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# Impact of Active Labour Market Policies and Statutory Minimum Wage on Welfare Recipients in Hong Kong

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## **Abstract**

Comprehensive Social Security Assistance (CSSA) Scheme is the major income protection scheme in Hong Kong which provides basic income for the poor people. After the review of the CSSA scheme in 1998, Hong Kong government proposed ‘Self-Reliance’ as the new theme of the scheme. All able-bodied adult CSSA recipients, most of them are unemployed and single parents, are required to participate in the Support for Self-reliance (SFS) Scheme which encompasses the Active Employment Assistance Programme and the Community Work Programme, otherwise their CSSA will be terminated. On the other hand, after extensive debates for more than 20 years, Statutory Minimum Wage (SMW) was finally enforced in Hong Kong in May 2011 at an hourly rate of HK\$28.

Based on the results of two researches conducted by the author in last six years, this paper will review the impacts of the active labour market policies schemes, namely “My STEP” for the young CSSA recipients and “Intensive Employment Assistance Scheme (IEAP)” for adult CSSA recipients, and the SMW on welfare recipients in Hong Kong. It is found that the CSSA-related schemes have limited effect on the employment of the recipients as they focus on the employability of individual recipients rather than macro changes in the labour market. It seems that SMW, however, is quite effective in increasing the wage level, income and employment of the CSSA recipients. Macro policy on the labour market is found to be a more effective and active means to alleviate the working poverty as well as to free the CSSA recipients from welfare trap.

### **Keywords:**

Social Security, Active labour market policy, Minimum wage, Welfare recipients,

# Introduction

Comprehensive Social Security Assistance (CSSA) Scheme is the major income protection scheme in Hong Kong which provides basic income for the poor people. After the review of the CSSA scheme in 1998, Hong Kong government proposed ‘Self-Reliance’ as the new theme of the scheme. All able-bodied adult CSSA recipients, most of them unemployed and single parents, are required to participate in the Support for Self-reliance (SFS) Scheme which encompasses the Active Employment Assistance Programme and the Community Work Programme, otherwise their CSSA will be terminated. On the other hand, after extensive debates for more than 20 years, Statutory Minimum Wage (SMW) was finally enforced in Hong Kong in May 2011 at an hourly rate of HK\$28.

Based on the results of two researches conducted by the author in last six years, this paper will review the impacts of the active labour market policies schemes, namely “My STEP” for the young CSSA recipients and “Intensive Employment Assistance Scheme (IEAP)” for adult CSSA recipients, and the SMW on welfare recipients in Hong Kong. It is found that the CSSA-related schemes have limited effect on the employment of the recipients as they focus on the employability of

individual recipients rather than macro changes in the labour market. It seems that SMW, however, is quite effective in increasing the wage level, income and employment of the CSSA recipients. Macro policy on the labour market is found to be a more effective and active means to alleviate the working poverty as well as to free the CSSA recipients from welfare trap.

## **Workfare Programmes: My STEP & IEAP**

### **1998 CSSA Review**

Social security programme presents a particular problem to the Hong Kong Government, as it is the only expenditure programme that is demand-led rather than budget-limited. The large share of social security in public expenditure, and the hostile attitude by the general public and the press towards recipients, both made the CSSA recipients an easy target for welfare cuts (Walker 1993).

The above context was the background of the review on CSSA scheme made by the Hong Kong government in 1998. The main theme of the review was to encourage and assist able-bodied unemployed CSSA recipients to secure paid employment and move towards self-reliance, Social Welfare Department (SWD) implemented the

Support for Self-reliance Scheme ("SFS Scheme") in June 1999 to provide personalised employment assistance service. The SFS Scheme contains three components: Active Employment Assistance Scheme (AEA scheme), Community Work and Disregarded Earning. The able-bodied adults are obligated to join the AEA scheme, otherwise their assistance will be terminated (SWD, 1999).

