanied by something else such as “a common mind of people”.

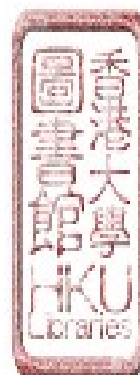
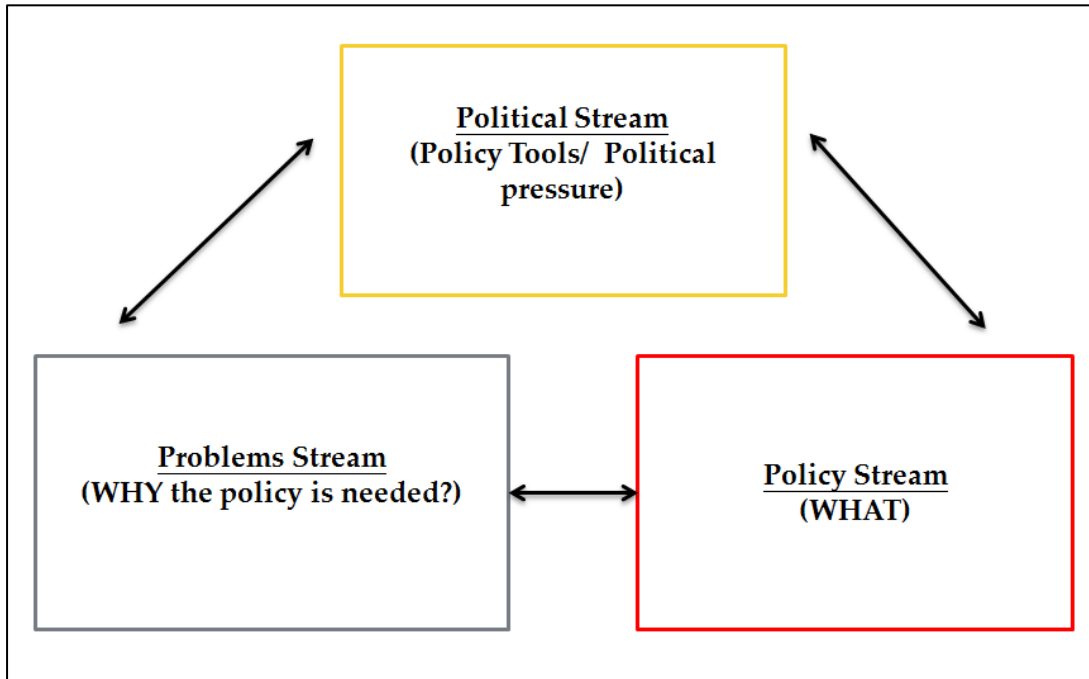


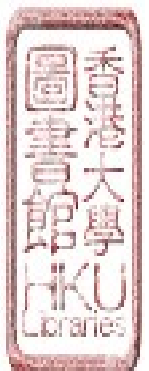
Figure 1: Three Streams Model for Analyzing the Policy Process



Source: adapted from Kingdon (2003)

Policy Stream

According to Kingdon (2003), the policy stream concerns the generation of policy proposals, which are generated, debated, redrafted, and accepted for serious consideration. Much of this takes place in communities of specialists,

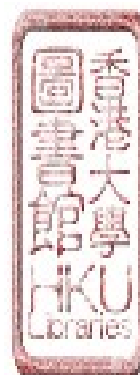


but they can be quite tightly knit or quite fragmented. The policy stream can be characterised as a selection process in which a large number of possible policy initiatives narrowed to a short list of proposals that are seriously considered. Proposals that met several criteria enhance their chance of survival, e.g. technical feasible, acceptable in the light of the values held by the members of the policy community etc. The list of policy proposals not necessarily a consensus in the policy community; rather, it is an agreement that a few proposals are prominent

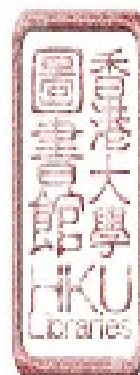
A viable alternative for adoption raises the probability that it will be placed on a governmental agenda, and dramatically increases the chances for placement on a decision agenda.

Political Stream

Kingdon (2003) argued that the second family of explanations for high or low agenda prominence is in the political stream. A political stream is independent of the problem and policy streams, flowing along according to

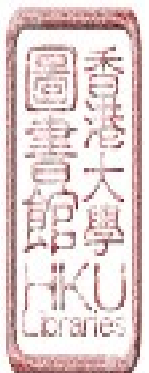


its own dynamics and own rules. It contains the following elements that cast important impacts on policy agendas and policy outcomes. The first one is the national mood, or regarded as a “a general social trend” generalizing if there are a majority of people thinking along certain common lines. Operationally, a government usually takes sample surveys of the mass public to discern or feel the popular reference that made up national mood or climate in the community. The more fertile of the political soil, the higher the political feasibility. The second element is organized political forces which are formed when a hot policy issue involves some notions of interest group pressure, political mobilization and the behavior of elites such as unions. The interest parties try to exaggerate their concerned area and create as much sound as they can so that the government will focus and bargain with them. The third element is government itself in the political stream. Turnover of key personnel such as a change of administration is a prime time for preoccupation with the subject of change. Also, any political disputes between the legislation and administration may result in great policy amendment because during the policy making process, consensus is largely achieved by persuasion and diffusion.



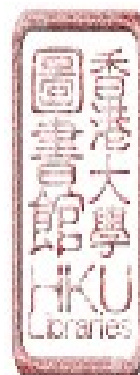
Kingdon (2003) raised that among the three streams, the political stream is an important promoter or inhibitor of high agenda statues. All the actors in the system, not only the politicians, judge whether the balance of forces in the political stream favours action and whether the public or the legislature accepts the ideas.

To assess the degree of the promotion or inhibition effect of the political stream on agenda-setting, the level of political feasibility of policies can be taken into account. May (2005) argued that although conventionally speaking, the structure of policy making reinforces the separation of policy and political considerations, however, in reality, there is a major gap between the reality of policy making and the literature. Attention should be paid on “political feasibility” as an element of policy making. The higher the political feasibility, the higher the promotion effect of the political stream on other streams, the more likely a policy can be taken forward, and vice versa.



As the first step in approaching political feasibility, attempts should be made to assess political prospects when formulating policies. In other words, if the probabilities of enacting the policies successfully are sufficiently low, the relevant policy proposal may need to be revised in order to increase its chance of approval and implementation. A hallmark of successful policy makers is to know what features to be included in policy proposals in order to build supportive coalitions or to reduce political resistance.

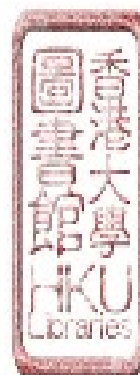
Besides, May (2005) argued that the level of political feasibility is determined by the willingness of a policy maker to bear the “political price (financial costs, opportunity costs) for a course of action”. Meanwhile, May (2005) supported that every policy proposal must be judged not only on its merits but also in terms of its implications for the politics of governing, e.g. can it pass the Congress?, Will the state and local governments accept it?, the politics of nomination and the politics of election.



Policy Window

The three streams represent the important dimensions for the government policy making process and the model describes the interrelationships among them on how their coupling leads to the appearance of a policy window, which is an opportunity for advocates of proposals to push their pet solutions or to push attention to their special problems. A policy window opens in the policy stream because of change in the political stream or because a new problem captures the attention of government officials and those close to them. There are also occasions during which a problem becomes pressing, creating an opportunity for advocates of proposals to attach their solutions to it. In other words, the opening of a window usually comes about in response to developments in the problem and political streams, not in the policy stream.

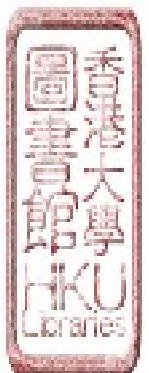
Once the window opens, it does not stay long. An idea's time comes, but it also passes, e.g. participants may feel they have addressed the problem or may fail to get action; the events that prompted the window to open may



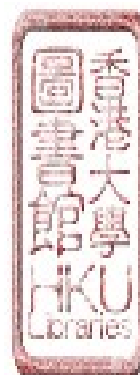
pass from the scene (like crisis or focusing event like avian flu); the personnel may change; and the window closes because there is no available alternative.

Coupling of problems, proposals and political events

Knill and Tosun (2012) set out that analyses of processes of agenda-setting proceed from very different theoretical angles. Among different approaches of different emphasis, contingency models conceive of agenda-setting as a process that is affected by chance rather than rational calculation and characteristics of politics. The central argument is that policy-making is basically about the coupling of policy problems and policy solutions that are considered as evolving independently of each other. This view also underscores the arguments presented in earlier paragraphs on problem definition about the social construction of problems by the public as well as policy-makers. On the one hand, there is a continuous discussion over policy problems and how to define them within political systems; on the other hand, there is an ongoing debate and development of solutions which take place rather autonomously from the definition of the problem. It can



even be the case that solutions are development for problems that are not yet existing or perceived to be. According to this contingency approach, it is only when pre-existing solutions can be successfully coupled with perceived problems that an issue is put on the agenda. Such approach coincides with Kingdon's (2003) argument for the coupling of the streams of problem and policy. Furthermore, Kingdon (2003) believes that the extent to which coupling is possible is not only affected by independent problem and policy streams, but also by the political stream. The process of coupling is considered a highly contingent phenomenon instead of something that can be influenced by strategic behavior in a problem-solving model. In the policy stream, proposals, alternatives, and solutions float about, being discussed, revised, and discussed again. In contrast to a problem-solving model, in which people become aware of a problem and consider alternative solutions, solutions float around in and near government, searching for problems to which to become attached or political events that increase their likelihood of adoption. These proposals are constantly on the governmental agenda because they can be seen as solutions to a pressing problem or because politicians find their sponsorship expedient. As the problem windows and

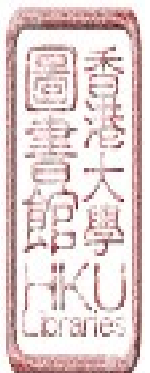


the political windows are related, when a window opens because a problem is pressing, the alternatives generated as solutions to the problem fare better if they also meet the tests of political acceptability; similarly, when a political event opens a window, participants try to find a problem to which the proposed solution can be attached. The political event even results in the heightened preoccupation with a problem.

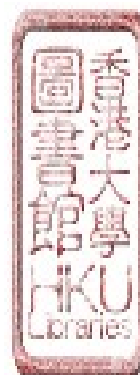
When the three independent problem, policy and political streams come together at a critical time to open up the policy window, it will result in an issue being put on the agenda.

Process-based assessments of agenda-setting

As mentioned, Kingdon's (2003) three stream model explained the intricacies of problems, policies and politics from the contingency perspective, emphasizing much about why certain issues are moved onto the agenda while others are not due to changes in the problem or political stream and



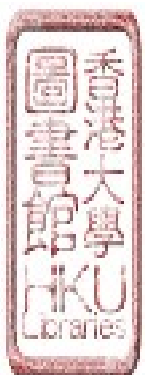
then the coupling of streams, but not too much on the whole agenda-setting process. That is, while Kingdon's (2003) model helps more to answer why and what happen to policy issues in agenda-setting, meanwhile, the three generic models in the most influential descriptive account of agenda-setting processes developed by Cobb *et al.* (1976): (1) the outside-initiative model, (2) the mobilization model; and (3) the inside-access model provide a stronger basis for assessing how processes of the agenda-setting unfold to form the view of a fuller picture of agenda-setting. Summarized by Knill and Tosun (2012), the outside-initiative model describes a situation in which an individual actor or a group of actors outside the governmental structures initiates an issue for reform which they then seek to expand into the public domain. The mobilization model describes a process of agenda-setting where institutions or political leaders seek to move issues from the systemic agenda, which refers to all societal problems that demand public attention and form the discussion agenda, to the institutional agenda, which refers to a set of problems that are up for serious consideration by decision-makers, in order to muster the support needed to attain their objectives. Contrary to the outside-initiative model, this model takes into account the possibility of



top-down agenda-setting as issues are placed on the institutional agenda directly by decision-makers. Unlike the two previous models, the inside-access model describes a pattern of agenda-setting that seeks to exclude public participation.

Evidence-based policy-making

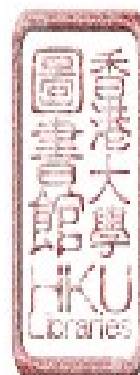
Head (2014) pointed out the argument of advocates of evidence-based policy is that better use of rigorous and relevant evidence is essential for making well-informed choices among alternative policy settings and programme designs. The stated goal is to improve the accuracy and reliability of policy advice in relation to the efficiency and effectiveness of current policies and programmes, and to consider possible alternative policy settings. This means that the concept is applicable to the whole cycle of policy making including this project's study of civil service retirement policies mainly focusing at the agenda-setting aspect. Supplementing Kingdon's (2003) three streams model and process-based assessments, it is worth looking into



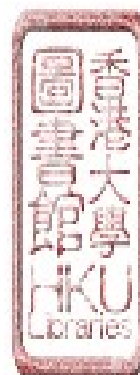
whether the concept of evidence-based policy making has also played a part in influencing the agenda-setting and changes of the retirement age policies. Head (2014) set out that evidence-based policy-making requires specific practices and institutional conditions, which include the gathering and dissemination of accurate and comprehensive data; the availability of professional analytical skills in key organisations; and political support for the production of evidence-based analysis to advise ministers and to underpin the quality of public debate. These specific practices and institutional conditions can be put into Kingdon's (2003) model for problem recognition in the problem stream, for generation of proposals in the policy stream and for gaining political momentum.

Incrementalism

The central idea of Kingdon's (2003) three streams model is that policy changes are effected when the three streams converge creating a policy window through which an actor or group can engage their policy solutions

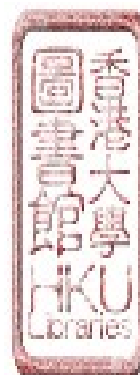


by leveraging the three dynamics in unison. The policy changes can be non-incremental, or even dramatic, changes to existing policies, but of course can instead be incremental changes depending on situations. In the context of this project studying the current civil service retirement policies in comparison to the past policies, Kingdon's (2003) model leaves a little hole in explaining in detail why and how development of some policies takes small incremental changes instead of significant non-incremental changes. Neither can the above process-based models of agenda-setting give a clear answer as well. In view of a general phenomenon that many countries have taken incremental steps in making small changes in their retirement age policies, especially in the civil service, Lindblom's (1959, 1979) theory of incrementalism contending the adoption of policies successively under limited comparison of alternatives is applied to fill that little hole left by Kingdon's (2003) three streams model. The incremental model is used to examine how the retirement age policy differs from status quo not through a comprehensive search and how it alleviates the problem not for achieving ideal ends but a result of mutual adjustments among actors.



Lindblom's (1959) concept of "incrementalism" advocates evolutionary rather than revolutionary approaches for administrative management and decision making. In this incremental method, successive limited comparisons in policy processes ought to be adopted, resulted in intimately intertwined means and ends interrelationship; limitation of means being considered; ignorance of alternative or possible policy values and outcomes; less reliance of theories; choices of means based on administrative power and agreement based on empirical data, etc. All these have significant impacts in policy formulation in the past and nowadays.

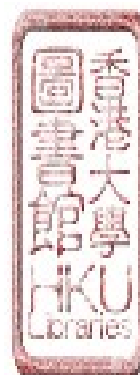
Lindblom (1959) believed that, the processes of problem definition, setting of goals and objectives, developing possible outcomes and solutions, or prioritizing the options, etc. in policy agenda and setting cannot be the completely rational or scientific processes in real practice. The spirit of incrementalism considered the complexity of institutions and uncertainties in the society, and limited the policies with the marginal differences. Any ground-breaking policies were failing to be supported by the good references, resulted in low political feasibility and less support by the public. It was



true that the policy makers generally could not fully understand all policy options and the consequences of each policy made. In the worst case, it could cause risks and crisis to social stability, substantial changes of human behaviors and organizational settings, and financial difficulty of a country.

