

Chapter 13

Changes in Social Policy in Hong Kong since 1997: Old Wine in New Bottles?

WONG Hung

Introduction

Many authors define social policy as the action of governments designed to promote welfare (Dorwart 1971; Wilding 2007). Contrary to this positive view, Catherine Jones (1990) treats social policy as an instrument of governments to regulate and manipulate people's social conditions. Jones defines social policy as "the involvement of government in systematic attempts to regulate and manipulate social conditions and life chances for sections of a given population" (Jones 1990, pp. 3–4). In the context of Hong Kong, the government's social policy may promote, maintain, or even *damage* the welfare of certain sections of the population. We need to scrutinize the real impact of social policy on different sectors, especially on the vulnerable in the society.

The *laissez-faire* economic policy and the so-called "positive non-interventionism" are regarded as two key cornerstones of Hong Kong's economic success in postwar decades. They continue to be the fundamental framework guiding state policy and therefore also induce inertia that blocks major changes in the government's approach to launch new social policy initiatives.

Social policy in Hong Kong is not only framed in terms of the *laissez-faire* philosophy but is also restricted by the Basic Law. The Hong Kong Special Administrative Region (HKSAR) government is also restricted by its overall fiscal policy (such as low taxation) and the expectation of maintaining a financial surplus as required by the Basic Law.

In practice, Hong Kong has never claimed or committed to be a welfare state. On one hand, Hong Kong has limited welfare provision—it has no universal pension, no unemployment benefit, and no minimum wage before 2011 compared with the welfare state in Western countries. The implication of "non-interventionist" social policy is the persistent existence and intensifying problems of poverty for the elderly, the unemployed, and the working poor. The welfare of the "vulnerable" is indeed damaged by

the residual nature and the inaction of social policy by the Hong Kong government. On the other hand, a large number of Hong Kong people have benefited from comprehensive public health care and low-rent public housing provision. The scope and depth of such service provisions are astonishing—it is even comparable to the welfare states in the West. It is quite unique for Hong Kong to develop this pragmatic mix of passive inaction and active interventions by the state, which has been developed in adapting the political and economic environment of postwar Hong Kong.

The “big market, small government” principle of the HKSAR government was first stated in the 2003 Policy Address (Tung 2003, para. 16), and was restated recently in the 2009–10 Policy Address (Tsang 2010, para. 6). This principle of the HKSAR government is indeed similar to the “positive non-interventionism” of its preceding colonial counterpart. It is just “old wine in new bottles” in two ways. First, the social policy of the HKSAR government still has the economic pragmatism originated from its colonial past. The vague concepts of “big” and “small” make the new discourse confusing as the old idea of “positive” vs. “non-interventionism”. It gave much room for the government to interpret and manipulate what it should and should not do in specific moments and on specific issues. Second, the Hong Kong government is not a totally independent governance body; it has to follow the decisions of a higher political hierarchy—the colonial British government before 1997, and the Central People’s Government (CPG) after 1997. Both governments have their own political interests, agenda, and considerations in determining their decisions over social policy in Hong Kong.

The economic pragmatism origin of social policy in Hong Kong is not a special feature of Hong Kong; it is common in the East Asia region. Ian Holliday (2000, p. 708) claims that countries in the East Asia region, including Japan, Hong Kong, Singapore, South Korea, and Taiwan, are “productivist welfare capitalism” in which “social policy is strictly subordinate to the overriding policy objective of economic growth”. The economic pragmatic characteristic of “productivist welfare capitalism” is the minimal social rights with extensions linked to productive activity. However, after the 1997 Asian financial crisis, we witnessed welfare reforms in South Korea and Taiwan, in which state institutions and the welfare state were in particular strengthened amid instability and flexibility in the globalized market (Kwon 2005). Other than economic considerations, cultural and political factors are also considered as the other key determining factors in shaping social policy in the East Asia region. Alan Walker and C.K. Wong (2002) contend that Chinese and East Asian states use “Confucianism” to justify their restrictive social policies.

In this chapter, factors shaping the development of social policy in Hong Kong will be explored, and the changes in social policy, including housing,

health, and poverty alleviation policies from 1997 to 2010, will be investigated. We will also examine the policy formulation of the legislation of minimum wage to understand the political dynamics of the influence of the CPG.

The old wine: Laissez-faire

Before 1997, social welfare in Hong Kong was residual in nature and acted as a safety net for the vulnerable and the unfortunate minority. It did not serve the purpose of redistributing resources. Chris Patten, the last governor of Hong Kong, stated in his final policy address in 1996, “Quite deliberately, our welfare system does not exist to iron out inequalities. It does not exist to redistribute income ... we have a duty to provide a safety net to protect the vulnerable and the disadvantaged members of society, the unfortunate minority, who, through no fault of their own, are left behind by the growing prosperity enjoyed by the rest of Hong Kong” (Patten 1996, para 78).