After the review, the standard rates of CSSA households comprising three or more able-bodied members were cut ranging from 10 per cent to 20 per cent. Before the cut of CSSA on 1 June 1999, financial resources provided by the CSSA had already been inadequate for its recipients to have social participation and get out of the safety net. The situation worsened after the review and many CSSA recipients were living in subsistence and stressful conditions. It is most likely that their poverty situation will be perpetuating. It follows that the function of the CSSA scheme is not to help its recipient to escape from the safety net but to create and maintain a poverty trap for its recipients (Wong, 2001 APJSW).

Moreover, after the launch of the AEA, NGOs commented the AEA scheme was not effective and the staff of social security section of SWD did not receive adequate training on career counselling and employment service. NGOs, therefore, advocated for alternative employment services for the CSSA recipients run by NGOs rather than the Government. In response to the request of the NGOs, in 2001 the Hong Kong

Government commissioned NGOs to run Intensive Employment Assistance Projects (IEAPs) for employable CSSA recipients and other near-CSSA recipients in 2003. The project aimed to assist unemployed recipients to remove work barriers, enhance their employability and get back to work through a range of activities such as job matching, job skills training, employment counselling and post-employment support.

## **Workfare Programme: My STEP**

Special Training and Enhancement Programme (My STEP) was first implemented in October 2006 in Tin Shui Wai and Yuen Long on a pilot basis, and was subsequently extended to other selected districts. In 2006, Social Welfare Department was concerned about the welfare trap effect on those long-term youth (age 16-24) CSSA recipients, and commissioned two NGOs to run the Special Training and Enhancement Programme (My STEP programme). This programme devoted to help young CSSA recipients to move to employment and/or schooling, and thus to leave and reduce welfare. It was operated in Tin Shui Wai by two non-governmental agencies. An evaluation study on the effectiveness of My STEP and IEAP commissioned by the Social Welfare Department of the HKSAR Government was conducted by the team of researchers from the Social Work Department at the Chinese University of Hong Kong whereas the author was a

member of the research team.

The quantitative evaluation study compared the performance of young participants in My STEP and IEAP primarily regarding their employment, schooling, and welfare leaving. It involved a **baseline** survey and a **follow-up** survey of young participants in My STEP and IEAP. Between December 2006 and February 2007, the baseline survey collected data from a panel of **56** participants in **My STEP** and another panel of **101** participants in the **IEAP**. Four months later, owing to attrition, the follow-up survey collected data from **53** of the 56 participants in My STEP and **70** of the 101 participants in IEAP. The surveys thus covered data of **274 cases** for quantitative data analysis.

## Impacts of My STEP and IEAP

The results of the impacts of My STEP and IEAP on youth participants are summarised in this session. Desire for leaving welfare, on average, was 68.2 (on a 0-100 scale<sup>1</sup>) among My STEP participants and 68.8 among IEAP participants during the baseline survey. According to the follow-up study, desire for leaving welfare due to participation in **My STEP** showed an **increase of 3.0 points**, whereas desire for

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<sup>1</sup> To facilitate interpretation of the results, self-reported variables collected in the surveys are transformed into scores ranging from 0 and 100. For example, in a typical 5-point scale response to a single question, discrete response of an individual respondent can be assigned one of the scores 0, 25, 50, 75, 100 such that scores of every respondents are aggregated to derive the mean-score.

leaving welfare due to participation in the **IEAP** showed a **decrease of 3.1 points**.

**Job seeking desire**, on average, was 52.6 (on a 0-100 scale) among My STEP participants and 62.4 among IEAP participants during the baseline survey. According to the follow-up survey, participation in My STEP decreased job seeking desire by 3.6 points whereas participation in IEAP decreased job seeking desire by 6.5 points. The decrease might be due to getting a job after joining the Project.

**Work motivation**, on average, was **62.9** (on a 0-100 scale) among **My STEP** participants and **63.5** among **IEAP** participants during the **baseline** survey. According to the follow-up survey, participation in **My STEP increased** work motivation by **2.7** points, whereas participation in **IEAP decreased** work motivation by **2.8** points.