On the contrary, Lindblom (1959) suggested that a series of small-degree corrective, supplementary or remedial actions should be put into the past and existing policies, to generate a new policy successively as which would be more practical. It also pointed out that the incremental method has recognized and respected the prior judgment and decision-making. It also released the stress of human-beings on adapting the radical changes and contributed to stability of the society as well.

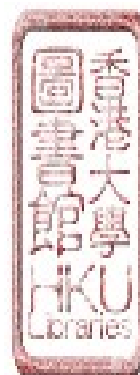
The incremental method no doubt brought some proven benefits to the policy formulation in a democratic society. According to Lindblom (1959), the method was to meet the pluralist objectives of reaching agreement with balanced interests by considering different possible consequences of alternative policies, for instance, through interaction of various groups with



different interests, and avoiding technocratic, analysis- or indicator-orientated solutions which were considered too ideally. Furthermore, with the successive limited comparisons, “the test of good policy is agreement on policy itself, and which remains possible even when agreement on values is not”, which is in particular suitable for the real policy setting which the values usually cannot be clearly defined and evenly shared.

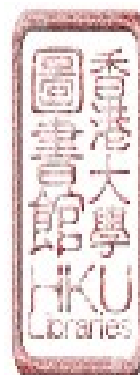
Concluding Comments

The analytical framework is established upon the backbone of Kingdon’s (2003) three streams model in which the problem, policy and political streams are conceived as necessities in the policy making process, in particular the agenda-setting phase. A number of other scholars’ ideas for problem definition and political feasibility are added to supplement Kingdon’s (2003) problem and policy streams respectively. The coupling of the three streams in response to changes either in the problem or political streams that attract the attention of the government at a critical time may lead to the opening of

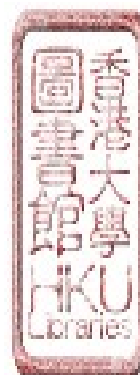


the policy window in the policy streams as an opportunity for proposals being placed onto the agenda. Cobb *et al.*'s (1976) three generic models for assessment of the agenda-setting from the process perspective in terms of the process patterns are discussed. Application of specific practices and institutional conditions of evidence-based policy-making in Kingdon's (2003) three streams are also elaborated. Finally, as Kingdon's (2003) model and other concepts explored do not explain fully small incremental policies changes over time, Lindblom's (1959, 1979) incrementalism theory is integrated into the framework to examine why and how some policy changes are limited and marginal in the policy process.

The analytical framework sets a foundation to structure, guide and inform the empirical analysis in subsequent chapters. Chapter 3 discusses Hong Kong civil service' retirement age policies in the past from 1949 to 1 June 2000 using the elements of Kingdon's (2003) model, process-based assessment and evidence-based policy-making concept and incremental model of the framework. Chapter 4 continues to use those elements of the analytical framework to discuss civil services' retirement age in the nearer time since 1



June 2000 and thereafter. Succeeding the analyses of the older policies in Chapter 3 and the newer policies in the earlier part of this chapter, the analytical framework eventually guides Chapter 4 into the discussion of development of the retirement age policy changes over time under the lens of the incremental model.

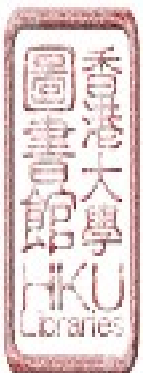


CHAPTER 3

CIVIL SERVICE' RETIREMENT AGE: 1949 TO 1 JUNE 2000

Introduction

When the British government resumed their control over Hong Kong after the Second World War, it started a comprehensive reform on Hong Kong's public administration and within the civil service, it applied the pension system in Hong Kong civil services in 1949 with an aim to stabilize the core stone of Hong Kong's public administration. Pension was a life-long benefit and it means that apart from the lump sum retirement amount that a civil servant would get until death, he was also entitled to a periodic monthly pension. As the pension amounts were proportionally related to the individual's years of service, as such, it was not difficult to explain that why would the civil servants concern about their retirement age which was also viewed as a cut-off calculation of their length of services.

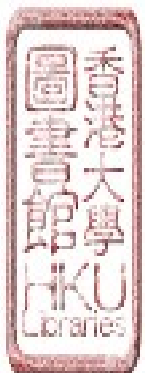


Retirement age from 1949 to 1 July 1987 (OPS)

Civil Servants employed before 1 July 1987 were entitled to the OPS and it was indeed applicable to Hong Kong civil services since 9 December 1949. The Chapter 89, Pensions Ordinance was enacted to consolidate and amend the law regulating the granting of pensions, gratuities and other allowances in respect of public service in Hong Kong and under the OPS, the normal retirement age of the civil servants for most of the civilian grade was 55 and any early retirement was also eligible for this group of civil servants.

Retirement age from 1 July 1987 to 1 June 2000 (NPS)

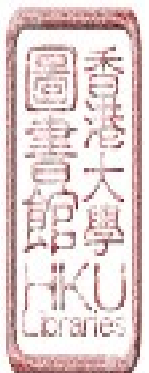
Since 1 July 1987, the British colonial government again reformed the pension system for the entire civil services. To make such change, a new Ordinance was passed in the LegCo and the NPS which was empowered by the Chapter 99, Pension Benefits Ordinance, was enacted to make provision for granting of pensions benefits in respect of the public service, and for purposes connected therewith. The NPS was governed by this Pension Benefits



Ordinance and which was applicable to those pensionable civil servant appointed between 1 July 1987 and 1 June 2000, and those appointed before 1 July 1987 but switched to the NPS by 31 December 1995 was applied on those civil servants joining the government on 1 July 1987 and thereafter until 1 June 2000.

Difference between OPS and NPS

Under the NPS and in comparison with the OPS, the normal retirement age of the civil servants for most of the civilian grade was extended to 60 and one of the key differences was that early retirement was no longer applicable for the new in-takers. To streamline the retirement system for the whole civil services whoever joined the government before 1 July 1987 or after, the colonial government let the civil servants under the OPS to choose whether they would like extend their retirement age to 60 instead of 55 and if they want, a big temptation was that their pension lump sum amount would grow bigger to take into account of their extra 5-year services. Also, for the purpose of flexibility, even though the civil servants picked to retire at 60

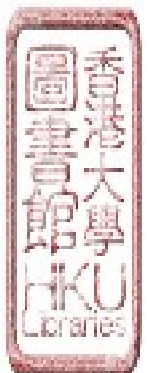


instead of 55, they could still retire between 55 and 60 without affecting their pension calculation.

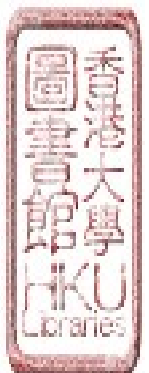
Kingdon's Three Streams Model

Problem Stream

(a) Underlying Problem – Reasons for the Pension scheme reform. Many commentators thought that the colonial government extended the retirement age because it was clever to foresee the problem brought by ageing civil servants resulting from an expansion of civil services in the 1980s. However, having considered that the number of services years under the OPS was about 30 years but under the NPS, the number of services years could only increase to 35 and obviously it was not a big solution in comparing with a huge foreseeing problem of ageing civil service. Then, is there any other real problem that caused such a big change in 1987?

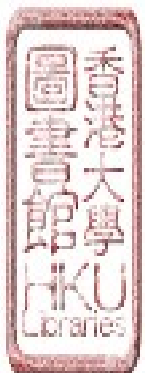


(b) The Impact of Sino-British Joint Declaration. The Sino-British Joint Declaration on the question of Hong Kong prospect was eventually signed in 1984 and by this declaration, it was confirmed that China would resume exercising its sovereignty over Hong Kong with effect from 1 July 1997. For the purpose of mutual understanding, between the period 1984 and 1 July 1997, every significant legislative bill was required to register at the Joint Liaison Group formed by the British and Chinese government. The Chapter 99, Pension Benefits Ordinance was one of the registered documents because this bill would be an ongoing legislation even after the 1997 handover. The NPS had been discussed in the Joint Liaison Group and subsequently in expert talks and the Chinese government eventually agreed to such reform. As the British government had to spend much effort in explaining the rationale behind the new Ordinance during such a political sensitive period and the reform was not an easy task for the colonial government, it was commonly believed that the colonial government had a big inducement behind that it must push the reform to be adopted. Perhaps, how to maintain Hong Kong's social stability until 1 July 1997 was the top concern for the colonial government.

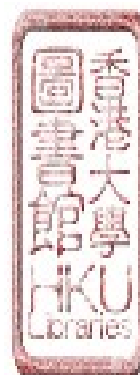


(c) Political Stability Problem. After the announcement of handover in 1984, there was a record of starting emigration tide in Hong Kong. The emigration did not have any hints to stop and even worse after the 1989 June Forth incident, the emigration tide had reached the peak level in Hong Kong history. Indeed, an emigration tide was a real and sever problem to the colonial government because Hong Kong was a labor intensive economy which heavily relied on talents, foreign capital investments and the 1973 and 1983 Oil crisis had proved that if the government did not effectively prevent any negative crisis, the Hong Kong economy was weak enough to burden and collapsed eventually.

In order to show the government's concern and to cope with a tide of emigration which led to serious loss of capital and talents in Hong Kong, in 1990s, the United Kingdom agreed to devise the British Nationality Selection Scheme, granting 50,000 families (most ethnic Chinese) to acquire full British citizenship under the British Nationality Act (Hong Kong) 1990. The civil servants would be the targeted group under the scheme.



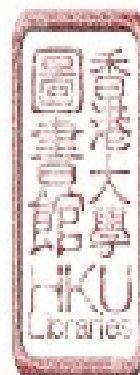
Despite the consultation in the civil service, the LegCo members conveyed more concerns of the staff, e.g. civil service unions, in the debate. The major staff concerns that carried more political sense included the one on whether their pension benefits would be affected when there is a deficit in the 'General Revenue', as the source of funds for pension payments is from 'General Revenue'. On the surface, it was merely a question on the financial management of the Government but if it was indeed a doubtful query of confidence in the context of the SAR Government after 1997. The Chief Secretary reassured that the then existing legislation had already provided that pensions were generally paid from general revenue and there could be no greater security for pensions than to provide for them to be paid from general revenue.. The then Governor had emphasized that the aim of the NPS was to retain able and experienced officers up to and beyond 1997 as that was essential to the long-term stability and efficiency of the Administration. The Government attached the highest priority to maintaining continuity and would provide every encouragement to both local and overseas officers to continue their careers in the service of the Hong Kong Special Administrative Region Government.



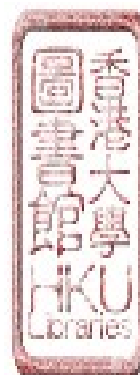
After the confirmation of the 1997 handover, many of the British civil servants had shown their intention of not continuing to serve the HKSAR government and recruitment of British civil servants were extremely difficult. A remarkable difference for NPS was that if the civil servants could work for the government for 10 consecutive years, they could still entitle to pension when they reach the age of 60. As such, for the British civil servants who might plan to leave the civil service before or upon the return of Hong Kong to China in 1997, such new term was established as if there was a back door for expatriate British civil servants to enjoy the retirement benefits and have a choice to leave the Government and perhaps Hong Kong, even when they had not reached the retirement age but only a consecutive period of 10 years. With the newly adopted NPS, it was proved that the colonial government successfully retained its civil servants manpower until 1997.

Policy Stream

Instead of being a windfall, sudden policy, it was more appropriate to say that the colonial government had undergone a consultation on those affected



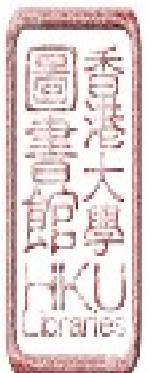
parties. Indeed, the British government did not reform the Pension System suddenly and it was a planned policy but it picked 1987 as a time for reform. To elaborate, a review was started in 1985 which confirmed that the OPS, were in need of modernization. In light of that review, a new scheme was devised which was felt more in keeping with the requirements of the Hong Kong Civil Service of from late 1980s. In August 1985, the colonial Administration announced proposals to modernize the then pension arrangements for civil servants. As laid down by the then Governor Sir Edward Youde, who was also the president of the LegCo, in the LegCo meeting in Oct 1986, the background of such exercise was that the Government had continued making efforts to stabilise the size of the civil service in response to the increasing demands on the Government and, in particular, the public service. The total establishment had increased by only 1.3 percent since 1985, reflecting credit on the loyalty and dedication of civil servants, and the sensible way in which they had responded to the need to improve work procedures and make the best use of staff resources. He seemed to have implied that the new retirement and pension proposals were an initiative for better deployment of manpower resources to prepare for the



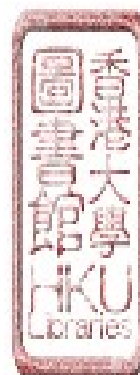
upsurge of civil service expansion in the coming few years in view of the public demands. That issue stood out on the governmental agenda. For legitimacy of the new policy, the colonial government chose to use “legislation” as the policy tool to promote and implement the NPS (see Appendix I for details).

Policy Window and Coupling

The political factors opened up a major policy window of opportunity for the new retirement and pension scheme. The colonial Government’s determination for continuing and carrying over an able and experienced civil service to the SAR Government in 1997 so as to maintain political stability as well as the suspected intention underlying the addition of eligibility for pension after only 10 consecutive years of civil service to protect the interests of British expatriate civil servants, who would prefer to leave the Hong Kong Government much earlier than the normal retirement age in the OPS around the handover in 1997, played a big part. When the policy window was opened by those politics, the participants, mainly the colonial Government



and politicians, attach the policy stream as the proposed solution to the problem stream in which 55 was considered too early in face of a much longer life expectancy and financial burden for retirement life in 1980s after nearly 40 years from the operation of the OPS in 1949. Coupling of the three streams appeared to have taken place – the new retirement policy fitted with the political climate due to the 1997-handover at that time and then was matched with the problem as its solution such that the policy was set on the decision agenda. The amended Bill providing for the NPS after negotiations and debates was finally passed to become the Pension Benefits Ordinance and amendments of other relevant local ordinances and rules were made. The old civil service pension scheme had been in operation since 1949. It had begun to show its age in recent years before 1987. The main concerns of the staff were that the life expectancy of male and female rose to 74 and 80 respectively in 1987, yet the retirement age of civil servants had remained at 55 for around 38 years. Many of the retiring civil servants were actually still physically and mentally fit for work. Moreover, some of them might worry about the financial burden for living the long post-retirement period.

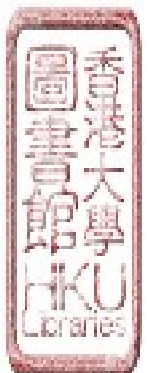


Process-based assessments of agenda-setting

From the process perspective, the CS retirement age extension policy in 1987 looks much more like the mobilization model in which the Government appeared to have placed such retirement age and pension issue directly onto the agenda by the top-down approach.

Evidence-based policy-making

As mentioned, in Hong Kong, although sensitive policy areas are regularly subject to public discussion and commentary, evidence-based policy-making has not been the norm. For the extension of civil servant retirement age in 1987, the Government was more assertive in pushing out proposals. It regarded its consultation as “extensive” but it was observed that many of the staff concerns still went to the LegCo members after the consultation, reflecting that the Government might not have taken serious consideration of the comments collected and/or the scale and extent of the consultation exercise was not large enough to collect those comments as part of the



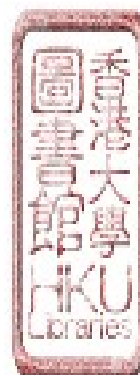
evidence for policy-making. Some colleagues in our departments opined that they were not really aware of the so-called consultation on the individual level. The consultation might have just touched upon the union level at most.

Incrementalism

There were several infrastructural preparations and steps taken in the past few decades to prepare for extension of retirement age of civil servants. In addition to the new pension scheme in 1987 and proposals in 2014 which actually involved extension of civil servant retirement age, the introduction of Mandatory Provident Fund system and Civil Service Provident Scheme Fund system to the civil service in 2000 that changed the retirement benefits system but not the retirement age has also been taken into account herein because it is also an increment throughout the steps.