The safety net function of social policy was echoed by Tung Chee-hwa, the first chief executive (CE) of the HKSAR government. In his 2000 Policy Address, he said, “For those who have suffered setbacks, they should be given further opportunities to succeed” (Tung 2000, para. 48).

In the same policy address, there seemed to be some changes in social policy by the HKSAR government, which stressed the government’s responsibility for social development: to create an environment where participation and fair competition are open to all; to put in place a well-resourced basic safety net; to assist the disadvantaged with an emphasis on enhancing their will to be self-reliant; and to encourage the advantaged to participate in voluntary work to build a harmonious society. However, Tung admitted that “such a social policy, which stresses good will and equal opportunities as its fundamental values, is complementary to the laissez-faire economic policy we follow” (2000, para. 50). This clearly confirmed that although Hong Kong had entered the post-colonial period, the “old wines” were still liberalism and laissez-faire, whereas the emphasis on government responsibility for social development was just a “new bottle”.

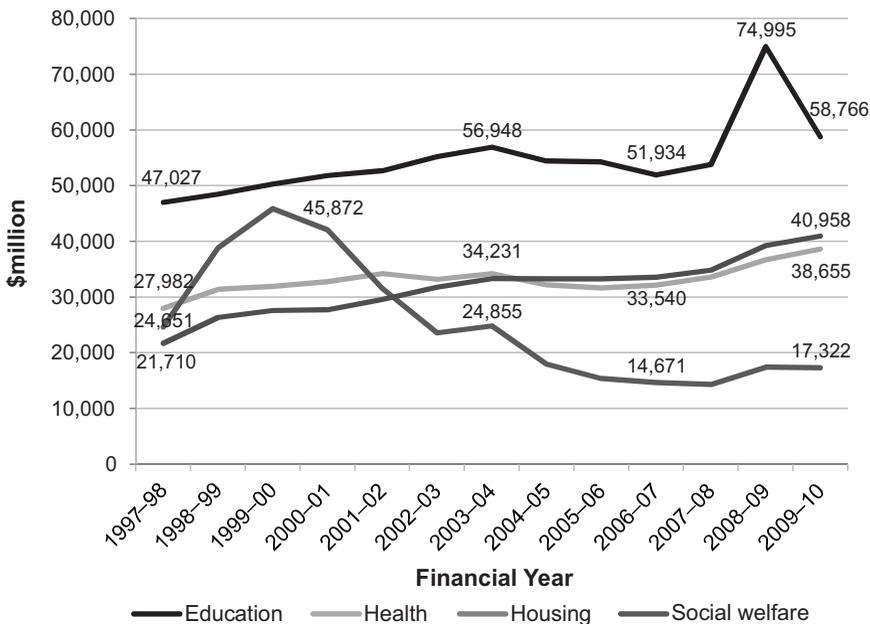
Donald Tsang, Tung’s successor, also introduced a new term, “progressive development”, in his 2007–08 Policy Address. However, his meaning of “progressive” is not really progressive but essentially conservative in nature. It really denotes promoting economic development as the government’s primary goal, promoting economic development through infrastructure projects, promoting community development through the revitalization of historic and built heritage, and promoting social harmony under the concept of helping people to help themselves (Tsang 2007). Again, “progressive development” is just a new bottle with no genuine changes in social policies.

Social policy development since 1997

The Basic Law stipulates that Hong Kong has to maintain balanced budgets, and increase in public expenditure is only possible when budget surplus is available (Chiu 2003). However, since 1997, Hong Kong has had budget deficits from 1998–99 to 2004–05. Financial deficits during these years restricted the HKSAR government’s new initiatives and expansion activities to welfare, health, and housing.

Education, health, housing, and social welfare have been the four major social policy areas that concerned the public and the government (Box 13.1). From Figure 13.1, which shows the current and capital expenditure of the government on these four policy areas from 1997–98 to 2009–10, we learn that there was a significant increase in expenditure on education from HK\$47,027 million to HK\$58,767 million in this period, with an exceptional high level of HK\$74,955 million in 2008–09. The second social policy area that had a larger budget was social welfare, whose expenditure increased from HK\$21,710 million to HK\$40,958 million. The health area had a moderate increase from HK\$27,982 million to HK\$38,655 million. The housing area had a moderate increase from HK\$24,651 million to HK\$17,322 million.

