REFORMING THE CIVIL SERVICE

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I. Introduction

Reforming the civil service constitutes an integral part of Prime Minister Najib’s transformation programme. After decades of pursuing a state-oriented development strategy, the government has repositioned itself as an enabler of growth - fostering close public-private partnership (PPP) to increasing productivity and investment. But, it remains a concern if the country’s 1.4 million\(^1\) civil servants could themselves be transformed from mere administrators to motivated, high-performing agents of change.

*The Global Competitiveness Report* has reported “inefficient government bureaucracy” as the most problematic factor for doing business in Malaysia for the fourth consecutive year.\(^2\) Burdensome administrative procedures and arbitrary decision making by public officials push up costs of doing business, while discouraging future private investment. Poor implementation of government initiatives compounded with wasteful public spending distorts the original intention of public policies, thus creating barriers to socio-economic development.

Reform of the bureaucracy is political taboo as civil servants are widely believed to be strong supporters of the ruling government. Drastic retrenchment plans are no panacea for filling the gap between expectation and actual performance - ordinary civil servants will be victimised for the ills in the public sector. Instead, the government should build the capacity of the bureaucracy to facilitate the national transformation programme. This restructuring of the civil service entails institutionalising mechanisms to promote greater accountability and transparency, as well as enhancing the skills of the people in the public administration.

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\(^2\) Various *Global Competitiveness Report*. 
II. Malaysia: civil service as the backbone of economic reform

Changes to the Malaysian civil service are often made as part of the wider push for economic reform. Public administrators form the backbone of public service delivery and their capacity to facilitate the evolving national socio-economic agenda largely determines the success of public policies. Therefore, public management reform in Malaysia must be examined in relation to the changing nature of the government and its role in society.

At the time of independence (1957), Malaysia was an exporter of primary commodities to the international market, and the government's major responsibility was to reinvest the revenue to rural development. Programmes implemented by the civil service focused mainly on the provision of basic infrastructure (roads, bridges, electricity). The launch of the New Economic Policy (NEP) saw a plethora of new government agencies created: Urban Development Authority (UDA), Majlis Amanah Rakyat (MARA), and Malaysian Industrial Development Fund (MIDF), etc. These government-linked investment companies (GLICs) were substantially funded by the government and they were soon heavily represented in all major economic sectors via acquisition of equity. Civil servants were assigned new roles in managing these enterprises to realise the affirmative action programmes of the NEP.

During the 1980s, a major policy shift occurred when the Mahathir administration (1981-2003) adopted the Look East Policy and embarked on a government-led heavy industrialisation. Privatisation, as opposed to accumulation of wealth by state, was the order of the day as the government sought to rein in the large size of public enterprises against the backdrop of falling exports and rising unemployment due to a recessionary global economy. The Malaysia Incorporated concept was also formulated to foster close public-private sector collaboration, therefore transforming the nature of the civil service into one which promotes competitiveness of the private sector in international trade.
III. Najib’s transformation programme and issues within the civil service

The present Najib-led government is faced with the need to meet increasingly high expectations of public service delivery and the pressure to achieve fiscal sustainability. This conundrum means that the civil service must not only do things fast, but also differently. Under the Economic Transformation Programme (ETP), the Public Service Delivery Strategic Reform Initiative aims to transform the civil service into a high performing institution that is capable of facilitating the various key areas that have been identified as part of the larger transformation agenda.3

The focus of the initiative is two-pronged. The first is to create a “lean, efficient and facilitative” government by adopting a structure that reduces redundancies and overlaps while seeking greater input from the public. The second is to enable greater career mobility and opportunities within the public service as a means to promote a “high performing” civil service. Since its inception in April 2011, various steps have been taken, such as abolishing procedures that were redundant, simplifying licenses approval via an online system, as well as opening up top and mid-career positions to the private sector. However, these initiatives are an extension of previous governments’ effort to streamline administrative processes. It does not provide enough impetus to create a public workforce that is highly facilitative and innovative.