The **monthly wage** of the latest job after joining the Project, on average, was HK\$2,973.5 among My STEP participants and HK\$2,615.5 among IEAP participants. For those having employment, the average wage was HK\$**4,698.3** among **My STEP** participants and **HK\$4,712.8** among **IEAP** participants. **My STEP participants earned HK\$573.6 more than IEAP participants, after controlling for background factors. Currently in employment** occurred among **44.2%** of **My STEP** participants and **30.0%** of **IEAP** participants. **My STEP participants were 5.7% points more likely to be in employment than the IEAP participants, after controlling for background factors.**



In short, participation in My STEP tended to increase the desire for leaving welfare and work motivation of participants, and this increase tended to be higher than that due to participation in the IEAP. Besides, project inputs of My STEP delivered significant favourable impacts including job seeking training, job skill training, counselling, job counselling, camping, job referral, arrangement for job interviews, and post-employment follow-up. These inputs variously promoted the participant's' job seeking desire, work motivation and work hours, while reducing expected welfare stay.

However, the impacts of IEAP on desire for leaving welfare, job seeking desire, and work motivation were less effective. Statistically significant findings, given the small sample of young participants in My STEP and the IEAP, show that participation in My STEP produces more favourable outcomes than participation in the IEAP in raising the desire for leaving welfare and work motivation of youth. Moreover, My STEP participants find greater benefit, find more jobs, and stay in employment longer than the IEAP participant upon completion of the project.

Some more findings, albeit not statistically significant, indicate that My STEP participants demonstrate somewhat greater increase than the IEAP participants in discipline and perception of job market favourability. Importantly, such advantages of My STEP do not appear to be available from other programmes, including the AEA

and CW. Therefore, participation in My STEP tends to offer a unique contribution to the youth's transition from welfare to work, through an increase in work motivation and desire to leave welfare, and eventually getting jobs.

The contribution of My STEP to the youth's transition from welfare to work is substantiated by the contributions of participation in various activities of My STEP. Such activities include job seeking training, job skill training, group activities, counselling, job counselling, an adventured-based camp, volunteer work, job referrals, job interviews, mentorship, a placement in Action S4, post-employment follow-up, and contact with professionals in general. Participation in these activities is likely to strengthen the youth's commitment to employment and detachment from welfare. However, such an intensive and comprehensive intervention of My STEP requires lots of financial resources, which is not possible in other workfare programmes like IEAP and AEA.

## **Impact of Statutory Minimum Wage**

### **Enforcement of SMW**

In next session, we will discuss another important policy change in Hong Kong, the setting up of the Statutory Minimum Wage (SMW) in Hong Kong, which has significant impacts on the labour market conditions and quality of life of CSSA

recipients.

Between 1996 and 2006, the number of working poor, whose earnings were below half of the median income of the labour force, increased by 87.9 percent (Wong, 2007a). In order to protect vulnerable groups from exploitation, the Hong Kong government introduced legislation on the Statutory Minimum Wage (SMW) for employees in all industries and trades, in the 2008–09 legislative session. The SMW was finally enforced on 1 May 2011 and the hourly rate of the first SMW was set at the level of HK\$28. The year 2011 was such a decisive time that a longitudinal experimental design could be used to measure the impacts of SMW in Hong Kong.

## **Debate about Minimum Wage**

The pros and cons of minimum wage legislation had been hotly debated in Hong Kong. Economists are the major opponents of the minimum wage. Many claim that a minimum wage system will distort the price mechanism of the labour market and will increase unemployment (negative employment effect) among the least-skilled workers (Brown et al., 1982; Brown, 1988; Fowler, 2007; Neumark & Wascher, 2007). Moreover, a minimum wage lengthens the duration of a person receiving welfare and causes a negative employment effect among welfare mothers (Brandon, 2008). In short, according to opponents, the introduction of a minimum wage ostensibly helps vulnerable low-paid workers, but in fact it will hurt them. However, there is also a growing alternative view among other economists that the minimum wage offers substantial benefits to low-wage workers by increasing their wages (income effect)

without a negative employment effect. Recent research has shown that the job loss reported in earlier analyses does not occur when the minimum wage is increased or introduced (Card, 1992a, 1992b; Fox, 2006; Katz & Krueger, 1992; Machin & Wilson, 2004).