Figure 13.1 Current and capital expenditure of Major Policy Area in HK dollars (million) (1997–98 to 2009–10)

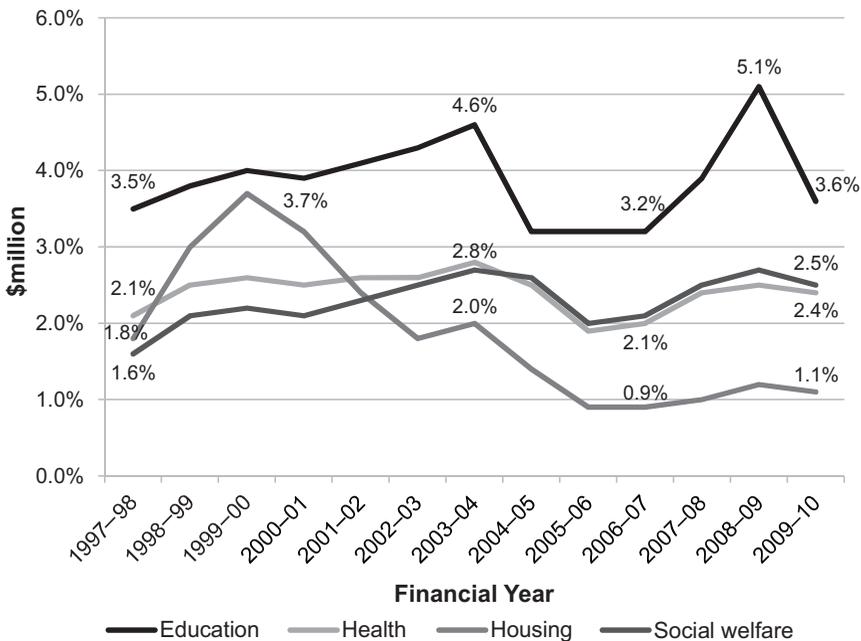


Source: Hong Kong annual digest of statistics 2003, 2006, and 2010

The housing area was the only policy area that recorded a decrease from HK\$24,651 million to HK\$17,322 million.

Figure 13.2 shows the percentage of the expenditure on the four policy areas of GDP from 1997–98 to 2009–10. From 1997–98 to 2003–04, expenditure on education increased from 3.5% to 4.6% of Hong Kong’s GDP, and eventually decreased to 3.6% in 2009–10. From 1997–98 to 2003–04, expenditure on social welfare significantly increased from 1.6% to 2.7% of Hong Kong’s GDP, and decreased to 2.5% in 2009–10. Expenditure on health also increased from 2.1% to 2.8% from 1997–98 to 2003–04; decreased to 2.4% in 2009–10. Expenditure on housing notably decreased from 1.8% to 1.1% from 1997–98 to 2009–10. Since the sovereignty transfer in 1997, education received more attention and resources from the HKSAR government. Meanwhile, public housing became less important compared to the 1970s and 1980s, which signified the retreat of the HKSAR government’s role in housing provision and even retreat from the role to regulate the housing market. In the next section, we will examine the abrupt changes in housing policies in Hong Kong since 1997.

Figure 13.2 Major Policy Area Expenditure as a percentage of GDP (1997–98 to 2009–10)



Source: *Hong Kong annual digest of statistics* 2003, 2006, and 2010

Housing

When Tung Chee-hwa assumed his post as the first CE of the HKSAR government in 1997, the mounting real estate price became the hottest issue that concerned the public deeply. To address this rising concern, Tung set three targets on housing in his first Policy Address in 1997: to build at least 85,000 flats a year in the public and private sectors, to achieve a home ownership rate of 70% by 2007, and to reduce the average waiting time for public rental housing to three years (Hong Kong SAR Government 1997, para. 52). The “active” element among the “non-interventionism” or the “small” but “effective” government was a significant characteristic of this new housing policy after 1997, and was a significant change from the housing policies before 1997.

However, the outbreak of the Asian financial crisis provoked the collapse of property prices in Hong Kong, which undermined Tung’s strategy of housing policy. Michael Suen, secretary for housing, planning and lands, announced a fundamental change in Tung’s housing objectives and strategies in 2002. The new housing policy was remedial in nature, and its focus was to provide assistance to low-income families and minimize government intervention in the private property market (Suen 2002).

Suen proposed nine measures, including ceasing the production and sale of Home Ownership Scheme (HOS) flats indefinitely from 2003 onwards. In 2005, the Housing Authority also ceased the Tenants Purchase Scheme (TPS) and stopped all publicly financed home ownership schemes. The rationale behind the move was to address the overlapping between these subsidized flats and private residential market; the immediate effect was the reduction of supply of publicly financed home ownership schemes.