Size of civil service: doing more with less

Over 92% of Malaysian CEOs opined that the country’s civil servant ratio, currently standing at 4.6% and above its regional neighbours, was “too high”.4

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Emolument\(^5\) as a percentage of federal government expenditure has been on an upward trend, but it is unclear if this rise is commensurate with growth in productivity, or simply reflecting the more worrying concerns of inflated ego and distortive budget-maximising behaviour by agency heads.\(^6\) The annual report published by the Public Complaints Bureau (PCB), does not seem to project a very optimistic views about achievement in productivity as it continues to highlight “Delay/No Action” and “Unsatisfactory Service Quality Including Counter and Telephone” as the main sources of public dissatisfaction with bureaucracy.\(^7\)

**Figure 1. Emolument as Percentage of Federal Government Operating Expenditure**

![Figure 1. Emolument as Percentage of Federal Government Operating Expenditure](image)

Source: Department of Statistics, Malaysia

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\(^5\) Number of employee has been widely used as definition for the size of firm in the literature. But given that the government is the sole employer of civil service, the use of emolument as a percentage of government expenditure as definition is more desirable.


Redundancies and the overlapping of jurisdictions may render the civil service less responsive to the changing demands of the people. The ubiquitous use of the Internet and social media has led to new levels of expectation in terms of the quality, speed and personalisation of public service delivery. The conversion of MY E.G. Services Berhad (MyEG) - a paid online government transactional service, to a public company status in 2005, alludes to the fact that the civil service needs to stay relevant in its approach towards service delivery. Ordinary taxpayers should not be made to pay extra for demanding a prompt delivery of public service.

In order to create a “lean, efficient and facilitative” government, the civil service should undergo a proper review to identify areas or job functions that could be contracted out. A facilitative government should be one that is capable of tailoring its approach, through greater public participation, and provide more localised solutions to the community. The highest numbers of complaints received, based on the National Key Result Areas (NKRA), are “Improving Rural Development” and “Raising Living Standards of Low-Income Households”, as opposed to “Fighting Corruption” or “Assuring Quality Education”. These problems are more national in nature than the aforementioned areas and require more bottom-up, localised solutions as the challenges faced by one community may vary significantly from another. The civil service should be reduced to its core functions, such as policy-making and monitoring or tracking, so that programmes formulated can be made more effective in dealing with local communities.

**Wasteful spending undermines the effectiveness of public policies**

The recurring nature of wasteful spending and leakages in government, as highlighted in the annual Auditor-General’s report, suggests that the existing institutional mechanisms have been weak at enforcing transparency and accountability. Leakages in public administration mean less value for money for the public through suboptimal infrastructure building and socio-economic

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https://www.myeg.com.my/about.html
9 Public Complaints Bureau, 2013
programmes, which have grave implications for the country’s long-term development.

More serious is the rising occurrence of corruption vis-à-vis other countries as confirmed by international reports. Malaysia’s standing in the Transparency International Corruption Perceptions Index (CPI) fell from 37th in 2003 to 54th in 2012, while South Korea outperformed Malaysia by rising from 50th to 45th position during the same period. The World Bank’s Control of Corruption indicator also shows a similar trend between both countries, implying that corruption is compromising Malaysia’s competitiveness in the international market.

Consistency in corruption eradication is vital to shore up investor confidence in the economy. The quality of institutions substantially determines growth in the long run. While Malaysia’s problem with public misconduct is less than neighbouring countries, there is no room for complacency. Other developing nations are continuing to improve the quality of their institutions. In fact, Malaysia should aspire to achieve better ratings by looking up to developed countries such as Singapore. The republic has been consistent in its achievement in promoting the rule of law and government effectiveness. Its CPI ranking has remained in the top five for more than a decade.