A number of studies conducted in the 1970s and 1980s used time-series analyses to explore the relationship between minimum wage and employment. It was found that raising the minimum wage would cause a negative employment effect. However, relatively few statistical controls were used to disentangle the effects of the minimum wage from many other economic changes during the period examined (Fox, 2006).

In 1992, David Card broke the time-series tradition by using the differences-in-differences methodology. By using this methodology, researchers can control other possible economic factors beyond the minimum wage.

The difference-in-difference approach imitates the design of experimental groups and control groups used in clinical trials. Comparing California with a similar state that did not have a minimum wage, Card found that there was a significant income effect without any significant negative employment effect (Card, 1992a). Katz and Krueger (1992) also used the methodology of an experimental group and a control group, similar to what Card did, but they made a firm-level data analysis instead of a state-level analysis. To examine the variations in wages, this study uses a control

group firms that had been paying higher-than-minimum wages before the minimum wage increase. This study found a statistically significant positive employment effect (Katz & Krueger, 1992).

Card and Krueger (1994) later used the natural experiment methodology with firm-level data analysis to examine the minimum wage in New Jersey. The study examined the impacts on fast-food restaurants on both sides of the New Jersey-Pennsylvania state border before and after the increase in the minimum wage in 1992. The firms in New Jersey served as experimental groups and those in Pennsylvania as control groups. The authors concluded that the increase in the New Jersey minimum wage did not result in any negative effect on employment.

In conclusion, most studies examining the impact of the minimum wage have focused on economic dimensions, including employment, negative employment effect and income effect. However, few have considered the social dimension, especially the effects on the quality of life of the affected groups. We also learned that the methodology used for the research on the minimum wage has shifted from time-series analysis to experimental treatment group and control group comparison, to separate the impacts of the minimum wage from other factors. The unit of analysis also shifted from national aggregate data analysis to enterprise-level or sector-level analysis. However, household-level analysis has not been commonly used in previous research.

Referring to international and local studies on the impacts of the minimum wage, the reported researches focused on the social dimension, especially the quality of life of the vulnerable people about whom society lacked concern. The research used the comparison methodology of an experimental group and a control group to separate the impacts of the minimum wage.

## **Minimum Wage Impact Study**

In 2009, the author and Dr Sam YE were commissioned by the 7<sup>th</sup> Round Public Policy Research Scheme funded by the Central Policy Unit and the Research Grants Council in Hong Kong to conduct “The Impact of the Introduction of a Statutory Minimum Wage on Labour Market Conditions and the Quality of Life of Vulnerable Groups in Hong Kong” (the Minimum Wage Impact Study).<sup>2</sup>

The Minimum Wage Impact Study uses both quantitative (survey) and qualitative (case study and focus group) methods to measure and assess the impacts of introducing SMW on labour market conditions and the quality of life of vulnerable groups in Hong Kong. Although the implementation of a minimum wage could

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improve the aggregate employment and increase the average wage level indirectly, the more direct and fundamental goal is to improve the quality of life of the vulnerable groups.

Three vulnerable groups were selected as the main targets: newly arrived women, CSSA recipients and people with disabilities. This research discussed the findings about three vulnerable groups (experimental group) by making a comparison with the low-income group (control group). The research also used the pre-test and post-test study methodology.

To fully find and understand the effects of implementing a minimum wage on vulnerable groups, the study used a longitudinal design. Studies were carried out before and after SMW was implemented, so that the possible changes would be traced and analysed by the techniques described below. Both qualitative and quantitative methods were included.

Six hundred people from the three vulnerable groups were selected to participate in the longitudinal quantitative studies. The planned number of respondents in each group (people with disabilities, CSSA recipients and newly arrived women) was 200. Also, 120 low-income workers (whose monthly income was less than HK\$5000) were selected as the control group.

A two-stage stratified systematic sampling design was used in this research. In the first stage, residences were selected by random sampling. In those residences, the target respondents were identified through a screening questionnaire. In the second stage, the household member identified was chosen to be interviewed.