In 2007, the government objected to the recurring proposal of the public and Legislative Council (LegCo) members to relaunch the HOS and TPS. However, it did not think that property prices were at an extremely unreasonable level, making it difficult for the low and middle classes to purchase flats. The government argued that the overall property price level in 2007 was still lower than at the peak in 1997 by about 40%. Also, the government considered that the public had divergent views on whether or not the government should enter the market to build home ownership flats again (Transport and Housing Bureau 2007). Here we witness the passive essence of “non-interventionism” of the “small” government to give way to the “big” market of housing and real estate development, which in fact is the essence of “old wine” of Hong Kong’s social policy.

Harmonious society and anti-rich sentiment

With limited supply, land in urban areas is considered a precious commodity in Hong Kong. The ever-increasing population and vibrant real estate development create continuously rising demand in land in urban Hong Kong. To increase land supply in the city area, the Urban Renewal Authority was established to speed up the urban renewal process. Many local residents in this area were poor tenants, who were dependent on cheap accommodation and abundant supply of low-skilled jobs in the local economy. Redevelopment created a gentrified environment, which had a dampening effect on the concerned community. The poor viewed this phenomenon as a collusion of the HKSAR government and the real estate developers who share a common interest in keeping the prices of land and estate high at the expense of the people.

Under the urban redevelopment plan, *tong lau* (i.e., old buildings built in the 1950s and 1960s, most of them are three to nine storeys but without a lift and are now in poor maintenance condition) in these urban areas of poor neighbourhood were torn down, which cut the supply of flats suitable for cubicle flats or *tong lau* suites, and made the rent of these flats extremely high. Aside from the poor, the younger generation also had a growing discontent with the government caused by the housing problem.

The term “post-80s” generation has become popular in Hong Kong since 2009, particularly popularized in media in explaining the outbreak of a social campaign of the opposition to the Guangzhou–Hong Kong Express Rail Link. During the campaign, a group of young activists vigorously promoted the preservation of living styles and memory in Hong Kong. Their sustainable development ideological beliefs were radical in nature, which clashed with the capitalistic mainstream values. However, the government interpreted that the discontent of these young activists originated from “their low upward social mobility and discrepancy between individual expectation and the objective reality” (Lau 2010). One discrepancy, according to the government, was that being university graduates, they expected to own a flat but they could not afford to buy one in reality, which nourished the “anti-rich” sentiment, which is not just among the post-80s generation but spread across the lower and middle classes. As this “anti-rich” sentiment threatens social harmony, which may potentially be followed by instability, the Mainland and HKSAR governments have to do something to handle and downplay the sentiment.

According to the survey by the Hong Kong Institute of Asia-Pacific Studies, more Hong Kong people think that the city is no longer a harmonious society. In 2010, only 26.5% of the respondents “agree” or “strongly agree” that Hong Kong is a harmonious society, which is significantly lower than 37.5% in 2008 and 37.8% in 2006. Among all conflicts, the conflict

between the rich and the poor is ranked as the most serious conflict in the three surveys in 2006, 2008, and 2010 (HKIAPS 2010).

According to another survey conducted by the Hong Kong University Public Opinion Programme (HKUPOP), 88% of the people consider “housing” problems to be the most pressing policy area in the CE’s 2010 Policy Address. Public concern for housing is greater than economic development as well as labour and employment issues (HKUPOP 2010).

In his 2010 Policy Address, Tsang responded to the public expectation and announced measures supposed to alleviate the property market. One of the measures is the new “My Home Purchase Plan” which was intended to replace the HOS. It is a rent-to-buy scheme under which a total of 5,000 flats will be provided for lease to sandwich-class home buyers at prevailing market rent for a maximum of five years. Tenants will be reimbursed half their rental fees to serve as down payments for their home purchase (Hong Kong SAR Government 2010).

However, the intervention of this plan, like many other government interventions, is too little and too late. The plan needs at least five to six years to benefit the first group of 1,000 home buyers. The plan is merely a cosmetic or window-showing action of the HKSAR government, to demonstrate its half-hearted belief in regulating the housing market and property price, and to do something to ease the “anti-rich” sentiment. This is a typical example of the recurring piecemeal and responsive actions of the government toward social sentiment. These actions can be seen as the ever-changing “new bottles” aimed to extinguish hatred and prevent backfire against the government; however, the “old wine” is still the economic pragmatism consideration.