**Inclusivity and merit-based reward system**

The present make up of Malaysian civil service is Malay (77%), Chinese (9%), Indian (5%), other Bumiputera (8%) and others. This is not representative of the actual demography of the country. This imbalance gives rise to two major policy implications, the first being that non-Malays systematically choose not to work in the civil service, and secondly, that the process of policy-making

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10 Various Corruption Perceptions Index.
may be less inclusive and the delivery of public policies may not be well-targeted to different ethnic groups. The latter is especially important in understanding the religious and cultural sensitivities when formulating policies to suit a multi-ethnic society.

Expansion of ethnic Malays in the civil service is partly induced by the NEP to provide employment opportunities.\textsuperscript{14} Self-selection bias arises when high performing individuals choose to work in the private sector, leaving those who have relatively less employment options to apply for the civil service. A merit-based system, as opposed to preferential, is needed to not only attract more non-Malays to join the civil service, but also to promote capable Malays to top-position jobs. Without strengthening the link between reward and performance, high-performing civil servants will be discouraged from staying productive and competitive. As with all other aspects of civil service, the Malaysian government should reconsider the structure and design of the public institution by drawing lessons from other developed countries.

IV. South Korea’s “small but efficient government”

South Korea’s experience of New Public Management (NPM) reform demands closer examination not necessarily because it offers a superior paradigm for creating an efficient government, but the actual steps taken to deliver reforms have produced significantly better results compared to Malaysia. The perception of the quality of public services in South Korea, \textit{inter alia}, has outperformed that of Malaysia in recent years.\textsuperscript{15}

Business-like transformation of the bureaucracy in South Korea employs similar policies as Malaysia through a mixture of privatisation, deregulation, and liberalisation, which increase dependence on the private sector to foster state development. The creation of a “hollow state”\textsuperscript{16} is largely driven by growing global market competition and the progressive pro-democracy movement at home. Given that similar factors have been a trigger in both


\textsuperscript{15} World Bank’s \textit{Worldwide Governance Indicators}.

\textsuperscript{16} A metaphor to describe government that reduces its role as a direct supplier of public goods by contracting public service delivery out to private organisations. See Han, ChongHee (2004).
countries to reform their civil services, how do the policies differ in South Korea that result in the republic first catching up, and later on, outdoing Malaysia in terms of government effectiveness?

Figure 2. Estimates of Government Effectiveness

![Graph showing estimates of government effectiveness for South Korea and Malaysia from 1995 to 2012.](source: Worldwide Governance Indicators, World Bank)

Kim Dae Jung's public sector restructuring programme

In the midst of Asian Financial Crisis 1997/98, President Kim's administration (1998-2003) launched a public sector restructuring programme with the goal of realising "a small but efficient government" through a wide-ranging reorganisation programme and competitive recruitment drive via the open position system (OPS).

The Ministry of Planning and Budget (MPB) was established as a regular government agency that took charge of administrating reform. The most

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17 Estimate of governance ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance.

notable change oversaw by the agency was a drastic 20.2\%\textsuperscript{19} cut in central government personnel during the last four years of Kim’s government. Privatisation of state-owned enterprises (SOEs) had led to a 25\%\textsuperscript{20} workforce reduction, while those functions that could not be privatised were contracted out. The British style of executive agency, or Quango\textsuperscript{21}, was also adopted to relieve some of the government department’s responsibilities to semi-autonomous organisations that operate at arms’ length of the government (regulation, service delivery, policy implementation). For instance, the Driver’s License Agency, which operated under the Executive Agency System, managed to reduce time spent for issuing driver’s license from 4 hours in 1999 to just 15 minutes in 2000.\textsuperscript{22} By having greater autonomy, the executive agencies were thought to be more performance-centred and efficient in the use of resources.\textsuperscript{23}

However, the concept of a semi-independent executive agency that separates operational functions from the policy-making body of the government was not clearly communicated to the Korean bureaucrats. The quality of civil service was also substantially affected because a sizable number of public offices had become ‘irregular’, with temporary appointments and high incidence of dismissals. So, a blanket downsizing may not prove too useful unless it is a by-product of a streamlining of government functions that require fewer personnel for a particular job function.