The second round of data collection was adjusted based on the findings of first-round interviews, in order to ensure a sufficient number of respondents: CSSA recipients, newly arrived women and the general public with low income. In addition, a supplementary sample of CSSA recipients was drawn, to increase the number of CSSA cases. These supplementary CSSA respondents were introduced by NGOs serving CSSA recipients. With the assistance of NGOs that served people with disabilities, purposeful sampling was used to select respondents with disabilities.

379 respondents completed the T1 (May to September 2010) and T2 survey (November 2011 – January 2012, six months after the enforcement of SMW). People with disabilities, CSSA recipients, and newly arrived women accounted for 33.2%, 15.3%, and 28.2% of the respondents respectively while the low-income group accounted for 23.2% of respondents. 73 CSSA recipients completed the T1 survey and 52% (38) completed the T2 survey during November 2011 to January 2012. In the following, only the data about impacts of SMW on CSSA recipients are discussed.



**Table 1: Category of Respondents**

Category	Number	Percent (%)
People with Disabilities	126	33.2
CSSA Recipients	58	15.3
Newly Arrived Women	107	28.2
Low-income Group <\$5000	88	23.2
Total	379	100.0

In the data analysis of the comparison of the different vulnerable groups with the low-income control group, we selected all respondents with disabilities, CSSA recipients, and newly arrived women in the vulnerable groups to allow more cases for comparison, so the number of respondents in each vulnerable groups is greater than that indicated in Table 1.

## **Impacts of SMW on CSSA Recipients**

The employment effect of SMW on CSSA recipients was investigated by comparing the changes from unemployment to employment or vice versa, from T1 to T2, with the low-income control group. First, we examined the changes in the employment situation of the low-income group (control group). Of the 76 respondents who were working (defined as engaged in any paid work in the last 7 days before the interview) at T1, 16 (18.2%) did not work at T2. At the same time, 12 of the low-income group did not work at T1, and 9 (10.2% of the low-income group) were working at T2. The percentage of people in the low-income group who were working

decreased from 86.4% at T1 to 78.4% at T2 (see Table 2). A mild negative employment effect on the low-income control group was found.

Table 2: Low-income Group: Comparison of Working or Not Working at T1& T2

				T2: Did you do any paid work in the last 7 days?		Total
				Yes	No	
Less than 5000	T1 : Did you do any paid work in the last 7 days?	Yes	Count % of Total	60 68.2%	16 18.2%	76 86.4%
		No	Count % of Total	9 10.2%	3 3.4%	12 13.6%
	Total	Count % of Total	69 78.4%	19 21.6%	88 100.0%	

Of the 38 CSSA recipients who were working at T1, 7 (12.1%) did not work at T2. The percentage of CSSA recipients who were working increased from 65.5% at T1 to 70.7% at T2 (see Table 3). The employment effect of the minimum wage on CSSA recipients is significantly more positive than it is on the low income-control group.

**Table 3: CSSA Recipients: Comparison of Working or Not Working at T1& T2**

				<b>T2: Did you do any paid work in the last 7 days?</b>		<b>Total</b>
				<b>Yes</b>	<b>No</b>	
<b>CSSA Recipients</b>	<b>T1 : Did you do any paid work in the last 7 days?</b>	<b>Yes</b>	<b>Count</b> 31 <b>% of Total</b> 53.4%	7 12.1%	38 65.5%	
		<b>No</b>	<b>Count</b> 10 <b>% of Total</b> 17.2%	10 17.2%	20 34.5%	
	<b>Total</b>		<b>Count</b> 41 <b>% of Total</b> 70.7%	17 29.3%	58 100.0%	