The Pension development

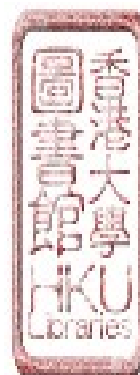
The New Pension Scheme, governed by the Pension Benefits Ordinance was introduced in 1987, was applicable to pensionable civil servants who were



appointed between 1 July 1987 and 31 May 2000, and those who were appointed before 1 July 1987 but had exercised their option to swap from Old Pension Scheme to join the NPS before 31 December 1995 or the specified option deadline. The then Chief Secretary said although the text of the new Bill was complex, the new scheme was mostly built on the then existing foundation of civil service pension principles and practice, and brought up-to-date since the old scheme had been introduced nearly 40 years ago. The main feature that differed the 2 schemes was the extension of civil service retirement age from 55 to 60 and the 10-year services pension element.

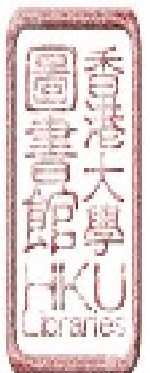
Concluding Comments

This chapter has examined Hong Kong civil service' retirement age policies in the past from 1949 to 1 June 2000 using the elements of Kingdon's model, process-based assessment and evidence-based policy-making concept of the analytical framework. It has been realized that the change of political climate in the political stream led the coupling of the three streams and opened the policy window for the agenda-setting of the policy increasing the



retirement age of civil servants from 55 to 60 under new pension scheme. The agenda-setting process has been matched with the mobilization model in which the issue was placed directly onto the agenda from top-down. The process has been thought involving a relatively low level of evidence-based practice.

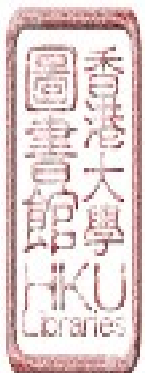
Next chapter uses the same analysis approach to examine Hong Kong civil service' retirement age in the nearer time since 1 June 2000 and thereafter. Furthermore, it continues with this chapter's findings to look into the development of the policy over time through incrementalism.



CHAPTER 4 CIVIL SERVICES' RETIREMENT AGE SINCE 1 JUNE 2000 AND THEREAFTER

Introduction

After the handover in 1997, by practicing the principle of 50-year unchanged, the HKSAR government had also remained the Pension system for several years until the year of 2000. Subsequently, following the implementation of Mandatory Provident Fund System in 1 January 2000 for all of the Hong Kong employees, the pension system for the civil servants also came to an end since 1 June 2000. Substituting by the CSPF scheme, the HKSAR government no longer has to guarantee the amount of the pension but the simple principle of “defined-contribution” was adopted. Indeed, to avoid having a big discrepancy with the MPF scheme, the idea of CSPF was largely copied from the MPF scheme. In other words, for retirement age, the statutory age stated in MPF scheme (age of 65) that the participants could get back the entire accumulated benefits, might become a reference retirement age of the civil servants under the CSPF (The CSR had still kept black and

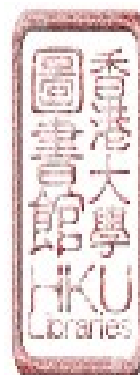


white that their civil servants reached the retirement age at 60) . In this Chapter, as most of the updated information were just disclosed by CSB in the consultation paper regarding extension of the civil servants’ retirement age (April 2014), as such, the information and statistics therein have been taken as a reliable basis for our analysis below.

Kingdon’s Three Streams Model

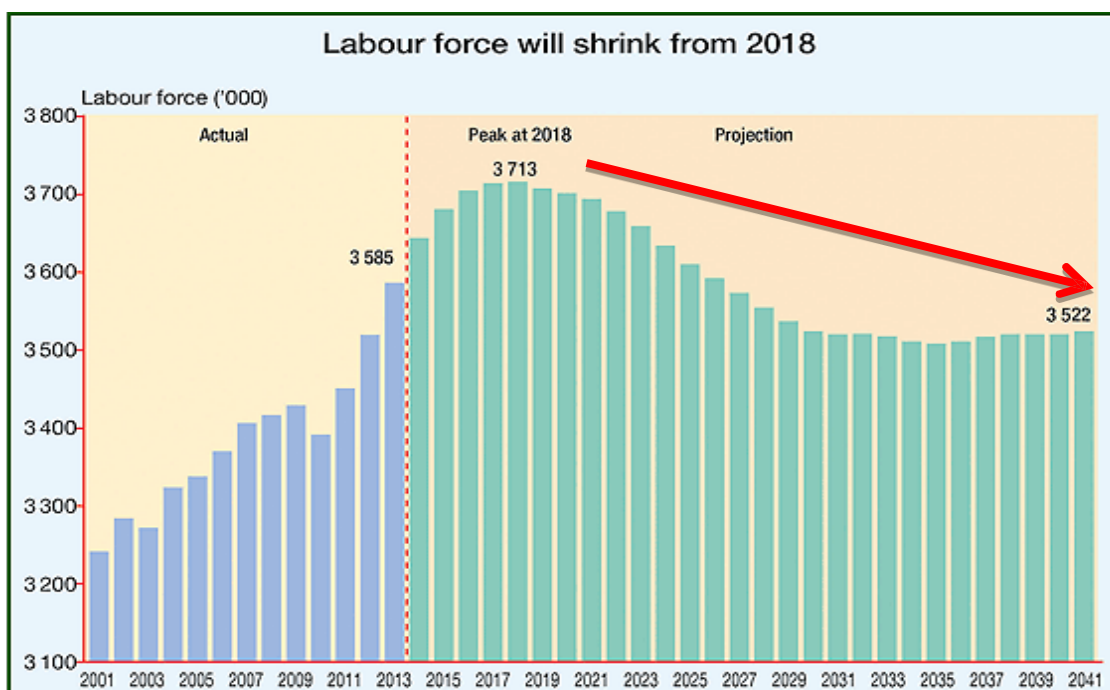
Problem Stream

The problem of ageing civil servants is recognized as a loud sounding and urgent reason to urge for a solution. As repeated by the officials, ageing civil servants will lead to the problem of “inexperienced management team” arising from succession gap, which may give rise to a public administration crisis. Broadly speaking, a shrinking working population will slow down the pace of economic growth, thereby affecting our job opportunities and living standards. Moreover, an ageing population will further compress our already narrow tax base, leading to increased public expenditure. These are



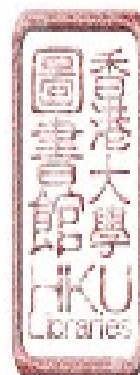
not just simply undesirable situations but significant social impacts having sufficient legitimacy to be put onto the policy agenda as supported by objective empirical data.

Figure 4.1: A shrinking Hong Kong labor force



Source: Budget speech 2014/15
highlights <http://www.budget.gov.hk/2014/eng/highlights1.html>

According to the Steering Committee on Population Policy, it is mentioned that number of people aged 65 or above is projected to increase to 2.16 million by 2031, more than doubling the 980 000 in 2012 and will further increase to

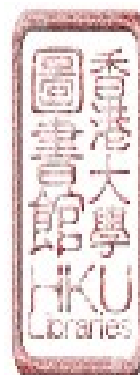


2.56 million by 2041, representing nearly one third of the then projected total population. Ageing population was a problem because it will lower the labour force participation rate. The rate of 58.8% in 2012 will drop to 49.5% in 2041. The labour force peaks at 3.71 million in 2018 and will fall to 3.51 million in 2035 with a modest growth afterwards. This situation also appeared in civil servants.

(a) The problem of ageing civil servants – the seriousness. According to CSB's study, the annual average number of retirees (excluding voluntary retirement retirees) for the five-year period ending 2012-13 and the projected figures for the five-year periods to follow is presented in Table 4.1.

Table 4.1: Manpower Shortage Situation

| 5-year period | Annual average number of retirees | Annual average number of retirees as percentage of the civil service strength as at March 31, 2013 |
|--------------------|-----------------------------------|--|
| 2008-09 to 2012-13 | 4 200 | 2.7% |
| 2013-14 to 2017-18 | 6 000 | 3.7% |
| 2018-19 to 2022-23 | 7 000 | 4.4% |
| 2023-24 to 2027-28 | 5 400 | 3.4% |



Source: CSB Consultation Paper 2014

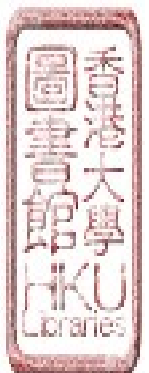
Revealing the sense of the seriousness of the upcoming retirement wave, almost 20% (total of 35,000) of the 170,000 civil service is expected to retire between 2016 and 2021. The projected natural wastage rates of the civilian departments/offices and the disciplined services departments for the five-year periods up to 2022-23 are presented in Table 4.2.

Table 4.2: Natural wastage rates of the civilian departments

| 5-year period | Civilian departments /offices | | Disciplined services Departments | |
|---------------------------|--------------------------------|-------------------------------------|----------------------------------|-------------------------------------|
| | Five-year natural wastage rate | Annual average natural wastage rate | Five-year natural wastage rate | Annual average natural wastage rate |
| 2013-14 to 2017-18 | 16.0% | 3.2% | 18.3% | 3.7% |
| 2018-19 to 2022-23 | 25.3% | 5.1% | 18.3% | 3.7% |
| 10-year period as a Whole | 41.4% | 4.1% | 36.7% | 3.7% |

Source: CSB Consultation Paper 2014

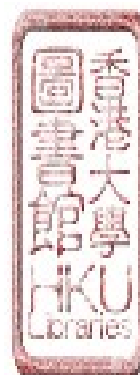
(b) Problem of high wastage. Higher wastage of civil servants in the coming years is significantly due to the expansion of the civil service in the 1980s,



leading to succession and operational issues. In 2008/09-2012/13, the average number of retirees was about 4 200 (2.7% of civil service strength). In 2012, among the top 1,000 directorate-level civil servants, 2/3 had reached the age between 50 and 59. The annual average increase of civil service establishment was around 1 300 (about 1% of the establishment) to meet new demand for new or improved services.

Annual average number of retirees will increase from 6 000 (in 2017/18) (3.7% of Mar 2013) to 7 000 (in 2022/23) (4.4% of Mar 2013); and declined to 5 400 (3.4% of Mar 2013). Natural wastage rate will be 16% (as at Mar 2013, annual average rate of 3.2%) for the five-year period ending 2017/18; will increase to 25.3% (as at Mar 2013, annual average rate of 5.1%) for the five-year period ending 2022/23. As a whole, ending 2022/23, the natural wastage rate will be 41.4% (annual average rate of 4.1%).

For the six disciplined services department grades, for the five-year period ending 2017-18 and 2022-23 will both be 18.3% of their strength (as at Mar

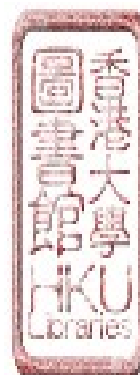


2013, annual average rate of 3.7%). As a whole, ending 2022/23, the natural wastage rate will be 36.7% (annual average rate of 3.7%).

Most of the grades may not have succession problems. However, there are a few professional and technical grades with higher wastage by 2022/23 might have succession problems, thus, there will be a need for further employment beyond retirement age.

(c) Problem of resultant manpower shortage in Civil Service. The downsizing of the civil service in the early years of 2000s had resulted in staff shortage at working levels, and the modest increase in the civil service establishment in recent years fell short of the growth in workload to meet the increasing demand for public services. The manpower shortage situation was aggravated by the persistent shortfall in the number of civil servants to achieve full strength of the civil service.

Apart from this, there is a rising trend of outflow of high calibre Administrative Officers to other organizations, the manpower situation of

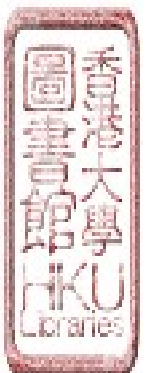


professional grades, as well as the ability of Bureau Secretaries and Permanent Secretaries to deal with complex and technical issues.

From the above analysis, it reveals that in year 2014, the problem of ageing civil servants was much obvious than in the year 1987 and that the problem is really happening in 2014. In other words, the level of seriousness of ageing civil servants was significant in pushing the policy process in 2014.

Political Stream

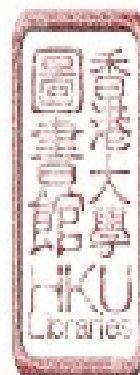
Having discussed in the preceding paragraphs that there was a serious problem that the government must tackle and at the same time, the political climate in 2014 also foster a change. It was to the government benefits that apart from minor disagreement, many comments favorably supported an extension or at least a modification of the existing retirement age. It seems that stakeholders realize the needs of a modification and it may be politically feasible to implement such policy in 2014.



Ever since the Government made public its proposals for extension of service of civil servants, not only during the consultation on extension of service of civil servants in 2014 targeting just its staff, grade/departmental management and concerned parties, discussions among different individuals and groups had been heated up. Numerous comments from people outside the Government including different interest groups were raised along with staff of the Government and the related unions, associations, societies, etc. The following is a brief summary of those voices in general from the analytical aspect.

(d) Views of Civil Servants. The Society has been discussing the problem of ageing population in the recent years. The issue of civil service retirement age has been discussed in the LegCo Panel on Public Service since 2010. In the recent meeting this year, the Panel invited submission of views of the Civil Service Unions.

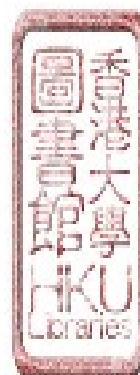
Some Unions expressed support to the extension of the retirement age. The Hong Kong Civil Servants General Union took the view that since 2000, there



has been manpower shortage in the Civil Service, which in turn increase the work pressure of the Civil servants and affect the morale of the servants. They also pointed out the Civil Service Succession Problem, and urged the Administration to investigate the extension of Civil Service Retirement Age. While supporting the extension of the retirement age, the Government Disciplined Services General Union suggested extending the extension progressively, instead of fixing a particular date for implement the extension.

The Government MOD 1 Staff General Union, representing most of the lower-rank staffs, strongly agreed to extend the retirement age, they suggested implementing the extension in Model 1 staff even if the other civil servants were not ready for the extension. Some members suggested making the extension be a voluntary scheme. While supporting the extension, some civil servants suggested letting the serving civil servants choose whether to join the new retirement scheme or not, and let them enjoy the current benefits.

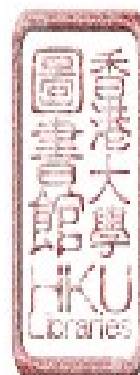
Some other civil servants worried the extension may neglect the need of civil servants.



Policy Stream

In May 2006, Miss Denise Yue, the then Secretary of Civil Service (SCS) in a meet-the-media session, said the Government didn't take part in any evaluation on the Civil Service Retirement Age. After two years, in Apr 2008, when the LegCo discussed the Retirement Age in Hong Kong, the Secretary for Labour and Welfare, Mr Matthew Cheung Kin-chung, responded that the present retirement age of the civil service has been set, after taking into account all relevant factors including the impact on civil service manpower planning, public finance, promotion prospects of the lower ranks and employment prospects of young workers. He also said at that time, the Administration had no plan to change the retirement age in the civil service.

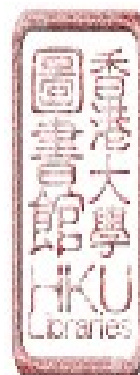
In 2011, in response to the questions by LegCo Members on Civil service pension schemes as well as the Civil Service Retirement Age, the then SCS, Miss Denise Yue took the view that "Extending the existing retirement age will affect the Government's absorption of new blood into the civil service for a period of time. It will also reduce civil service job openings in the labour



market and impact on the promotion prospects of serving civil servants. The CSB has no plan at this juncture to change the retirement age of civil servants, but will continue to follow closely discussions on this front in the community.”

In the LegCo Panel on Public Service meeting on April 16, 2012, some members suggested the Government extending the Civil Service Retirement Age to 65. However, the Administration responded that the retirement age problem was a complicated issue, some civil servants worried that there will be impact on promotion. Thus, the then SCS, Miss Denise Yue said she did not see a strong justification for extending the retirement age.