Health

In 1999, a consultancy report by the Harvard Team gave a highly critical analysis of the healthcare service in Hong Kong, particularly the absence of a coherent policy for healthcare service and financing (Harvard Team 1999). Nevertheless, the HKSAR government did not adopt the recommendations but announced alternative proposals in 2000, without much implementation details (Health and Welfare Bureau 2000).

The outbreak of the severe acute respiratory syndrome (SARS) in March 2003 was another critical incident for health policy development. The then-unknown virus infected 1,755 individuals and claimed the lives of nearly 300 people. The SARS outbreak turned a searchlight on the healthcare system and its inability to cope with emergency (Gauld 2005). To a certain degree, the shortcomings of the healthcare system and the lack of a coherent health policy and a Health Authority falls under the social policy of the government, and these deficiencies damage the welfare of the Hong

Kong people. Paul Wilding (2007) argues that the two issues—the Harvard Review and the SARS outbreak—illustrate neatly the ambivalence of health policies of the HKSAR government. The government has long accepted the responsibility for the provision of health services, but in a piecemeal, reactive, reluctant fashion (again, it is the old wine of social policy in Hong Kong). After the incident, the government's reaction was to establish a new Centre for Health Protection under the Department of Health in June 2004.

Another health policy move was the launching of the Elderly Health Care Voucher Pilot Scheme in 2008–09. The scheme is a pilot trial for three years to provide five healthcare vouchers costing HK\$50 each to elders aged 70 years and above annually to subsidize partially their use of private primary healthcare (PHC) services. The scheme aims to provide additional choices for elders on top of the existing public PHC services, which also act as a model for subsidized PHC services in the future. Generally, the scheme was welcomed by the elderly; however, many of them thought that the annual subsidy of HK\$250 was too small to change their habit of choosing the PHC service provider. Many poor elderly still need to depend on the low-cost public PHC service. This move is again a “new bottle” to show the government's concern for the elderly and its intention to encourage them to use the private primary health care.

Unswerving commitment: Safety net for all?

In 2008, the HKSAR government proposed a package of reform proposals called “Your Health, Your Life”, which stressed its “unswerving commitment to healthcare” to uphold the public healthcare system as the healthcare safety net for the whole population (Food and Health Bureau 2008). According to the reform package, more than HK\$15 billion would be invested to improve healthcare infrastructure and enhance public healthcare services, including improving primary care, promoting public-private partnership in healthcare, developing electronic health record sharing, and strengthening public healthcare safety net.

However, after the first-stage public consultation, the HKSAR government found that the public had reservations about the mandatory supplementary financing options, and instead preferred voluntary participation. Therefore, in October 2010, the HKSAR government proposed a new Health Protection Scheme (HPS), which aims to make available government-regulated health insurance to provide better choices to those who prefer private healthcare services (Food and Health Bureau 2010). It also aims to “ease the pressure on public healthcare system by encouraging more people to use private healthcare on a sustained basis, and enhance the sustainability of the entire healthcare system”.

According to this scheme, the government will set aside HK\$50 billion over the next 25 years to subsidize 500,000 “high-risk” public health insurance policyholders, whose annual medical costs are more than 20% higher than those of a “normal, healthy individual”. The subsidy fund will target the elderly, individuals with pre-existing conditions, and young people to establish some form of private medical insurance coverage. In 2010, it is estimated that about 34% of the Hong Kong population has private health insurance, with only 4% of those over the age of 65 possessing coverage. One of the reasons is the rising premiums among the elderly. The insurance subsidy is intended to ease these barriers and attract more individuals to purchase medical insurance.

However, according to the comments of academic experts on HPS, there are considerable concerns on whether or not the incentives are sufficient to induce a critical mass of participants necessary to achieve the objective of enhancing access to private health care and relieving the burden on the public system. HPS as a new health policy initiative, like the “My Home Purchase Plan” as a new housing policy initiative, is a one-off commitment from the government to use a fixed amount of the budget to solve a pressing social problem. Nevertheless, the commitment is too small and too narrow-minded without rational and long-term planning. The impact of the policy will probably be limited and with temporary effects.

Poverty alleviation

Amid a period of economic growth in Hong Kong, poverty not only remains, but is on the rise. Between 1996 and 2009, Hong Kong’s per capita GDP grew from HK\$189,326 to HK\$233,060; however, the number of people living in poor households increased from 0.84 million in 1996 to 1.26 million in 2010—an increase of 325,000. In 2010, the poverty rate stood at 18.1% (Hong Kong Council of Social Service 2010).

In the colonial era, the Hong Kong government’s main strategy to deal with poverty was to ensure social stability by providing income support through the Comprehensive Social Security Assistance (CSSA) to the poor households and Old Age Allowance to the elderly. After 1997, the HKSAR government adopted the colonial government’s view and believed that the best way to help the poor households to improve their conditions was to provide them with education and job opportunities.