## **Changes of major variables before and after the implementation of SMW**

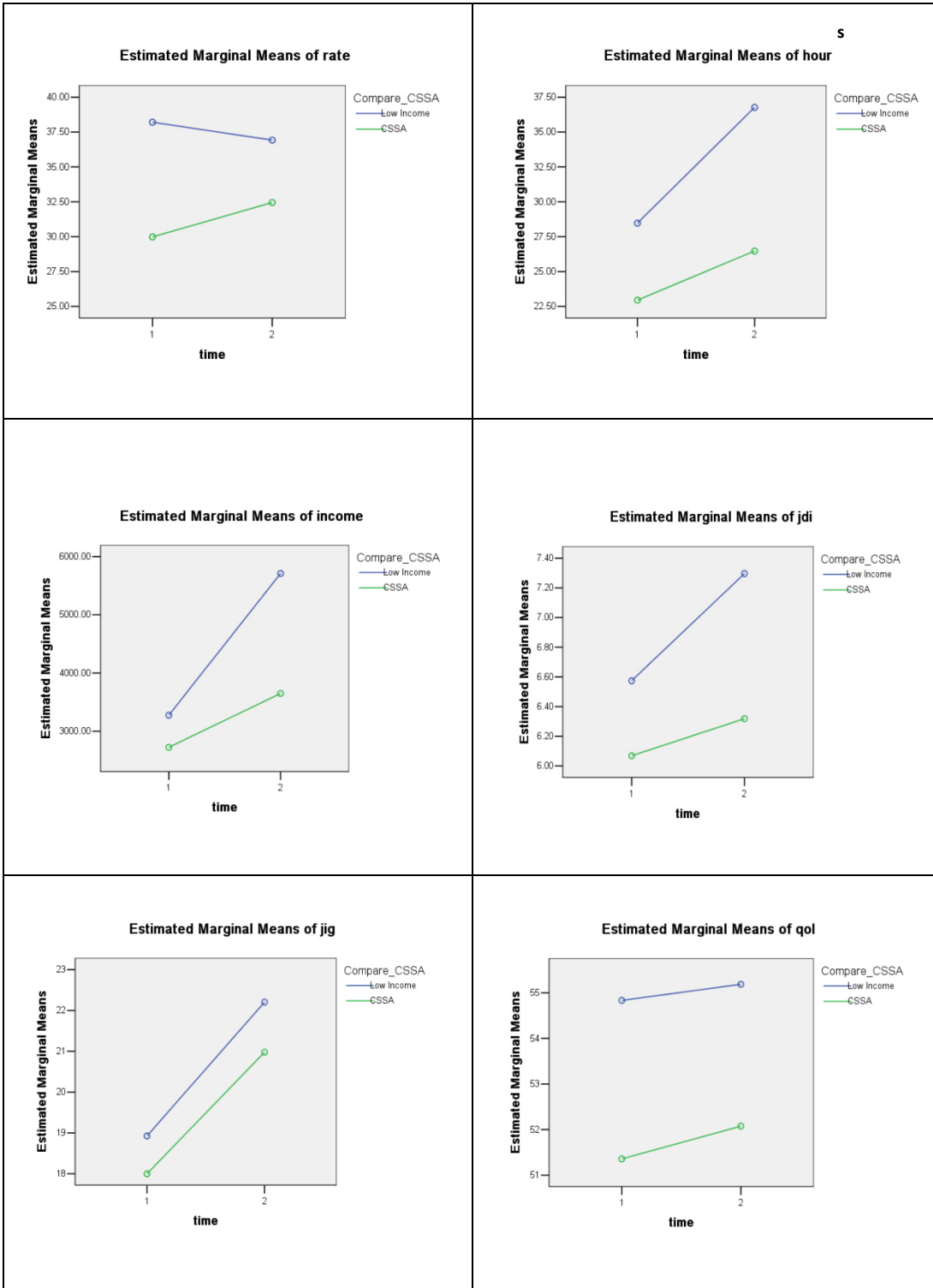
A generalized linear model was used in order to recognise the changes in the employment situation, wage, job satisfaction, and quality of life of different vulnerable groups before and after SMW was implemented. Time and group categories are the independent variables used to analyse the effects of dependent variables. Dependent variables include the effects of hourly rate, working hours, monthly income, the Pay Satisfaction Subscale scores (wage satisfaction) (Smith, Kendall & Hulin, 1969), JIG scores (job satisfaction) (Ironson et al., 1989), and WHOQOL-BREF scores (quality of life) (WHO, 1997).