In June 2013, the LegCo Panel on Public Service further discussed the extension of the retirement age of civil servants, some members suggested that voluntary extension of retirement age could first be implemented for civil service grades like the Modal Scale I grades in which the promotion blockage was not an issue. Some members took the view that extending the retirement age could help forestall the outflow of experienced civil servants to other organisations. Due to the Mandatory Provident Fund (MPF) Schemes,

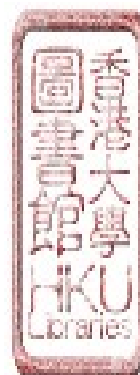


civil servants tend to have a longer working life so they could withdraw a larger sum of benefits at the retirement. Members in general expressed support for extending the retirement age.

The SCS responded that other than extending the retirement age, there could be other measures to consider of. The Administration would continue to investigate the impacts on public finance, employment prospects as well as the view from civil servants in this regard.

Some LegCo members also raised questions at the Council meeting on relevant matters in 2012 and 2013.

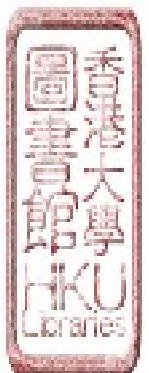
At the special meeting on January 10 this year, majority of the deputations supported the extension of retirement age of civil servants. They took the view that extension of civil servants retirement age could help solve the succession problem in the civil service and alleviate the manpower shortage problem in some of the bureaus or departments as the number of retiring civil servants would be on the rise in the next 5-10 years. Some members also



suggested that if extension of the retirement age was implemented, the Administration should allow the serving civil servants to choose for new retirement scheme or the existing one.

Few deputations did not support the extension of retirement age because they thought that the extension would create blockage to the promotion prospects for civil servants, and as such, slackening the regeneration process within the civil service. And of course, some deputations did not have clear view on such matter.

After several discussions among the LegCo members as well as the members of the public, the CSB published a consultation paper on “Extension of the Service of Civil Servants” on April 3 this year. It is expected that after four-month consultation period, views on stakeholders as well as the members of the public could be gathered which help the Government to review the civil service retirement policies.

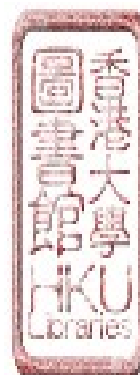


In the consultation paper, the Government suggested to increase the retirement ages of civil servants, to optimize the further employment mechanism, introduces a new Post-retirement Service Contract Scheme (PRSC Scheme) and streamlining control regime on post-service outside work of civil servants.

While it is still in the stage of public consultation, some civil servant unions, especially the Government Mod 1 Staff General Union, expressed concerns that the further employment mechanism would not benefit the lower rank civil servants. The SCS, Mr Paul Tang, emphasized that the Administration would follow prescribed rules and regulations, to ensure the fairness during the process.

Policy Window and Coupling

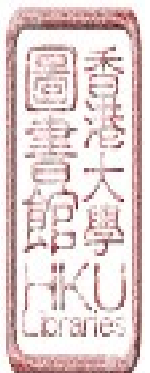
In the case of extending the retirement age of civil servants in 2014, a window of opportunity in the policy stream for increasing the retirement age of civil servants has been opened up by the problem stream in which the problems of



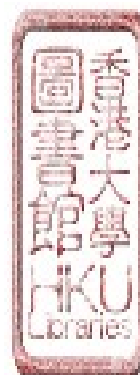
succession and manpower shortage in the civil service due to the retirement wave were all wrapped up as a pressing problem amidst the ageing population problem in the wider picture in Hong Kong. Although it is still around the consultation stage, the Government has been responding in ways that have been trying to muster more political support, that is, the political stream is being coupled to the policy stream as well. Hence, coupling of the three streams also seemed to be happening.

Process-based assessments of agenda-setting

The case of 2014 is more complicated from the process perspective. It is like at somewhere between such mobilization model and the outside-initiative model. On the surface, it appears that the issue of increasing the civil service retirement age has been put on the institutional agenda or even the governmental agenda only because of the result from the public engagement exercise on population policy held in 2013 as the Government did not see a strong justification for extending the retirement age in 2012. However, even

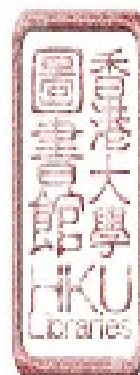


forces from some members in the LegCo Panel on Public Service for extension of the retirement age of civil servants in 2013 were observed and similar opinions have been raised since 2008, there seemed to be no specific actors outside the governmental structures initiating such issue for reform which they sought to expand into the public domain during the public engagement exercise. Thus, it does not seem to be purely the outside-initiative model. Nevertheless, the Government announced the need to review the civil servant retirement age just shortly after the close of the public engagement exercise on population policy, giving an impression that the Government had indeed planned those proposals but waited for the chance to make known publicly at the right timing under the roof of the ageing population problem. This is like there might have been extensive debates about the issue among decision-makers in the governmental structures prior to the announcement but the public might have little knowledge of the issue in the mobilization model. This is also like the Government was just matching proposals on hand with pressing problems emerging.



Evidence-based policy-making

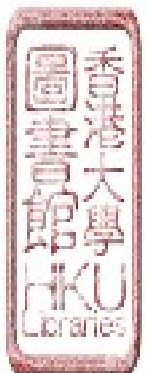
For increasing the retirement age of civil servants in 2014, it to a large degree rooted from the public engagement on population policy which was an open and responsive exercise with the public. The consultation on retirement age extension setting out the major findings of a study conducted by the CSB of the Government for sizing up the retirement and manpower situation of the civil service over the coming years was also relatively open and extensive when compared to the past in a way that it has reached out to every civil servant on an individual basis. It is among the signs that the Government has been collecting more objective data and analysis from experts and views from all civil servants as evidence to handle key problems in a more informed and responsive manner. That is, the Government is seen moving towards evidence-based policy-making.



Incrementalism

Retirement package in the new era

The implementation of MPF system in 2000 which was designed to form the second pillar of Old Age Protection (The idea of 3 retirement pillars was suggested by the World Bank in 2005). It means that the government had started tackling the problem brought by ageing population and in particular for the retirement protection for the civil servants, in June 2000, the CPSF system was adopted to replace the Civil Service Pension Scheme. Having studied the details of the MPF mechanism regarding the “Withdrawal of Accrued Benefits”, a withdrawal of accrued benefits was only allowed when scheme members reached the retirement age of 65, as stipulated in the Mandatory Provident Fund Schemes Ordinance, seemingly a step to pave way for increasing the retirement age in the civil service when looking back from hindsight in 2014. With the benefits arrangement remained nearly unchanged in the proposals put up by the Government in 2014, the one incremental step is increasing the retirement age of civil servants for 5 years again from 60 to 65.



Summary of incremental steps

It is evident that the Government has been dealing with the issue of extending retirement age of civil servants by the incremental method in which changes in the retirement policies have been made step-by-step in small degrees, building out from the existing conditions in fact. The effectiveness of such step by step approach was that it has helped the Government minimize the risk of wrong decision-making and opposition by the stakeholders. It is observed to have been widely accepted by the general public, hence benefiting to maintaining stability in the civil service and the society as a whole.

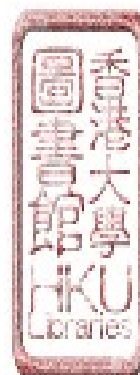
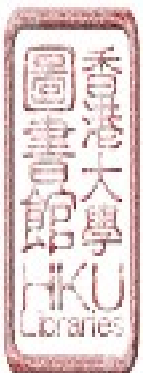
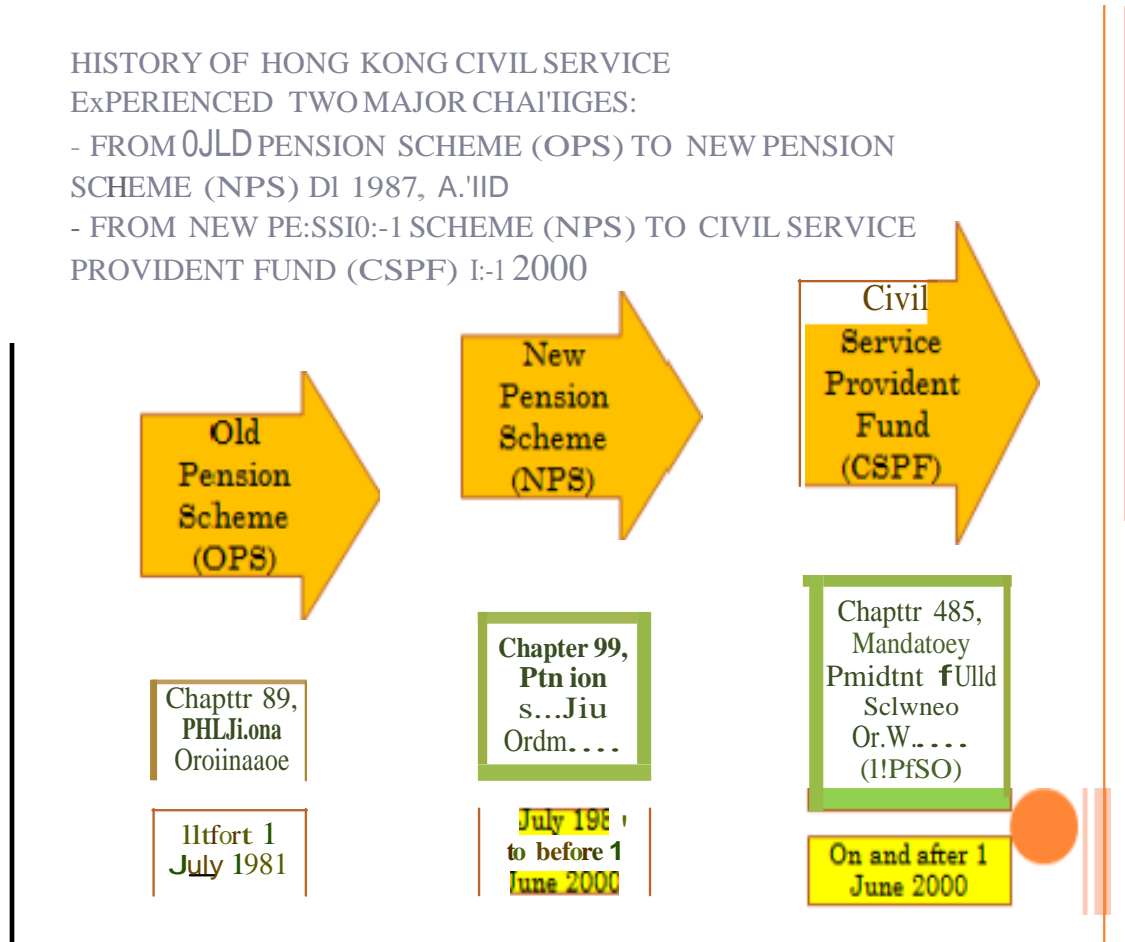
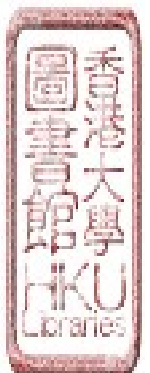


Figure 4.2: Map of the step by step movement over time



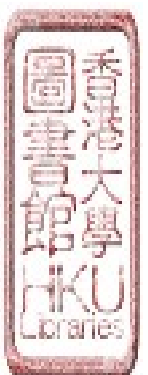
Concluding Comments

This chapter has succeeded the last chapter to use Kingdon's (2003) model, process-based assessment and evidence-based policy-making concept of the analytical framework to examine civil services' retirement age in the nearer time since 1 June 2000 and thereafter. This chapter has then looked into the development of the retirement age policy changes over time under the lens of the incremental model. It has been realized that the change in the problem forming a pressing problem of ageing population also affecting the civil service triggered the coupling of the three streams and is seemingly opening the policy window for the agenda-setting of proposals advocating extending the retirement age of civil servants from 60 to 65. The agenda-setting process has been thought as somewhat in between the mobilization model and outside-initiative model in which a mixed situation has been observed that advocates outside the government moving the CS retirement age issue through the territory-wide consultation exercise on population policies whereas signs of abundant discussions and preparation for proposals within the government. Moreover, specific practices and conditions of evidence-



based policy making have been detected in the process for the retirement age policy around the present time. Lastly, it has been observed that the development of the CS retirement age policy over time from 1949 has taken incremental steps of limited change.

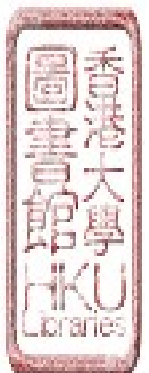
The next chapter is led by the findings of this and last chapter to arrive at a summary of the main findings of this project focusing on the policy process and dynamics of Hong Kong civil service terms and conditions of employment, especially the retirement age.



CHAPTER 5 CONCLUSION AND RECOMMENDATIONS

Introduction

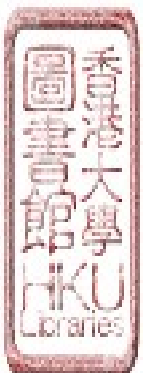
Having gone through the previous chapters for historical background and empirical data of the Hong Kong civil service retirement policies discussed under the analytical framework, this chapter is to summarize the above discussions and findings, as well as to recommend possible alternatives with analysis. This chapter also gives a snapshot of the latest development on the new retirement proposal for Hong Kong civil service. Singapore's experience on the relevant issues is to be elaborated, compared with, and made reference to the Hong Kong government. Last but not least, some limitations of the project are mentioned and to come up with an overall conclusion.



Summary of Discussion and Findings

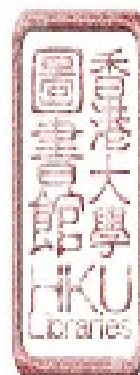
The extension of the retirement age of civil servants from 55 to 60 in the colonial government under the NPS in the past and the current proposal to increase the civil servant retirement age from 60 to 65 in the Hong Kong government in 2014 have been separately analysed through Kingdon's(2003) three streams model with particular emphasis on the agenda-setting stage in the policy cycle. The two cases have been laid out to the three streams in problem, policy and politics and then examined how the policy windows were opened.

In the retirement extension in 1987, the policy window was found to be opened by the political climate arising from the handover of Hong Kong to China scheduled in 1997. The policies had been also coupled to the problems of retirement at the age of 55 leading to worries about living costs and waste of able and experienced manpower with institutional memory. The coupling resulted in the retirement and new pension policies being put onto the decision agenda. The NPS was then successfully implemented.



Whereas for the proposals to increase the retirement age in the civil service in 2014, the pressing problems of succession and manpower shortage in the civil service rooting from aging population appear to be opening the policy window. Meanwhile, the government seeks to respond to different concerns from relevant stakeholders including individual civil service employees, staff unions, civil societies comprising a considerable portion of civil servants, etc. in order to gather more political acceptability. Coupling of the three streams is seemingly happening.

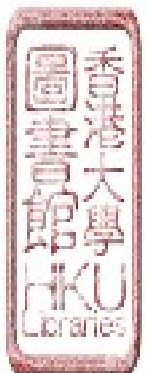
Apart from Kingdon's (2003) theory, the process-based assessments of the agenda-setting and evidence-based policy-making had been compared. As mentioned, the policy windows were opened by the political stream and problem stream in the case in 1987 and the case in 2014 respectively yet coupling has been observed in both cases. From the process perspective, the agenda-setting of the earlier case has been thought as following the mobilization model while that of the current case as somewhat in between the outside-initiative model and mobilization model, in other words, more involvement of the actors outside the government structures. The study and



consultation exercise conducted by the government in the 2014 case are found to be much more open and extensive in collecting objective information and comments than the one done by the colonial government in the 1987 case which did not go down to the individual level in the civil service. The government is observed to be going towards the evidence-based policy-making more and more.

The two retirement age extension cases in the past and at present, in addition of the introduction of MPF and CSPF into the civil service in 2000, have also been analysed using the incremental method. The three cases all together formed the three incremental steps into which the Government raised the retirement age of civil servants from 55 to 60 and then 65.