On the other hand, the OPS was designed to recruit competent personnel from both public and private sectors through open competition - particularly candidates to fill highly specialised positions. A new Civil Service Commission (CSC) was established in 1999 with overriding power during the selection phase. In spite of reluctance to opening up core policy planning positions to the private sector, the CSC was able to appoint 20\% of new personnel from


\textsuperscript{20} Ibid.

\textsuperscript{21} Quasi-autonomous non-governmental organisation

\textsuperscript{22} “Initiatives for government innovation in Korea,” Ministry of Government Administration & Home Affairs Republic of Korea, p. 40.

\textsuperscript{23} Agencies with the characteristics of large size, high financial independence, and low policy sensitivity performed better than average, but the executive agency system was generally reported to have enhanced performance and customer satisfaction. See Keunsei Kim (2008).
outside of government. The Roh Moo Hyun government (2003-08) continued this and expanded the OPS with 54.1% of positions filled by private candidates. This represented a considerable increase in the number of ‘civilian experts’ serving in the civil service. The Malaysian government should also consider expanding the mandate of TalentCorp Malaysia in attracting ‘civilian experts’ to serve in the country’s civil service.

While the rate of civilian recruitment has increased, it is nevertheless important to note that certain barriers, including cultural and easiness of job transfer, might have discouraged highly qualified private sector candidates from applying for OPS positions. Consistency in the government’s effort to attract private sector employees in joining the civil force is nonetheless imperative to promote competition and enhance productivity in the bureaucracy.

**Performance-based budgeting in Korea**

Another major fiscal reform implemented by the Korean government in response to the financial crisis was the introduction of performance-based budgeting (PBB). This system assigns spending limits to line ministries according to a medium-term fiscal plan. Ministries or agencies are required to submit an annual performance plan for budget request and report a self-assessment of programmes for performance evaluation. A digital budget information system was also established to allow the budget office to monitor ministries’ spending in real time. In short, this new budgeting system aims to strengthen the link between budgeting and performance.

The Malaysian government has identified three ministries to form part of the pilot programme for an outcome-based budgeting (OBB) system that is modelled off a similar concept of emphasising outcomes rather than output. In other words, the budget allocated for the Ministry of Education will no longer focus on number of graduates produced by universities (output), but rather the

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more holistic outcome-based approach on quality and employability of the graduates. These outcomes will be aligned to meet the larger goals of NKRA. However, relatively little has been discussed about the impact of OBB on the performance of the civil service.

The Korea’s PBB, on the other hand, is overseen by the MPB and the primary mechanism at its disposal in order to encourage ministries/agencies to improve performance is to cut the budgets of ineffective programmes. Further budget allocation cuts are meted out to ministries/agencies who have failed in meeting their performance targets, or received poor evaluation. Empirical research shows that a programme’s rating is found to significantly correlate with the probability of budget cuts, and that programmes that go through the review process face larger changes in budget allocated. This suggests that MPB is more aggressive in budget adjustments when a programme falls short of expectation. On the individual level, evaluation results are considered in the promotion of high-rank officials or compensation packages for low-rank officials. By strengthening the link between pay and performance, the Korea’s budgeting system encourages a more efficient use of resources in meeting national socio-economic development goals.

V. Right values and mentality in the civil service: the Singapore story

The Singaporean government has been playing an active role in cultivating and nurturing the civil service. From institutionalising clean and accountable governance, to enhancing talent and productivity, this has been done in order to reinforce the virtuous cycle of good public service delivery contributing to national development and vice versa. Consistency in the Singaporean government’s approach toward the aforementioned goals, and is confirmed by the country’s top position in various rankings on competitiveness, quality of institutions and corruption. What lessons, especially in the design of governance structure, therefore can the republic offer to the Malaysian civil service?