Each vulnerable group (experimental groups) was compared with the low-income group (control group) at both T1 and T2 in every comparison model, to have a comprehensive analysis.

The generalized linear model shows that the income and job satisfaction of CSSA recipients increased significantly after SMW was implemented. Working hours, income and job satisfaction increased significantly for the low-income control group. For the changes in statistics and explanation of the comparison between CSSA recipients and the low-income group with the generalized linear model, please see Table 4.

Table 4: Changes over Time for CSSA Recipients

DV	IV	Significance (*= $P < 0.05$ )	Partial Eta2 (Effect Size)	Interpretation
Rate	Time	.865	.000	No significant changes in hourly rate for both groups.
	Time*	.591	.003	
	Category	.225	.015	
Hours	Time	<b>.001*</b>	.113	Working hours increased significantly for the low-income group.
	Time *	.161	.020	
	Category	<b>.002*</b>	.098	
Income	Time	<b>.000*</b>	.295	Monthly income increased significantly, particularly among low-income group.
	Time *	<b>.005*</b>	.078	
	Category	<b>.000*</b>	.153	
Wage Satisfaction	Time	.174	.019	No significant changes in satisfaction with pay for both groups.
	Time *	.508	.005	
	Category	.207	.017	
Job Satisfaction	Time	<b>.001*</b>	.104	Satisfaction with job increased significantly for both groups.
	Time *	.873	.000	
	Category	.453	.006	
QoL	Time	.465	.006	Quality of life is lower for the CSSA group.
	Time *	.803	.001	
	Category	<b>.004*</b>	.083	



However, the level of improvement of CSSA recipients in the labour market is lower than that of the newly arrived women but higher than that of people with disabilities. Since the implementation of SMW, there has been no significant increase in CSSA recipients' working hours but a significant increase in monthly income (from HK\$2,724 to HK\$3,649) and job satisfaction (from 18.0 to 21.0).

It is important to note that wage satisfaction, job satisfaction, and quality of life of CSSA recipients are the second lowest of the four groups before and after the implementation of SMW, only higher than that of the newly arrived women but significantly lower than that of the low-income group and people with disabilities.

Compared with the low-income group, there is no significant increase in the working hours of CSSA recipients, and this is the reason they have had less improvement in their lives as a whole. CSSA recipients find it difficult to increase the number of working hours, probably because the current system of CSSA disregards earnings that do not match SMW.

## **Policy Implications on CSSA system**

### *Disregarded Earnings*

Currently, CSSA recipients can go to work only if their family income is less

than the maximum level required by the CSSA Scheme. According to the current system of CSSA disregarded earnings, the first HK\$800 of a recipient's monthly earnings from employment can be disregarded and half of the remaining HK\$3,400 can be disregarded too. The amount of earnings over that will be deducted, and the remaining monthly earnings can be disregarded up to a maximum of HK\$2,500 ( $\text{HK\$}800 + \text{HK\$}3,400/2$ ).

Three examples of different monthly earnings are given below to explain the current system of CSSA disregarded earnings. Firstly, if the monthly earnings of a CSSA recipient are HK\$3,000, the disregarded earnings would be HK\$1,900 ( $\text{HK\$}800 + \text{HK\$}2,200/2$ ) and the remaining HK\$1,100 will be deducted from the CSSA payment. In this case, the monthly income of the CSSA recipient has increased by HK\$1,900 when he or she works.

Secondly, if the monthly earnings of a CSSA recipient increase to HK\$4,200, the disregarded earnings would be the maximum of HK\$2,500 ( $\text{HK\$}800 + \text{HK\$}3,400/2$ ). That means HK\$1,700 (the first HK\$2,500 over the amount of HK\$4,200) will be deducted from the CSSA payment. In this case, the monthly income of the CSSA recipient has increased HK\$2,500 when he or she works.