In conclusion, those incremental steps of small degrees that have been built out from the existing conditions, with the above-mentioned findings about more involvement of the actors outside the government structures and policy-making in a more informed and responsive fashion with more objective evidences all arrive together at a prediction that the current



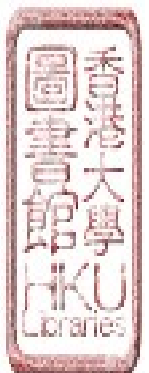
proposals for increasing the civil servant retirement age will probably succeed in getting on the decision agenda as well after debates, negotiations and redrafting of policies, and implementation.

Assessing Possible Alternatives

The previously identified pressing problems in Hong Kong including the aging population, shortage of manpower, succession issues, increased burden and expenditure on social and welfare aspects in the coming future.

The Hong Kong government, as the biggest employer and playing the leading role in this city, should be responsible to largely promote different measures to relief the problems. The initiatives should also draw the attention of other public organizations and the private sectors and they should be encouraged them to follow.

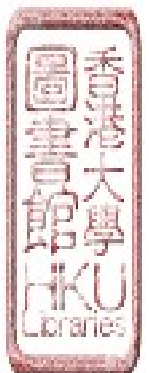
The following are some ideas with evaluations to help resolving the problems faced by the Hong Kong government.



Option 1 – Extend the retirement age for all civil service staff in one go or phase by phase

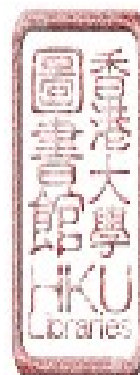
This option is simply designed to extend the existing retirement ages, say by five years, for all grades and ranks in the government. It will result to the deferred retirement ages by several years later. This option can temporarily mitigate the urgent problems on loss of experienced staff and manpower in the government departments. However, without considering the works nature of different departments, this option also has some negative impacts. For example, if the departments require much the workforce on physical requirements such as disciplinary services and outside work, the staff with the extended retirement ages may not suit the operational needs of the departments but may cause extra burden to the government/department on staff cost and welfare expenditures.

Moreover, this simple method on extension of the retirement age will cause a sudden shock to the current civil service staff as their career path will be much affected by the upper levels who deferred their retirement. Even



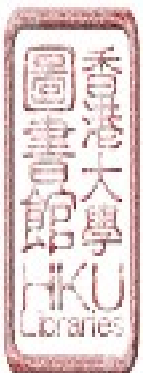
worst, the young professional grade officers such as the medical officers may consider that their promotion opportunities are decreased in the life-long careers under this arrangement; they may choose to resign from the government and develop their careers in the private companies. Consequently, talents will be lost and staff morale will be affected.

It is more preferable to adopt the optimized proposal to defer the retirement ages phase by phase, such as extending one year for every five year period; or extending the retirement ages according to the different age groups of the current civil service staff, like the increased retirement ages only for the younger groups. This optimized solution may soften the sudden impacts to the existing civil service system, but achieve the long-term benefits on manpower issues and save training expenses.



Option 2 – Extend the retirement age for civil service staff new recruits only

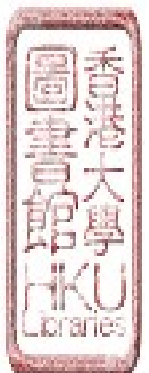
This option is to apply the extension of retirement ages only for the new recruits starting from a designated date in future. This option meets the current trend and the long-term needs in the society facing the aging population and deficiency of workforce in the markets. As this option may also cause inequality to the presently employed civil service staff and the newly recruited staff in future owing to their different retirement ages under the different employment policies and conditions, the risks like staff resignation from the government or delayed entering to the government may happen if the individual officers consider the new retirement scheme is more favorite and attractive to them. The success is provided that the government should carefully review the designated date of implementation of the new scheme and well manage the potential risks caused by the new scheme and should consider compensations if appropriate.



Option 3 – Re-employ the retired staff with flexible terms

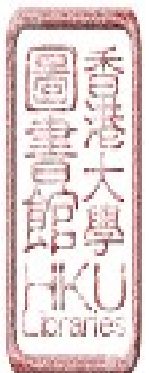
This option has been adopted in some departments already and it is mainly designed for the operational needs or special tasks. In present, the tasks handled by the re-employed officers are usually regarded as specialist job natures, and always requiring high level of skills and the related experience which are rare in the market or in the inner departments. Some indicative examples like the skillful labour, artisans or mechanics in some technical and engineering departments. They are suitable for being re-employed in contractual terms and in flexible working hours according to the departmental, operational or succession needs.

The Civil Service Bureau then can fine tune and optimize the current re-employment schemes; and outline and propose the relevant guidelines, procedures and human resources tools to allow the departmental administrators to broadly re-employ the retired staff in contract terms in more effective and flexible ways.



Option 4 – Allow civil service staff to freely decide their retirement ages

This option allows the existing civil service staff to decide their extended retirement ages on a voluntary basis. This option may be welcomed by the most staff because of the given right of decisions but not that constructive to the overall manpower management and continuing development in the public administration system. The decision-making and the planning of the human resources should still be built on the adequate reviews and studies, moreover to be dominated, responsible and accountable by the human resource administrators such as Civil Service Bureau, or the department heads, ensuring the retained workforce must completely match the quality services delivered by the concerned departments. The option should also be ignored the mobility of the departments, as well as absorption of the new bloods and other entry levels.

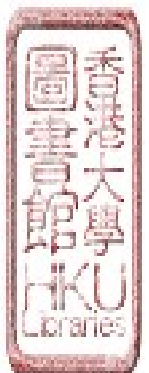


Option 5 – Allow the retired civil service staff for outside work after retirement

In response to the constraints of CSPF Scheme, in maintaining the quality life and pursuing senses of achievement, self-esteem and well-being, it is suggested to allow the civil service staff to continue their work after retirement, not just in the government. This is particularly beneficial to the lower-rank staffs who have unlikely conflict of interests to the government but are demanding for the living income. Then they can generate the income and obtain the sense of financial security, remove the economic burden from their families and be able to contribute their strengths to the community as well.

Overall assessment of the options

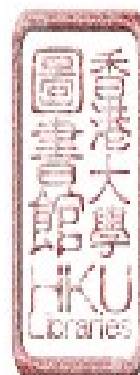
From the above, Option 1 is considered as the simplest method to straightly lengthen the retirement ages for the existing civil service staff. It is considered ineffectively addressing the root causes of the defined problem as



it is only to delay the retirement ages. Regarding the voluntary retirement scheme in Option 4, it is considered the idea is risk-taking and will be out-of-control for staffing management.

While, the modified approach in Option 1, as well as other alternatives mentioned in the 2rd, 3rd and 5th options, are recommendable. It is because the solutions are rightly tackling the defined problems of the Hong Kong government. Meanwhile, apart from standalone adoption, these recommendations can be mixed in use for flexibility if they can meet the departmental settings and operational requirements.

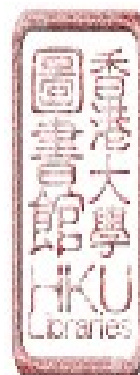
In fact, there is no need to change the retirement schemes suddenly, indifferently and in a large extend. Instead, the minor changes in steps and in small scale will be more acceptable by the affected parties. In case the drawbacks outweigh the benefits in the proposals, the policy makers and the public administrators can still consider moving back to the origins.



Lastly and more importantly, the above-proposed alternatives should take care of the views and interests of different concerned parties and stakeholders. Their wishes and aspirations should be respected and compromised. It is also a good idea to allow the individual departments with autonomy on allocating human resources to suit the operational needs, and avoiding the adverse effects on recruitment policy or promotion opportunities.

A Snapshot of Latest Development

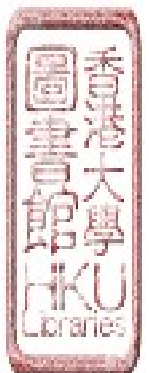
The Civil Services Bureau of Hong Kong government has released a consultation paper on extension of the services of civil servants in April 2014. The consultation period is last for four months till 2 August 2014. The paper is to propose the frameworks including flexible retirement and employment schemes, to respond the changes of the society; to address to the needs of departments and grades in Hong Kong government; in the meantime to balance the interests of the concerned groups and civil servants as well as to act as a leading player to the employers in the private sector.



In the consultation paper, the retirement and employment initiatives include the following ideas.

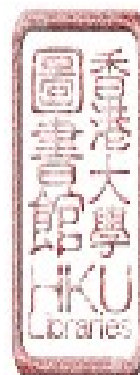
First, it is simply to raise the retirement age for civil service new intakes starting from a specified date. This proposal is to respond the longer lifespan of Hong Kong people and facilitate the stability of the workforce. More specifically, the retirement ages of the new recruits to the civil service can be set at 65 for the civilian grades; and at 57 and allow feasible extension to 60 in the disciplinary services.

Secondly, the bureau can provide guidance to the Heads of Grade or Heads of Department to flexibly re-employ the retired civil service officers to continue the work to suit the departmental and special tasks requirements. On the contrary, the retired members can also be employed under contract terms or temporary nature. These employment modes usually provide freedom and flexibility to both employers and employee.



Thirdly, the retired civil servants may choose the outside work instead of the government. The current policy on post-services employment regime can be released to allow more junior-rank civil servants' outside work after retirement. This proposal only exists minimized risks of causing conflict of interest to Hong Kong government if the target groups are the junior level and non-directorate grade officers.

The above options may have influences such as increasing government expenditures on staff cost and welfare; effects on the career and promotion of the existing staff; or the results of unbalanced interests of stakeholders, etc. The bureau is required to gather the views and feedback for further assessment and careful consideration of the options for implementation.

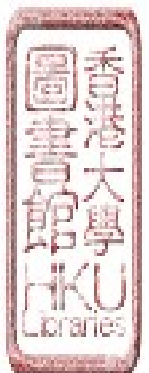


Experiences and Lessons from Singapore

Overview of the retirement situation of Singapore

Singapore's population has been over five millions currently. Aging population and longer average lifespan are the unavoidable challenges of the city. Singaporean government predicted that, the ratio of the working individual to the elderly can be reached to 1:5 in 2020. This will also lead to the subsequent serious consequences, such as employment ages, medical schemes, financial protection and living standard of the elderly.

The retirement plan adopted by Singaporean government is Central Provident Fund (CPF), which was established in 1955 when the area was still under the British colonial ruling. Due to limited welfare systems offered by the Singaporean government's policy setting, this CPF scheme has been welcomed by most citizens in the past decades to protect their retirement life.

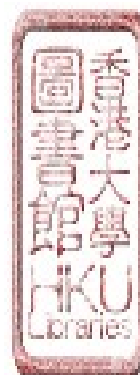


In coping with the aging population, the Parliament of Singapore passed the Retirement Age (Amendment) Bill on 11 January 2011 to rename the Retirement Age Act (RAA) and amend its scopes.

In 1 January 2012, Singapore has replaced the Retirement Age Act (RAA), which has taken effect on 1 January 1999, with the Retirement and Re-employment Act (RRA), and it brings up the retirement age from 62 to 65, either in yearly renewable contracts or at one stretch package to the employees.

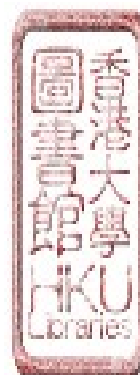
The new Act is eligible for the Singapore Citizens or Permanent Residents, with reference of satisfactory working performance and medical fitness.

Apart from these changes, since 1 October 2013, the Ministry of Home Affairs (MHA) of Singapore had allowed the uniformed junior officers to work for 5 years more from the original retirement age of 50 until the retirement age of 55.



The MHA also treasures much the knowledge, experience and skills of their officers. The authority may consider allowing their both senior and junior officers to work until 60, if they are considered physically fit; in good record of conduct and performance; and suiting the organizational operation needs. Most importantly, this implementation must match the desire and willingness of the individual officers to reach the mutual benefits between the organization and the employees.

Apart from the authority information, the Epoch Times (2006) extracted the findings from the survey jointly conducted by the Hong Kong and Shanghai Banking Corporation and Oxford Institute of Aging. The news revealed that the majority of interviewed Singapore citizens (64%) believed their retirement living costs should be fully responsible by themselves, rather than relying on the government. It implies that the Singapore citizens are eager to work longer in order to earn enough saving before the retirement.

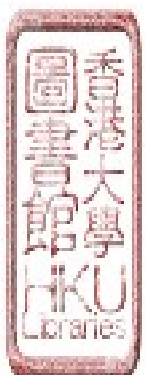


Furthermore, according to the same survey, over 40% of the interviewees recognized the problem of aging population and had the expectation to their government on increasing the retirement age.

Policy window opened for extension of retirement age

Singapore, the well-developed city, has been definitely facing the wicked problems of aging population and rising living expenditures. Strong political views on increasing the retirement ages from the stakeholders and the public are also demanding.

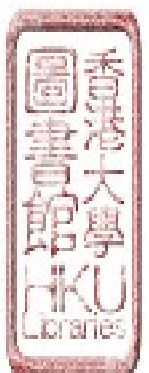
Coupling of the policy, problem and political issues had triggered the opening of the policy window on extension of the retirement ages to 65 through launching of the RRA in January 2012 as well as extension of the retirement ages for the uniformed officers to 55 or 60 in October 2013.



The implementation of the policies could be fully responded to the wishes and expectation in the Singapore society; or acted in response the “national mood” according to Kingdon’s (2003) model.

The incremental steps were adopted to increase the retirement ages of 5 years for the uniformed officers, i.e. from 50 to 55 for junior uniformed officers and conditionally from 55 to 60 for senior/junior uniformed officers; and optionally 3 years from 62 to 65 in the RRA as well. Both executions enabled the administrators and employers to decide carefully with criteria to continue further extension of the retirement ages of the officers and the staff.

Regardless of the comprehensive research, a completed policy cycle, process-based agenda setting or evidence-based policy making, the implementations of new retirement age policies in Singapore are rather evolutionary processes as mentioned in Lindblom’s (1959) theories. The new policies have been put into operation for one to two years up to the moment. The outcomes seemed to be stable and feasible, and perhaps such experience could be made reference to further extension of the retirement ages in the near future.

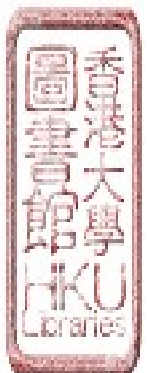


Lessons for Hong Kong

Similar to Singapore's employment criteria of the uniformed officers, the Hong Kong government has reviewed the feasibility on increasing the retirement age of the disciplinary services grades civil servants from 57 to 60, in January 2014. Likewise, some assessments should be required and not limited to physical test and departmental needs.

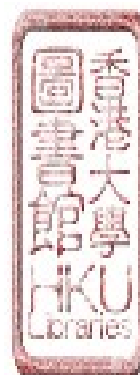
In taking consideration of the willingness and interests of the individuals, Hong Kong can also follow Singapore's experience to allow the civil service officers to opt for their retirement schedules.

Except the disciplinary service, the retirement age of the civilian grade officers can also be extended. In light of less physical requirements, the retirement of the civilian grade civil servants can be in a more aggressive approach, say to 65. This is particularly meaningful for those in-takers on and after the year of 2000 as who should be employed under CSPF scheme. They will gain the financial security with the eliminated gap of no income



after the traditional retirement age of 60 and before 65 which is eligible for withdrawal of the accrued MPF.

Civil service is only the part of employees in Hong Kong. The ultimate goal, like Singaporean government putting enforcement of the RRA, is to enable all citizens to increase their retirement ages. In fact, the extended retirement ages for all works of life should be win-win situations to both employers and employees. Some positive examples like training cost reduction, addition of manpower, maximization of expertise and productivity, as a sense of belonging, talent retention, and money return.

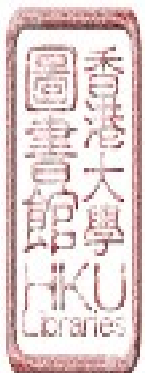


Limitations of the Project

The project does not focus on the whole picture on the discussion of extending the retirement age of the civil service because the stories are still kept on-going, and have not yet been finished at the moment of submission of this paper.