27 For instance, Singapore ranks 2nd for the third consecutive year in the Global Competitiveness Index.
Institutional reform: the role of incentives and discipline

Paying a competitive salary is touted as key to fighting corruption. Regular reviews on the pay scales of civil servants are conducted to keep their salaries competitive vis-à-vis the private sector. But unlike the practice in Malaysia, the Singaporean government links the bonus system to individual civil servant’s performance via a Performance-Based Incentive Payment System (PIPS) that differentiates between outstanding, average and under-performing staff.\(^{28}\) The public service also observes a flexi-wage system, where an ordinary officer’s salary is divided into a Basic Wage and variation of a Variable Wage. The latter correlates with the macroeconomic performance of that year.\(^{28}\) By doing so, the Singaporean civil service is relatively free from inherent stickiness in wage-setting, which may not necessarily increase along with productivity.

Business-like approaches to civil service recruitment are another hallmark of Singaporean reform. Through the Public Service Commission (PSC), the government continuously identifies and grooms promising young talent to assume leadership positions, including providing scholarships, competitive recruitment policy and developing a unique talent pipeline via the Public Service Leadership Programme. While the Malaysian government has a similar bonded scholarships programme in place, the award of these academic prizes do not reflect the extent of meritocracy as exemplified in the Singaporean case.

The Singaporean government takes a no-nonsense approach when it comes to control of corruption. The Corrupt Practices Investigation Bureau (CPIB) has exercised a name-and-shame policy where cases of successful prosecution against public officials, including those of Ministerial-rank, are displayed publicly on the CPIB website. Dismissals of corrupt officials are not uncommon, therefore erasing the “iron rice bowl” mythology associated with working in the civil service. Such stern actions are consistent with the political


will of the Singaporean government in institutionalising a clean and meritocratic public institution.

**Attitudinal reform: a change in mentality matters**

Vested interests are often the main stumbling block towards engineering reform. It is therefore vital for a government to take steps in influencing the mindset and behaviour of the civil servants. The Singaporean government has experimented with the “Public Service for the 21\(^{st}\) Century”\(^{30}\) movement, or more popularly known as the PS21, as a response to challenges brought about by globalisation, rapid technological progress and demographic shifts. The PS21 programme is essentially a mind challenge to bureaucrats, asking them to approach the public service differently. It also asks the public service to be proactive and to continuously prepare for the future.

The key lesson for Malaysia lies in the process of gaining acceptance and commitment by the civil service: the PS21 movement was initially driven by a high level Functional Committee with participation from all ministries. The committee also served as coordinator to ensure PS21’s best practices were replicated across the entire public service. In short, reform to the public service has to begin with a small focal group and the resulting best practices must be seamlessly integrated across all levels of the bureaucracy via a functioning steering committee.

Changes in values and attitudes matter as civil servants must feel empowered to be agents of change. Greater autonomy has been given to the Singaporean public service to allow harnessing of creative ideas in carrying out public policies. Public engagement has to be further encouraged through the use of new social media tools. In addition, open communication and innovation-centred teamwork keep the motivation of public servants high and their attitudes positive.

\(^{30}\)Saxena, 2011.
There is no quick fix to introducing a change in mentality for the Malaysian civil service. Many of them are absorbed into the public workforce as part of the affirmative action and therefore see their employment and the resulting compensation packages as a form of automatic entitlement. This perception is further underlined by the civil service trade union CUEPAC’s constant lobby to revise pay and privileges, including the extension of the retirement age which could further demoralise mid-career public administrators. Addressing both institutional and attitudinal challenges is hence vital to expunge the “iron rice bowl” belief that defines job security at the civil service.