Thirdly, if the monthly earnings of a CSSA recipient increase to HK\$5,000, the disregarded earnings would also be the maximum of HK\$2,500 ( $\text{HK\$}800 +$



HK\$3,400/2). That means HK\$2,500 (the first HK\$ 2,500 over the amount of HK\$5,000) will be deducted from the CSSA payment. In this case, the monthly income of the CSSA recipient has increased HK\$2,500 when he or she works. This shows that the actual income (including the CSSA payment) of these CSSA recipients would not be higher than that of people whose monthly income is HK\$4,200. Briefly, if the monthly earnings of CSSA recipients exceed HK\$4,200, their actual monthly income would not increase, as the extra earnings would be deducted from the CSSA payment.

According to the above analysis, it is believed that the current system of CSSA disregarded earnings does not encourage CSSA recipients to engage in jobs for that pay a monthly income higher than HK\$4,200. Moreover, the research shows that the monthly income of CSSA recipients increases, but the average monthly income only increases to HK\$3,648 (below the level of HK\$4,200). The above observation and discussion illustrates clearly that on the one hand, the current system of CSSA disregarded earnings is out-of-date while on the other hand, the Hong Kong government has not made any concomitant and compatible reforms to the CSSA system together with the introduction of the SMW. In essence, the Hong Kong government has not taken this invaluable opportunity of improvement in the labour market to help more CSSA recipients get out of poverty.

Moreover, after the implementation of SMW, although the hourly rate for employees increased, some employers reduced the number of working hours per day in order to cut the increasing costs. This would cause able-bodied CSSA recipients to have vast difficulty or be confused, but not general employees. According to the Support for Self-reliance (SFS) Scheme, able-bodied adults who are CSSA recipients ages 15-59 must earn not less than HK\$1,755 from work per month and work 120 hours per month. Otherwise, they have to join the SFS Scheme and find at least three jobs within two weeks. Some of the low-income CSSA recipients in the case studies indicated that they were required to participate in the SFS Scheme when their working hours had decreased after the implementation of SMW, and this confused them.

#### Low Asset Limit

Finally, there has been a significant increase in the income of the low-income CSSA recipients since the implementation of SMW. It has provided opportunities to increase savings for these families. However, the current asset limits of receiving CSSA are very low (for instance, HK\$33,000 for families with two able-bodied adults/children, HK\$49,500 for families of three able-bodied adults/children). Families receiving CSSA are disqualified if their savings exceed the maximum asset limit. Hence, the savings of these families is very low. A few unemployed and

single-parent CSSA recipients had found jobs and left CSSA. But they were forced to receive CSSA again due to having too little savings for emergencies such as re-unemployment, sickness, and injury on the job. Therefore, it is suggested that corresponding measures should be taken to provide opportunities to increase savings for low- income CSSA recipients and to help them to achieve the goal of permanent departure from the CSSA Scheme.

Overall speaking, it is highly recommended that the current CSSA Scheme in Hong Kong should be reformed. The current system of CSSA disregarded earnings and relevant restricted working hours must be modified for the sake of motivating CSSA recipients to participate in the labour market again and engage in jobs with higher income. This would increase their opportunities to leave CSSA and rise above poverty. Also, the government should help families receiving CSSA to increase their savings, to help them leave CSSA permanently.

## **Conclusion**

From the evaluation of the workfare programmes of MY STEP and IEAP, it is found that the IEAP scheme had limited effect on the employment of the recipients as they did have negative impacts on job seeking behaviour, work motivation and

intention to leave welfare. Though the MY STEP programme achieved more positive results than the IEAP, the Government had not given a similarly high budget to the replicated schemes of MY STEP, which impedes the positive results of the schemes. Both the IEAP and My STEP Programmes focused on the employability of individual recipients rather than macro changes in the labour market.

Since the introduction of SMW in Hong Kong in May 2011, the legislation has been quite effective in increasing the wage level, income and employment of the CSSA recipients. In the case of Hong Kong, macro policy on the labour market to manage the demand side of the labour market is found to be an effective and active means to alleviate working poverty as well as to free the CSSA recipients from welfare trap. It is found to be more effective than the indirect means to alleviate working poverty by means of passive monitoring system, work attitude training and simple human capital investment strategy. In other works, these attempts of workfare programmes are found to be ineffective.

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