This project, on the other hand, is concentrated on the earlier stages of the policy cycle like problem definition and agenda-setting stages, together with theories analysis, overview and evaluation of the past and current situations of the Hong Kong civil service retirement schemes.

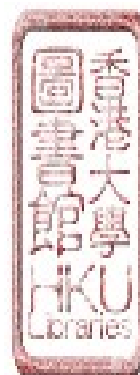
The consultation process for extension of the service of civil servants by Civil Service Bureau of Hong Kong government has just been completed in early August 2014. Time and efforts will be required for the public administrators for information analysis, before formulating and implementing the new retirement policies. According to the policy cycle, the policy process in this project is at the very early stage.



As a result, it is not able to determine the final outcome, the level of success and evaluate the potential consequences of the new policy on increasing the retirement age. The results and the relevant impacts on this policy will be very dependent on the ways of execution by the Hong Kong government and the responses and acceptance of the stakeholders and the general public.

In addition, both Kingdon's(2003) three streams model and Lindblom's(1959) incremental model may not pay too much attention on the goals and values of the decision makers, ignore other possible policy outcomes, and only focus on intimately intertwined means and ends interrelationship. The outcome of the policy will then be likely very straight-forward.

Furthermore, Lindblom's (1959, 1979) incrementalism approach relies less on theories, encourages the choices of means based on the administrative power and agreement based on empirical data. Under these conditions, even if the outcome of the retirement age policy can be largely welcomed by the public, scientific analysis on the data set and theory process which require resources

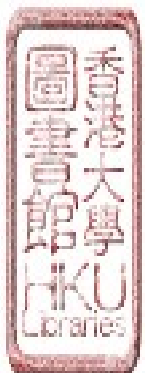


are ignored. This approach may be suitable in the years when Lindblom developed his theories from late 1950s to late 1970s, when there were shortage of advance technology and computing machinery. However, nowadays technologies are more reachable and help much on the data analysis and hence will benefit to the policy setting.

Moreover, the incrementalism cannot clearly define the length of the intervals in the incremental steps for the different retirement age policies. The approach is considered not scientific enough as a result.

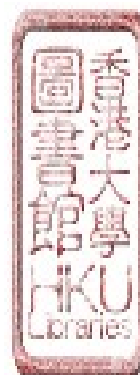
Concluding Comments

In a nutshell, this project introduced the reason for study on this topic – the new retirement age policy in Hong Kong civil service is a very eye-catching issue arousing everyone’s interest. Then, the selected theories and dynamics, including Kingdom’s (2003) three streams model of problem, policy and political streams; Cobb *et al.*’s (1976) three models of process-based assessment of agenda-setting; Head’s (2014) argument on evident-based



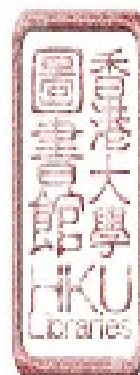
policy-making process; and Lindblom's (1959) incrementalism were elaborated in the analytical framework. Afterwards, the paper moved on to the overview of the past civil service retirement schemes in Hong Kong. The historical background of Hong Kong was depicted in this part together with the evaluation by the theories. Later on, the present civil service retirement scheme was also briefly introduced. Then a set of empirical data of the present civil service retirement age proposals together with were evaluated theories again. Finally, the last chapter concluded the major findings of the project; recommended the possible alternatives and discussed Singapore's experience as well.

Against the historical background of the Hong Kong civil service, it has been undergone the changes from OPS to NPS in 1987 due to the political factors like emigration tide and 1997 turnover. The NPS was produced with the longer retirement age in order to maintain the stability and continuity of Hong Kong. The political factors and the predicted problem of longer human life expectancy are then triggered the opening of the policy window in implementing the NPS.

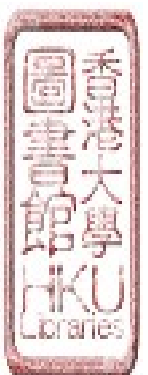


Regarding the current retirement systems in Hong Kong, the comprehensive statistical data were obtained from the official sources, such as Legislative Council Papers, Census and Statistics Department and Civil Services Bureau. The figures revealed the pressing problems of aging population in Hong Kong, resulting in the subsequent issues like shortage of manpower and succession problems of the Hong Kong government. Meanwhile, the political parties in the society and the staff unions have been about the same issues. Even though the Hong Kong government including Civil Service Bureau as well as the policy makers did not take active actions in the mid 2000s, they have become more concerned with the topic in the recent few years. The coupling of the problem, political and policy streams has been seemingly happening from sometime around 2013 to open up a window of opportunity for the Hong Kong government to re-think the new retirement proposals to meet the social changes and needs.

This project ended with the discussion on the different possible solutions. As a similar metropolis, Singapore has the real case experience on the policy changes in retirement age and which are valuable for Hong Kong's references.

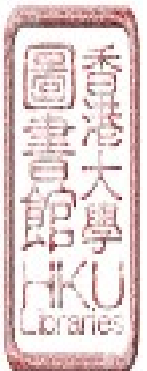


However, it is still at the early stage of the whole policy cycle, we are still keeping a close eye on the latest development of this new policy generation and interested to evaluate its success under actual implementation in the future.



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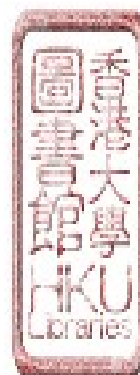
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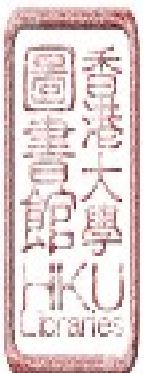
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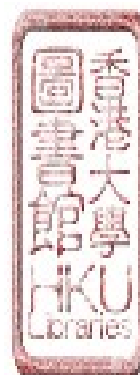
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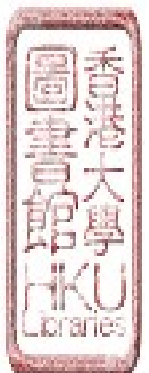
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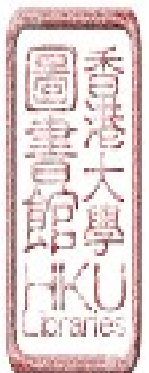
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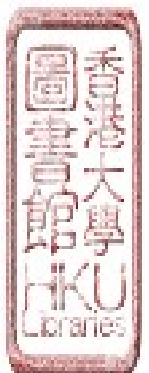
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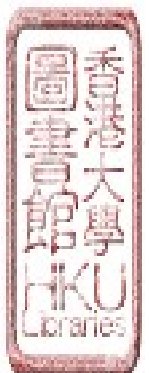
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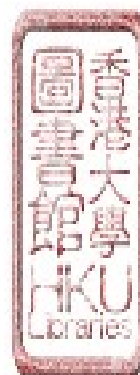
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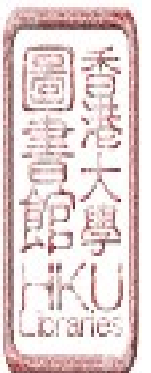
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Appendices

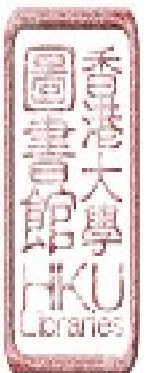
Appendix 1

A research summary

“More in-depth understanding on the OPS and NPS”

Steps in implementing the NPS

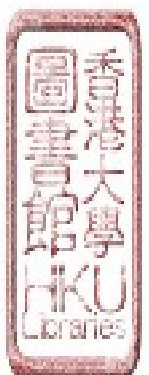
When introducing the Bill, the Chinese authorities had been informed of the new pension scheme through the Joint Liaison Group and had indicated that they found it fully acceptable in November 1986.. The fact should allay the concerns of those civil servants whose pensions would continue to be paid after 1997. In accordance with the provisions in section IV of Annex I to the Joint Declaration, the SAR Government would be responsible for pensions after 1997. Annex I of the Joint Declaration clearly states:



“The Hong Kong Special Administrative Region Government shall pay to such persons who retire or complete their contracts, as well as to those who have retired before 1 July 1997, or to their dependants, all pensions, gratuities, allowances and benefits due to them on terms no less favorable than before, and irrespective of their nationality or place of residence.”

In the LegCo meeting on 3 June 1987, the Chief Secretary moved the First and Second Reading of the Pension Benefits Bill to make provision for the introduction of a new pension scheme for the Civil Service and for amendments, largely consequential, to the Pensions Ordinance providing for the OPS. A number of modifications were made to form the new pension scheme tabled in the LegCo after some consultation and the main elements were:

- (1) First, the normal age of retirement raised from 55 to 60. Secondly, as a consequence to raise the retirement age, the pension earning factor



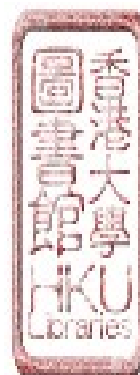
for pensionable staff be adjusted from 1/600th to 1/675th.

(2) In addition, the lower pension factor for the staff other than pensionable staff was brought into line with that for pensionable staff from a specific date. The maximum pension which could be earned remains at two thirds of final salary.

(3) Thirdly, civil servants were allowed to commute up to 50 per cent of their pension for a lump sum instead of the present 25 per cent.

(4) Fourthly, civil servants who complete not less than 10 years' service be eligible to receive their earned pension benefits on reaching normal retirement age. At that time, unless a civil servant was at the age when he might retire, he forfeited his pension benefits on resignation no matter how long he had served.

(5) Fifthly, special arrangements were introduced for the disciplined

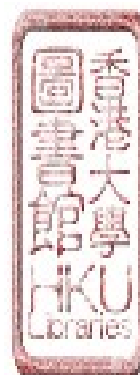


services. Under these arrangements, heads of the disciplined services, or the Governor in the case of directorate staff, be empowered to prescribe that any grade, rank or category of officer should retire on operational grounds at a specified age between 55 and 60. Where the retirement age was set at below 60, officers retired under these arrangements would receive an enhanced pension.

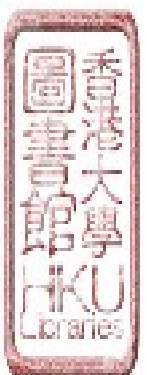
(6) Sixthly, provision was made for serving officers to be allowed to retire with their pension benefits at any time after reaching the age of 55.

(7) Finally, pensions were made a right rather than a privilege as was the case at that time.

In the LegCo meeting on 24 June 1987, the debate on Second Reading of the Pension Benefits Bill providing for the NPS for the civil service resumed. The Legislative Councilors eventually supported the Bill

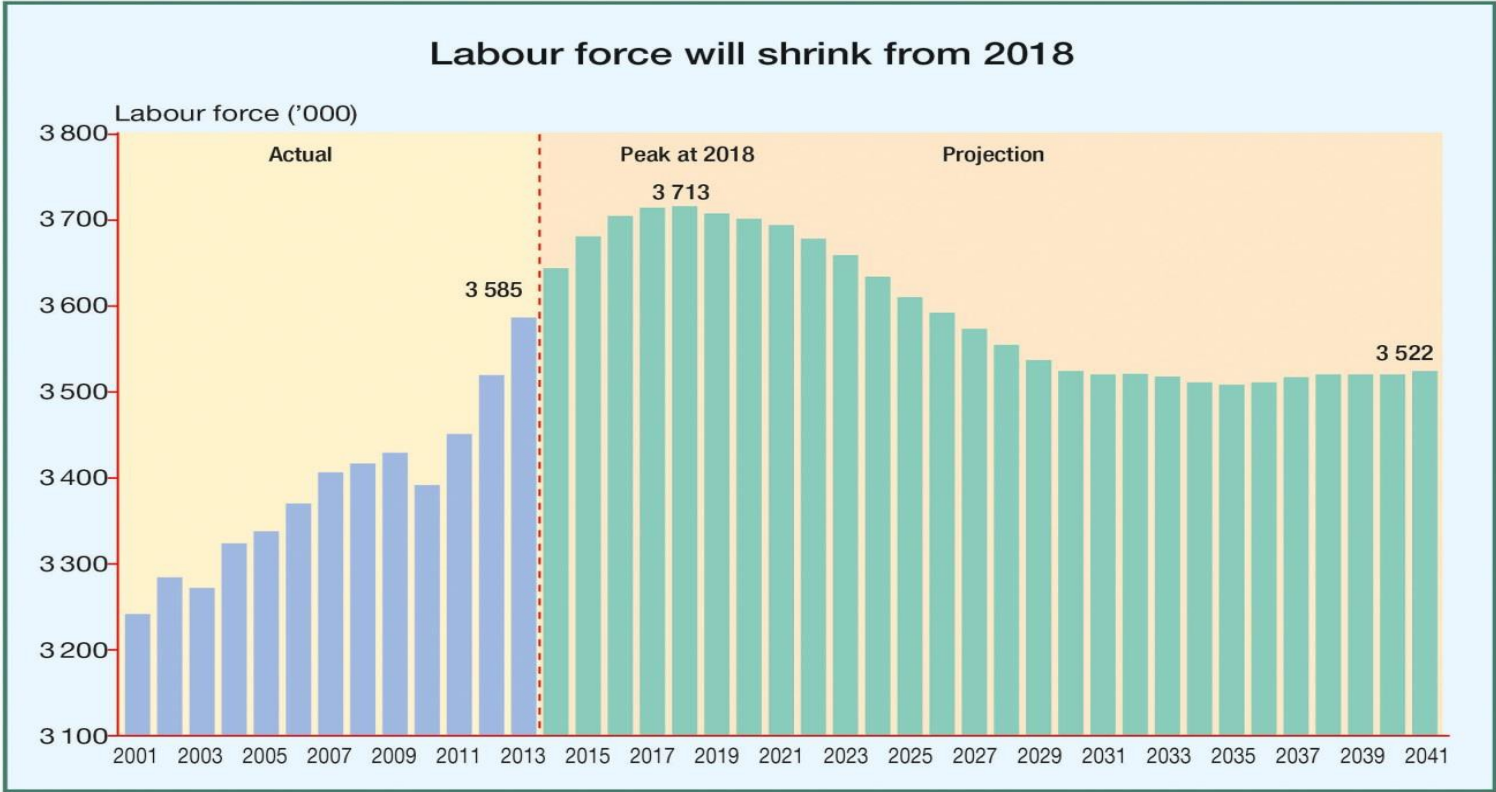


with a number of remarks from different perspectives in order that the Bill could be implemented on 1 July 1987. After addressing those questions and comments put up by the LegCo members in the debate, the Chief Secretary moved five minor technical corrections that did not affect the substance of the Bill. The new retirement and pension policy was ready to a large extent.



Appendix 2: Diagram data

Figure 1: Labour force in Hong Kong from 2001-2041.