CSSA is the major income support scheme in Hong Kong. Families that receive CSSA need to pass stringent income and assets reviews. As the most important safety net in Hong Kong’s social security system, the recipients of CSSA can be regarded as constituting a core group of the abject poor in Hong Kong. In 1991, there were only 72,969 CSSA cases; whereas by 1997, the number of cases significantly increased to 186,932, and further to

289,139 by 2009. There were 282,623 CSSA recipients in 1997; the number of recipients grew tremendously in the early 2000s, and reached the highest figure at 522,456 individuals in 2004. Although the economic and poverty situation improved in the late 2000s, 482,001 persons still needed to live on CSSA in 2009.

It was only until 2000, the first time in contemporary Hong Kong, when Tung admitted officially that poverty was actually a serious problem. In his 2000 Policy Address, Tung acknowledged that the Asian financial crisis did make an impact on the community, particularly on the lower-income families, some of whom had suffered a substantial drop in their income. Tung pledged that he would focus on the plight of low-income families in the coming years (HKSAR Government 2000).

Many government officials still consider relative poverty as a necessary evil, a part of social reality, and a kind of hardship that can motivate the poor to work hard. Hence, after admitting the impact of the Asian financial crisis on low-income families in his 2000 Policy Address, Tung emphasized, "Unfortunately, the wealth gap is an inevitable phenomenon in the course of economic development. It is not unique to Hong Kong." Finally, he established the Commission on Poverty before his resignation in 2005; this move was hardly a major break from the misplaced strategies on poverty alleviation.

In his 2006 Policy Address, Tsang restated, "To assist those in need who are capable of working, our focus is not only on providing welfare, but also on enhancing their capability through education and training, and giving them proper employment assistance and support." The Commission on Poverty (CoP 2007) also explicitly states that support to low-income employees should not be focused on passive assistance, but rather on proactive support, including the provision of training and employment assistance to help them enhance their capacities and overcome poverty.

Following the above assumption, most of the government's resources were allotted to establishing different training schemes to invest in the human capital of the poor. These schemes include Employee Retraining Schemes for the unemployed middle-aged workers, and Youth Pre-employment Training Program and Youth Work Experience and Training Scheme for the unemployed youth. However, the major outcome measure of these programmes was the employment rate of the participants. On the other hand, the wage level of the participants had not been included as an indicator of programme outcomes. The poverty alleviation effects of these schemes are far from satisfactory. As a result, the unemployment rate decreased and the problems of the working poor even worsened. In short, alleviating poverty in Hong Kong, if not totally eradicating it, cannot be achieved by the government's misled poverty alleviation policies.

The new bottles: Decisions made by the masters

Colonial heritage

Many HKSAR government officials were civil servants under the British rule before 1997. Many of them admire and always want to resemble the British colonial heritage. Regina Ip, an ex-HKSAR government senior administrative officer stated, “Hong Kong’s colonial masters bequeathed the city an effective rule of law, open markets, plus predictable and transparent governance” (Ip 2010). Ip reported that the Hong Kong government remained small, and its elitist administrative service, staffed mainly by British officers, did not undergo a significant expansion until 1973; she cited these as the specific reasons for the successful story of Hong Kong (Ip 2010). Since 1973, more Chinese administrative officers were recruited to join the Hong Kong government. However, the political and important decisions of the Hong Kong government were still made principally by the British masters; most administrative officers of Chinese origin were only responsible for implementing and fine-tuning social policy and were not responsible for political decisions on social policy.

The influence of the CCP after 1997

After the CPG resumed the exercise of sovereignty over Hong Kong in 1997, it intended to practise the concept of “one country, two systems” in which the HKSAR government should enjoy a high degree of autonomy. Nevertheless, due to the underdevelopment of political leadership of the civil servants of the HKSAR government, the senior leaders of the HKSAR government maintained their apolitical and pragmatic consideration and the “get the job done” mentality (the slogan of Donald Tsang’s second election). Consequently, the CPG replaced the British colonial government to become the real master in the Hong Kong political arena, and is responsible for resolving conflicts of different interests and making the final political decision. However, this political reality has been accepted by the Hong Kong people. The reasons behind this are the growing dependency of Hong Kong’s economic prosperity on China and the rise of a powerful China in the international scene.