But it may not be feasible to replicate in total Singapore’s reform experience due to the city-state’s unique geographical and demographic attributes, as well as other unique local contexts. The Malaysian government may nevertheless emulate the institutional design to promote clean and effective governance in its civil service reform. There may be some low-hanging fruit that can be picked to kick-start an impactful reform in the civil service.

VI. Policy Recommendations

Recommendation 1: Reducing the size of civil service to its core function

The civil service should prioritise well-researched policy-making, effective monitoring and regulating of public programmes, while also fulfilling its social functions at providing employment where the private sector will not. Non-core functions or routine-based delivery should be contracted out to private non-profit organisations or semi-autonomous executive agencies. These bodies must be given clear mandate to provide services in a timely and efficient manner while having the flexibility in human management decisions and sources of funding. Localised problems in certain communities can be better dealt with by having independent task force that monitors the progress of a programme more closely from the ground.

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31 Congress of Union of Employees in the Public And Civil Services
Recommendation 2: Restructure recruitment process to attract talents

**Young talents.** The civil service should construct a plan for creating a sustainable talent pipeline so that young talent today will assume leadership positions at the later stage of their career in public service. A “Management Associate Programme” graduate employment scheme with clear career track progression should entail job rotation, exclusive training and skills-building, effective mentoring, and more importantly, pay scale that is competitive. Decisions to work in private or public sector can be a matter of economic science.

**Mid-career talents.** An open and competitive recruitment system should be put in place to attract candidates from the private sector, especially mid-career talents who can bring corporate perspectives into public policy-making.

Recommendation 3: Institutionalise a merit-based reward system

Civil servants’ pay should reflect the quality of performance and the existing reward system should reinforce the link between pay and performance. The civil service should consider implementing a two-tier pay structure: a Basic-wage that requires individualised review periodically, and a Variable-wage that differs according to the extent of individual or department’s performance as well as the general health of the public finance. Blanket rise in pay does not provide the right incentives to perform.

Recommendation 4: Curb leakages and overspending

The Outcome-Based Budgeting (OBB) system should incorporate mechanisms to control leakages and enforce discipline in expenditure. A budget cap must be enforced on all levels of government and punishment in the form of budget cuts or poor variable-wage should be imposed to encourage prudent spending. Training must be provided to line managers to educate them in designing good public policies that better address issues under the OBB system.
Recommendation 5: Fighting graft through “name-and-shame” and technology

The Malaysian Anti-Corruption Commission (MACC) should make available cases of public officials, regardless of position, convicted of corruption on their official website. Dismissals of corrupt public officers must be carried out to send a strong signal to the civil service of the government’s determination in fighting graft. Competitive tender of public projects should be institutionalised through an e-tender system where bidders’ information is made public and the selection process is well-recorded in the system to promote transparency and accountability.

Recommendation 6: Changing mindset of the civil servants

Establish a national council to study and suggest the best practices in the public sector in order to better meet the demands of the 21st century. Focal groups should be placed in all ministries and agencies responsible for educating civil servants and monitoring their progress in best practices. Cross-ministerial focal groups should be encouraged to address issues from a more holistic perspective.

Recommendation 7: Creating a people-oriented civil service

By shedding the more routine functions of government, civil servants are empowered to engage the people in understanding the issues and collecting feedback to improve public service delivery. Public participation can be enabled through town-hall meetings in local communities or a state-level taskforce that constantly supervises the implementation of national public policies. A customer-oriented civil service can be strengthened through the use of a citizen’s report card where qualitative indicators such as “friendliness” and “responsiveness” are assessed and fed into consideration for annual evaluation.
VII. Conclusion

Weaknesses in the Malaysian civil service are multi-faceted. They cut through many dimensions - from structural design to skills enhancement, pay and motivation, to the psychological needs of being empowered. Both institutional and attitudinal change is needed as part of a comprehensive civil service reform agenda. Underpinning a successful reform is the political determination to see through politically sensitive actions and being consistent in the drive to create a high-performing civil service.

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