Source: Budget speech 2014/15 highlights <http://www.budget.gov.hk/2014/eng/highlights1.html>

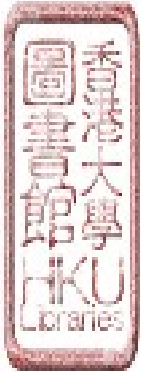
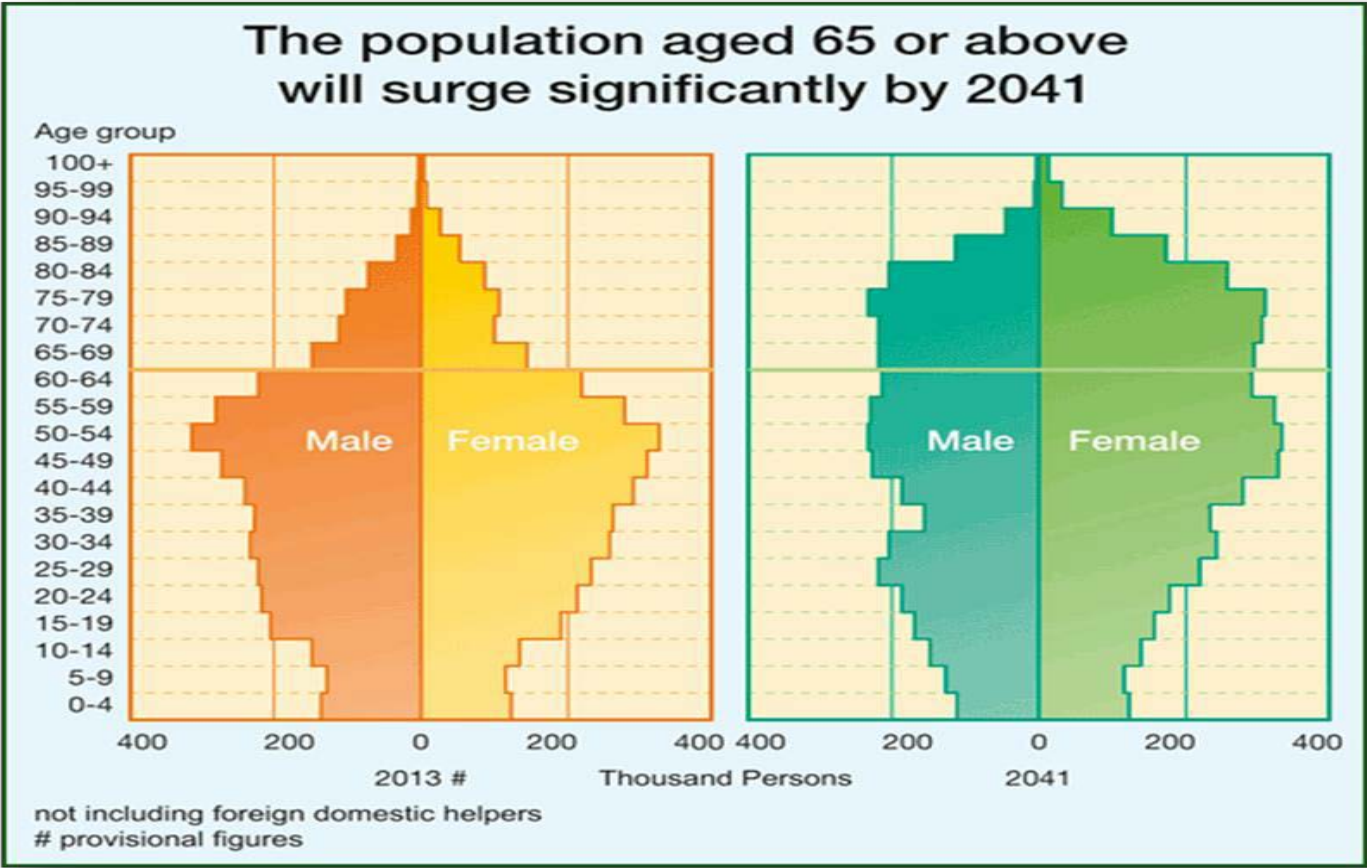


Figure 2: Hong Kong Population aged 65 or above by 2041.



Source: Budget speech 2014/15 highlights <http://www.budget.gov.hk/2014/eng/highlights1.html>

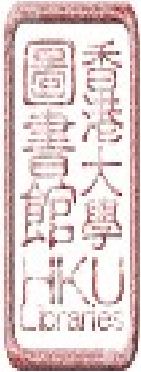
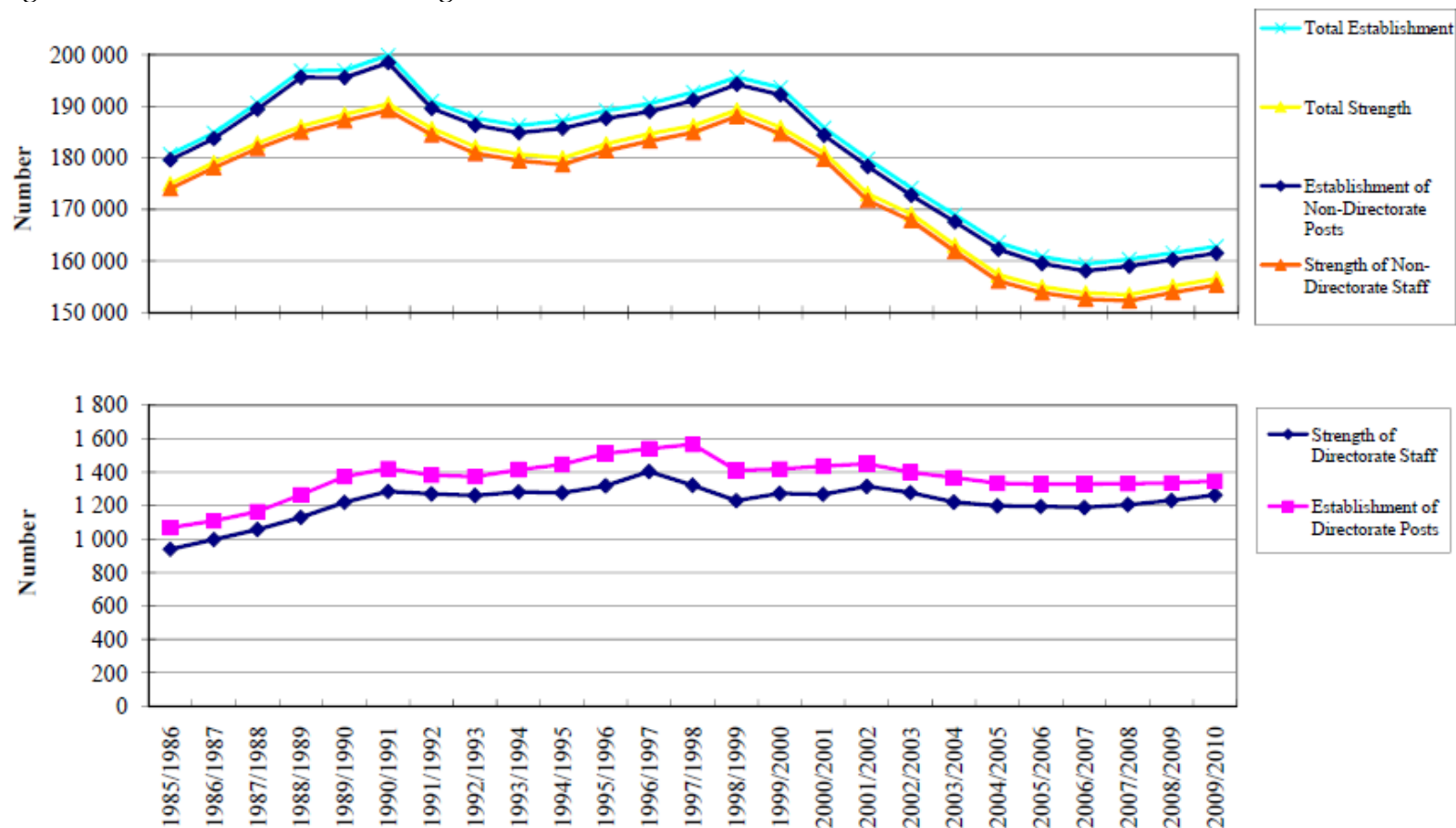


Figure 3: Establishment and Strength of the Civil Service from 1985-86 to 2009-10.



Source: LegCo Panel on Public Service. (2011). *An Overview of the Civil Service: Establishment, Strength, Retirement, Resignation and Age Profile*. CB(1) 1001/10-11(03)

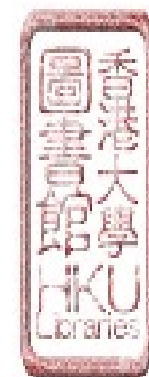
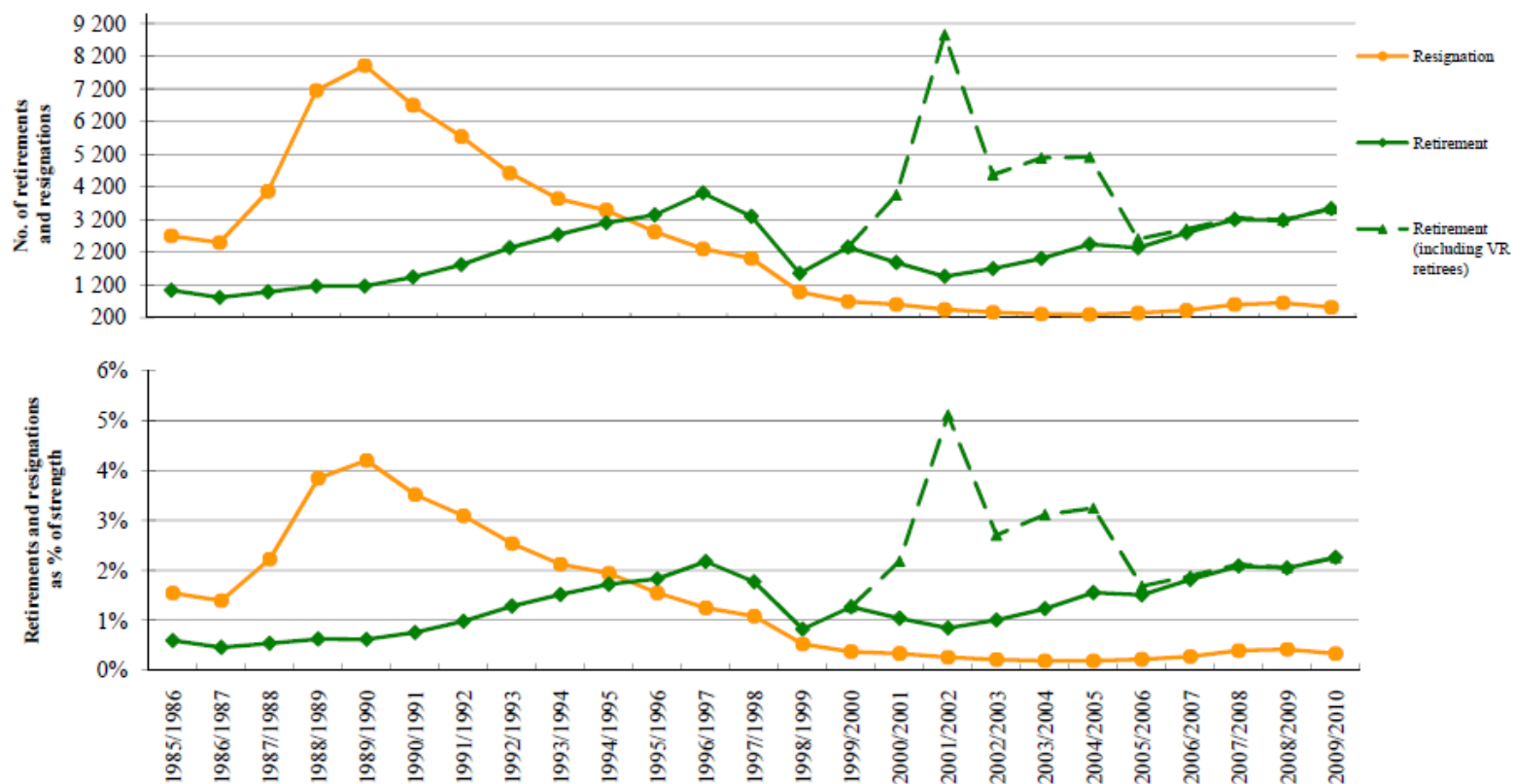


Figure 4: Retirement and Resignation Position of the Civil Service from 1985-86 to 2009-10



Note: Retirement in this chart refers to normal and early retirement on attaining the required age.

Source: LegCo Panel on Public Service. (2011). *An Overview of the Civil Service: Establishment, Strength, Retirement, Resignation and Age Profile*. CB(1) 1001/10-11(03)

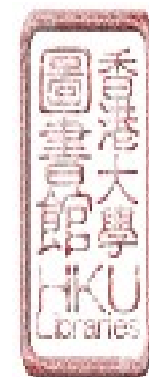
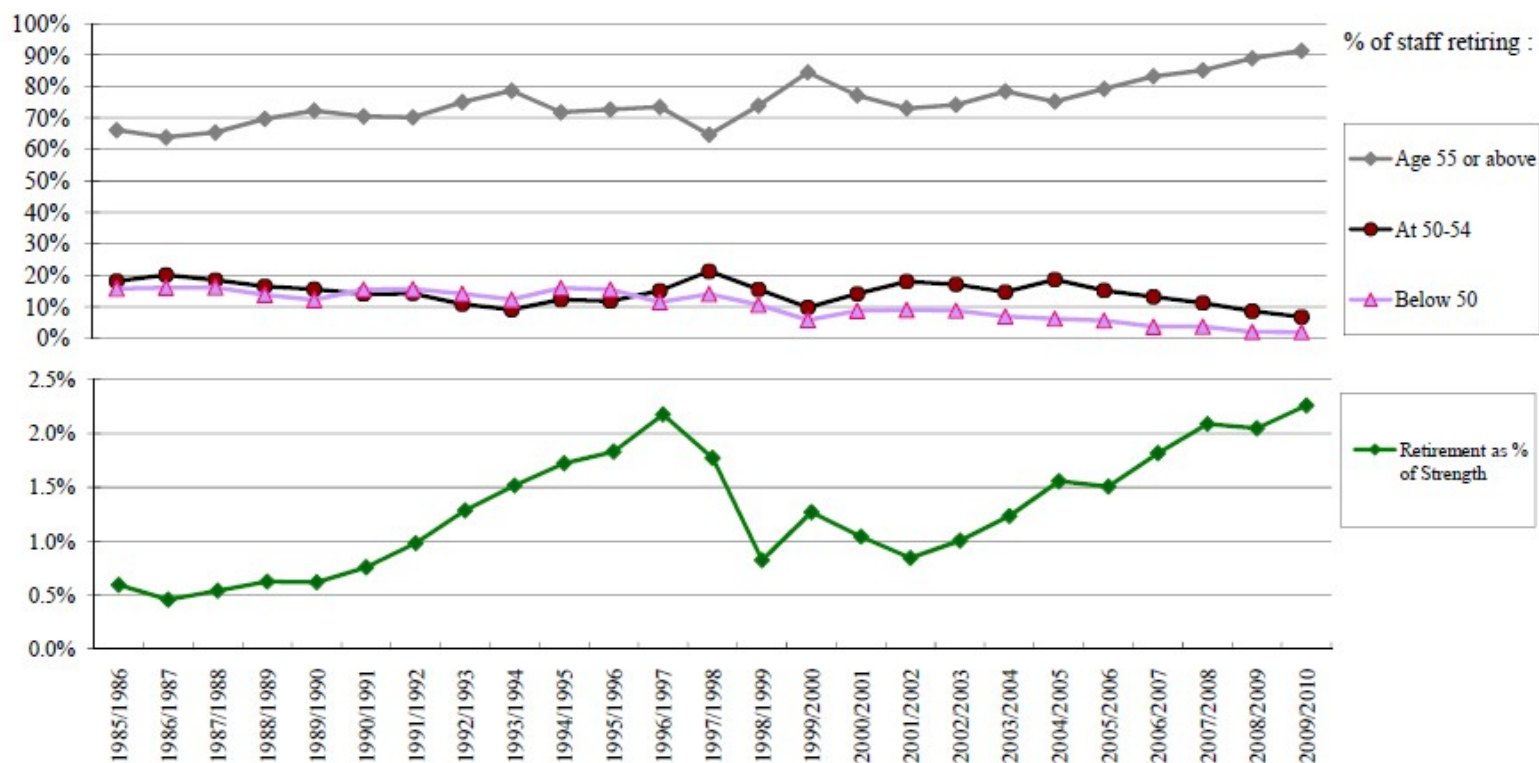


Figure 5: Retirement of Civil Servants from 1985-86 to 2009-10.



Note: Retirement in this chart refers to normal and early retirement.