The Hong Kong Transition Project conducted a survey in 2007, which showed that Hong Kong people think that the Chinese Communist Party (CCP) has a significant influence over the HKSAR government. According to the survey, 44% of the respondents were very satisfied or somewhat satisfied with the CCP’s general performance; 50.9% of the respondents said they were not worried about CCP interference with Hong Kong affairs; and 51.6% felt there was “a great deal of” or “somewhat” interference of

CCP over HKSAR government (Lok 2010). These figures reflect that Hong Kong people notice the existence of CCP interference with the HKSAR government and, to a certain degree, recognize its existence. The legislation of the minimum wage is a concrete example of the decisive influence of the CPG on the social policy decision making in Hong Kong.

The legislation of minimum wage

After 1997, among different groups of poor people, the surge of poverty attracted more attention. In 2006, 13.1% of the working population (representing 418,600 workers) earned incomes less than half of the median income of the working population (Wong 2007).

Since 1997, to alleviate the rising working poverty, unions, NGOs, and political parties have jointly urged the HKSAR government to introduce a statutory minimum wage (SMW). However, the response of the HKSAR government was negative and argued that the government should not intervene in the free labour market under the “big market, small government” philosophy.

The pros and cons of minimum wage legislation have been debated passionately in Hong Kong. The economists were the major opponents of the minimum wage. Many economists and the business sector claimed that a minimum wage system will distort the price mechanism of the labour market, and will increase unemployment (disemployment effect) among the least-skilled workers.

In 1998, the Hong Kong Social Security Society recommended that the HKSAR government should follow Singapore’s example expeditiously by creating a wages council, fixing the level of minimum wage, ratifying the International Labour Convention on Minimum Wage, and establishing a system of minimum wages in Hong Kong. The HKSAR government gave an official response to this proposal to LegCo, which stated that the HKSAR government “does not consider it appropriate for the government to set up any form of minimum wage in Hong Kong. In fact, any move to tamper with private sector decisions on wage setting is bound to be counter-productive” (Education and Manpower Bureau 1998).

In April 1999, May 2000, and April 2002, using different wordings, LegCo member Lee Cheuk-yan, a unionist from the Hong Kong Confederation of Trade Unions, moved three motions urging the administration to establish a minimum wage system. However, all three motions were rejected by the LegCo. In November 2004, the Council again rejected a motion moved by Chan Yuen-han, another unionist from the Hong Kong Federation of Trade Unions, who also urged the creation of minimum wage legislation.

Under increasing pressure from unions and labour organizations, the HKSAR government agreed to re-examine the issue. In November 2004, the

Economic Development and Labour Bureau and the Labour Department gave an official response to LegCo. In the paper, the HKSAR government asserted, “Hong Kong is well known for its flexibility and manpower resource is our most valuable asset. To retain our competitiveness, we must strike a balance between maintaining Hong Kong’s strengths in this respect and safeguarding the rights and benefits of our workforce” (Economic Development and Labour Bureau and the Labour Department 2004). This pronouncement restated that economic consideration was the basic tone of the government. In response to the rising pressure, the HKSAR government agreed to the feasibility and desirability of introducing a statutory minimum wage in Hong Kong, and assessed fully the socio-economic implications of the proposal, both in the short and long term, as well as its merits and demerits. The response of the government can be described as “half-hearted” and “proactive”, without a solid will to implement minimum wage in a short period.

In December 2005, at the first report session of new CE Donald Tsang to the CPG, Premier Wen Jiabao said in front of the media that Hong Kong had “deep-rooted contradictions”. However, Wen did not specify the contradictions publicly. Many commentators speculated that the deep-rooted contradictions were the structural contradictions in the political, economic, and social arenas. Two of them were the discontent of the grassroots and the widening gap between the rich and the poor.

Undoubtedly, the order of the CPG to solve the “deep-rooted contradictions” created intense pressure on the HKSAR government to address the livelihood problem of the poor. The small concessions given in the past cannot really solve the deep-rooted problems. In 2006, the HKSAR government suddenly changed its negative stand on minimum wage and agreed to launch the “Wage Protection Movement” (WPM), a wage protection campaign through voluntary participation of employers. However, the coverage of WPM is limited and only involves cleaning workers and security guards.

After two years of experimenting with WPM, Tsang considered the situation of WPM as unsatisfactory in October 2008; the government agreed to introduce legislation on statutory minimum wage (SMW) for employees in all trades and industries in the 2008–09 legislative session. According to the government, the main purpose of SMW is to forestall the payment of excessively low wages, thereby protecting vulnerable groups that are prone to exploitation. The government established the Provisional Minimum Wage Commission in February 2009, whose main task is to advise the CE on the initial statutory minimum wage rate.