Source: LegCo Panel on Public Service. (2011). *An Overview of the Civil Service: Establishment, Strength, Retirement, Resignation and Age Profile*. CB(1) 1001/10-11(03)

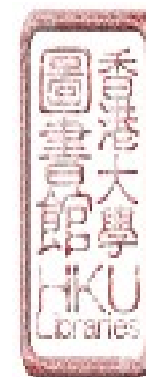
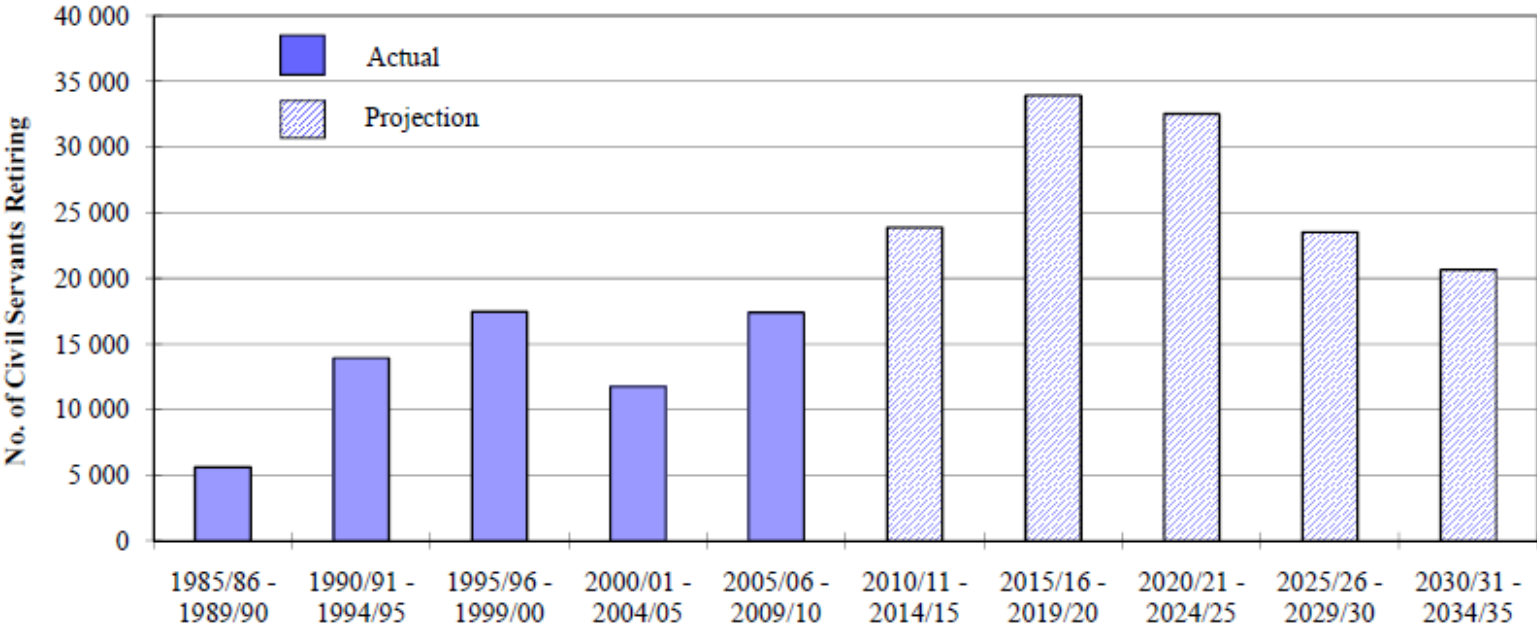


Figure 6: Number of Civil Servants Retiring from 1985-2035



Note : Projection made on the basis of age profile of the Civil Service as at 31 March 2010 and staff leaving on normal retirement.

Source: LegCo Panel on Public Service. (2011). *An Overview of the Civil Service: Establishment, Strength, Retirement, Resignation and Age Profile*. CB(1) 1001/10-11(03)

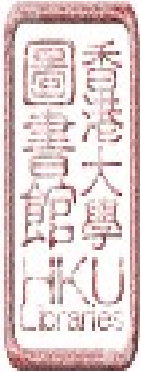
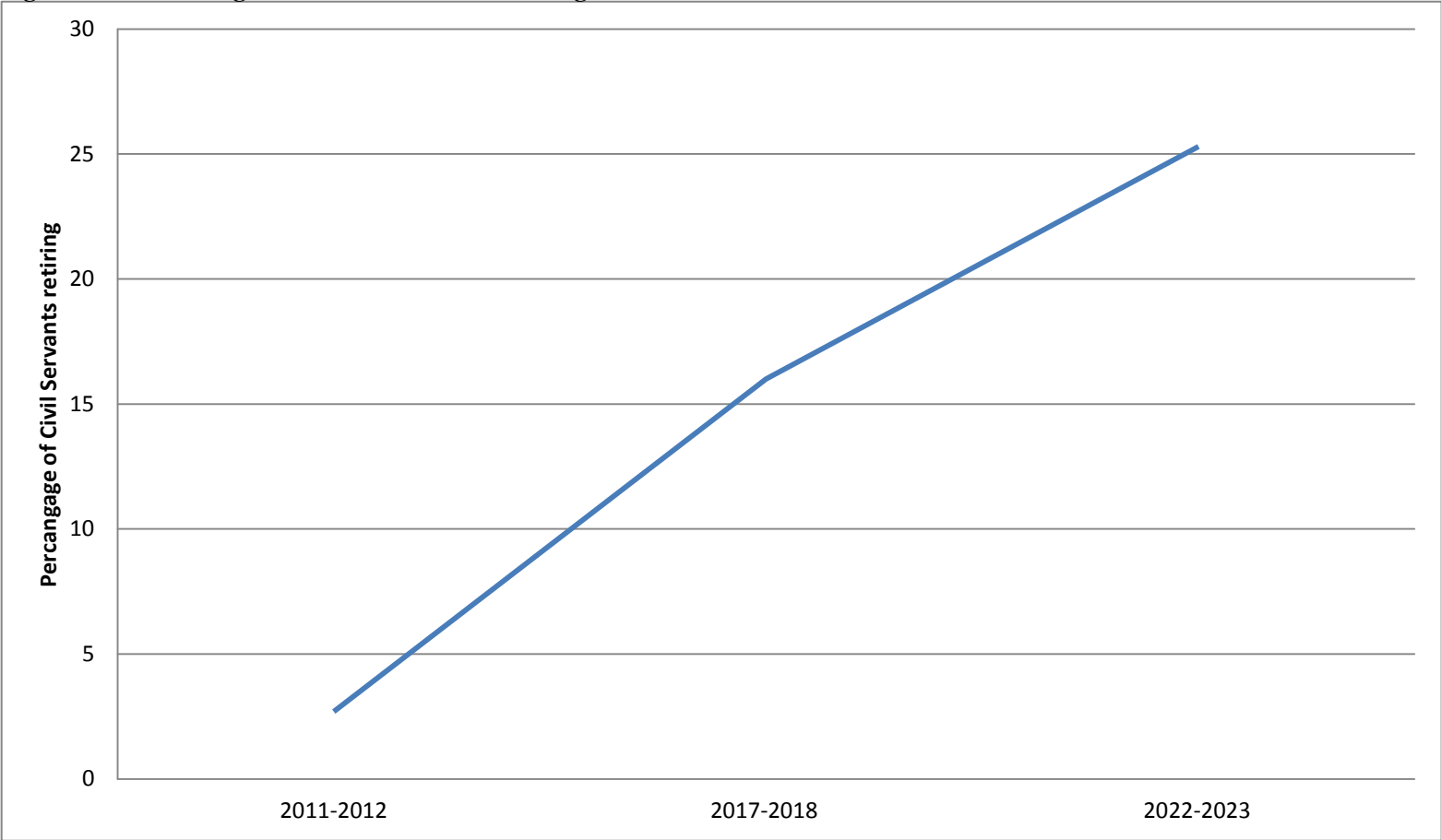


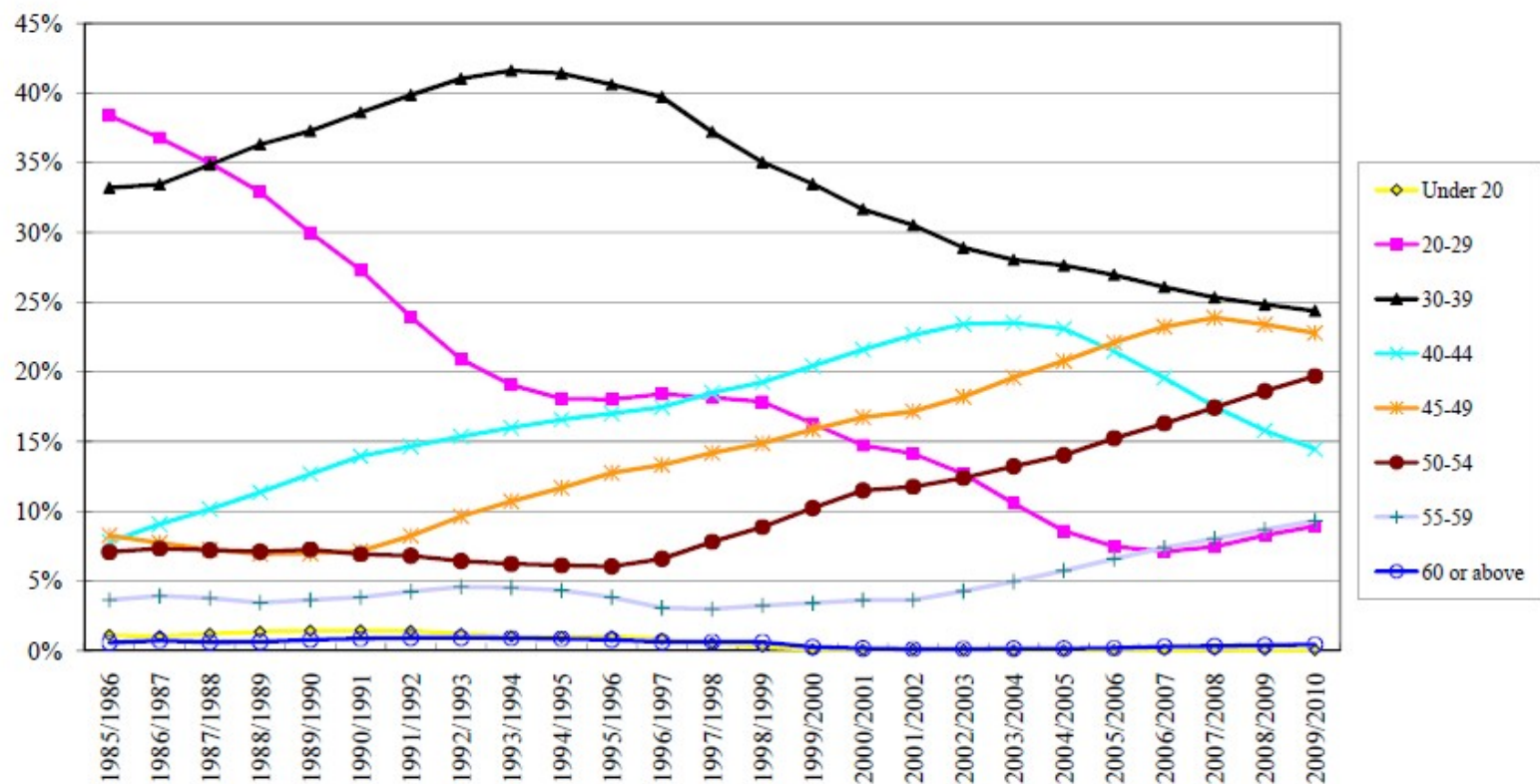
Figure 7: Percentage of Civil Servants retiring in 2011-2023.



Source: LegCo Panel on Public Service. (2011). *An Overview of the Civil Service: Establishment, Strength, Retirement, Resignation and Age Profile*. CB(1) 1001/10-11(03)



Figure 8: Civil Servants by Age Groups from 1986-86 to 2009-10



Source: LegCo Panel on Public Service. (2011). *An Overview of the Civil Service: Establishment, Strength, Retirement, Resignation and Age Profile*. CB(1) 1001/10-11(03)

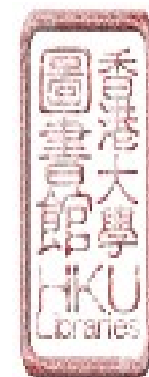
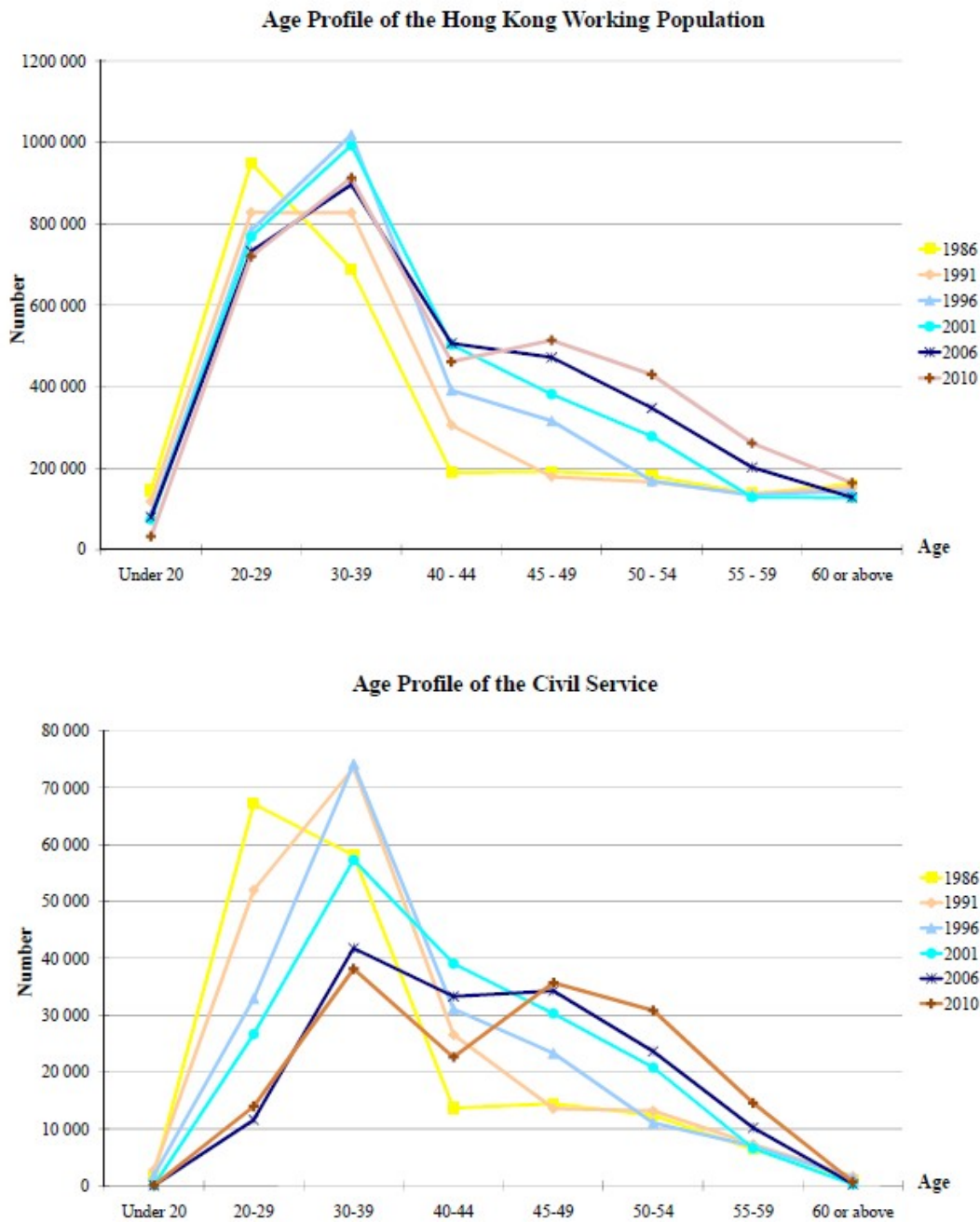


Figure 9: Age profile of Hong Kong Population and Age profile of Civil Service.



Source: LegCo Panel on Public Service. (2011). *An Overview of the Civil Service: Establishment, Strength, Retirement, Resignation and Age Profile*. CB(1) 1001/10-11(03)