In December 2009, in another report session of Tsang, Premier Wen Jiabao reiterated Hong Kong’s “deep-rooted contradictions”. In March 2010, Wen specified Hong Kong’s contradictions in five areas, including

developing Hong Kong's economic strength, key industries, and cooperation with Pearl River Delta; creating an inclusive and consensus-driven political atmosphere and livelihood of people; and developing education. Wen's pronouncement confirmed that people's livelihood is one of the "deep-rooted contradictions" seen by the CPG.

After extensive debates, the LegCo voted to introduce a minimum wage in Hong Kong in July 2010. On 10 November 2010, an hourly rate of HK\$28 was recommended by the Provisional Minimum Wage Commission and adopted by the CE-in-Council.

Conclusion

"Big market, small government" is really an old wine in a new bottle. Social policy of the HKSAR government still has the same economic pragmatism origin as its colonial past. Moreover, the Hong Kong government has to follow the decisions of the British colonial government before 1997 and the HKSAR government has to follow the guideline of the CPG after 1997.

During the 1997 Asian financial crisis and the increasing demand for social services, the HKSAR government's immediate response was to cut services and reduce benefits to balance the budget. This was a short-term and short-sighted measure that intensified the problems of health, housing, and poverty in Hong Kong. Consequently, the discontent of the poor and the middle class increased, and created the so-called "anti-rich" sentiment.

The HKSAR government recognizes the growing discontent of Hong Kong people. However, it blames the society for the lack of consensus on different policy suggestions to solve the discontent. Lau Siu-kai, head of the Central Policy Unit, summarizes the policy suggestions for solving the problem of intensified social conflicts: tax reform; land and housing policy changes; new economic growth engine; traditional industry support; faster democratization; improvement of government's governance; and increase in social welfare and social services. However, the public is also concerned with these social contradictions and stability problems. There is no *consensus* on how to handle the problems, which creates a feeling of being "confined in a worrisome city" (Lau 2010).

Are Hong Kong people or just the government officials confined in a worrisome city? Without a mission and vision of future development in Hong Kong, without a rational and systematic planning process, and without political leadership to handle conflicts, the social policy in Hong Kong maintains its piecemeal, pragmatic, and problem-solving nature as in the colonial past.

The HKSAR government seems to lose its will to govern and tends to wait for the CPG to take political leadership in handling the rising class conflicts. It is a shame because the CPG already has a pile of important

and urgent problems and conflicts to handle. As the most developed city in China, Hong Kong has a low-cost health and public housing system and a well-developed social security system; moreover, it has a valuable strength and asset in its people, who should have confidence in themselves. According to the principle of “one country, two systems”, the HKSAR government should have the will to govern. A more comprehensive, long-term and people-oriented planning for social policy should be adopted with greater participation of the civil society to make Hong Kong people enjoy life with better health care, housing, and social security.

Box 13.1 Key social policy developments since 1997	
Education	<ul style="list-style-type: none"> • Education voucher for pre-school children • 3.3.4 new academic structure of senior secondary education • Debate on small-class teaching
Health	<ul style="list-style-type: none"> • Harvard Review and severe acute respiratory syndrome (SARS) test the system • Elderly Health Care Voucher • Health Protection Scheme—voluntary private medical insurance
Housing	<ul style="list-style-type: none"> • Cease production and sale of Home Ownership Scheme (HOS) • New rent-to-buy My Home • Purchase Plan to replace HOS
Social Welfare	<ul style="list-style-type: none"> • Cutting of Comprehensive Social Security Assistance (CSSA) budget and promoting self-reliance • Increasing poverty and gap between the rich and the poor; anti-rich sentiment • Set up and dissolution of the Commission on Poverty
Labour	<ul style="list-style-type: none"> • Expansion of youth training and placement schemes • Legislation of minimum wage

Questions

1. Does Hong Kong have a social policy? Have there been any changes in social policy since 1997?
2. What are the political, economic, and social factors that affect the development of social policy in Hong Kong? How do these factors interact together?
3. Will the CPG exert greater influence in determining social policy in Hong Kong? How would you see such influence?

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Useful Websites

Budget Speech Archive

<http://www.budget.gov.hk/2010/eng/previous.html>

Census and Statistics

<http://www.censtatd.gov.hk/home/index.jsp>

Government Information

<http://www.gov.hk>

Legislative Council

<http://www.legco.gov.hk>

Policy Address Archive

<http://www.policyaddress.gov.hk/10-11/eng/archives.html>

Poverty: Oxfam Hong Kong

<http://www.oxfam.org.hk/en/default.aspx>

Social Security: Hong Kong Council of Social Service

http://www.hkcss.org.hk/prs/list_of_recommendations_e.htm

Further Reading

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