



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



Dr Hung WONG

Associate Professor,

Department of Social Work,

The Chinese University of Hong Kong;

Chairperson,

Social Security and Employment Policy Committee,

Hong Kong Council of Social Service,

e-mail: hwong@cuhk.edu.hk

Questions

- Are workfare programmes effective in poverty alleviation & ending welfare dependency as they promised?
- Will the setting up of minimum wage alleviate or prolong poverty and welfare dependency of the welfare recipients?
- Active Labour Market Policies vs. Macro Labour Market Policies

Outline

- 1) What works and what do not work: impacts of two Workfare Programmes on welfare recipients in 2006-2007
- 2) Positive or negative: Impacts of setting up of minimum wage on welfare recipients in 2011
- 3) Policy Implications

CSSA Scheme

- Comprehensive Social Security Assistance (CSSA) Scheme is the major means-tested income protection/social assistance scheme in Hong Kong which provides basic income for the poor people.
- In 2011, 282,732 households (12% of HK households) received CSSA, the annual expenditure of the scheme was 1.85 billion HK dollar (12.5% of total government expenditure) (1 Euro = 10 HKD)

1998 CSSA Review

- In late 1997, Hong Kong faced rapid economic downturn after Asian Financial Crisis, CSSA cases surged from 195,645 in 1998 to 232,819 in 1999.
- HKSAR Government faced deficit and wanted to control the increasing expense of CSSA scheme.
- After the review of the CSSA scheme in 1998, Hong Kong government proposed 'Self-Reliance' as the new theme of the scheme.

Workfare: Support for Self-reliance (SFS) Scheme

- Active Employment Assistance Programme (AEA)
- Community Work Programme (CW)
- Disregarded Earning (DE)
- The able-bodied adults are obligated to join the AEA scheme, otherwise their assistance will be terminated

Feedback on AEA

- In 2001, NGOs commented that the AEA scheme was not effective
- Staff of social security section of **Social Welfare Department** (SWD) did not receive adequate training on career counselling and employment service
- Advocated for alternative employment services

Intensive Employment Assistance Projects (IEAPs)

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

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
- To help young CSSA recipients to move to employment and/or schooling, and thus to leave and reduce welfare

Evaluation Study on My STEP & IEAP

- An evaluation study on the effectiveness of My STEP and IEAP commissioned by the Social Welfare Department of the HKSAR Government
- Conducted by the team of researchers from the Social Work Department at the Chinese University of Hong Kong

Method

- A baseline survey and a follow-up survey of young participants in My STEP and IEAP
- Between December 2006 and February 2007, a baseline survey was conducted to collect data from a panel of 56 participants in My STEP and another panel of 101 participants in the IEAP

Pre-post comparison

- 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

- To facilitate interpretation of the results, self-reported variables collected in the surveys were 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 was assigned one of the scores 0, 25, 50, 75, 100 such that scores of all respondents are aggregated to derive the mean-score.

Impacts of My STEP and IEAP

Variables	My STEP	IEAPs
Desire for leaving welfare	+3.0	-3.1
Job seeking desire	+3.6	-6.5
Work motivation	+2.7	-2.8
Monthly Wage	HK\$4,698.3	HK\$4,712.8
Currently in employment	44.2%	30.0%

My STEP vs. IEAP

- My STEP participants earned HK\$573.6 more than IEAP participants, after controlling for background factors
- My STEP participants were 5.7% more likely to be in employment than the IEAP participants, after controlling for background factors

IEAP negative impacts

- Impacts of IEAP on desire for leaving welfare, job seeking desire, and work motivation were all **negative**
- The programme was not just ineffective but worse than no intervention at all

Project Inputs: My STEP

- 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

Summary

- Participation in the various activities in the My STEP Programme is likely to strengthen the youth's commitment to employment and detachment from welfare
- However, it requires lots of financial resources, which are not possible in other workfare programmes like IEAP and AEA.

IMPACTS OF SETTING UP OF MINIMUM WAGE



Poverty in an affluent city

- Between 1996 and 2006, Hong Kong's per capita gross domestic product grew from HK\$189,326 to HK\$199,498; but the number of people living in poor households soared from 835,400 to 1,160,400 - an increase of 325,000. In 2006, the poverty rate stood at 18.0 per cent (Wong, 2007).

Enforcement of SMW

- Between 1996 and 2006, the number of working poor 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.

Experimental design: measure the impacts

- 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 (equivalent to €2.87)**.
- 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 to have a pre-post comparison and a control group design.

Pros and cons of minimum wage

- 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.

Negative impacts on vulnerable groups

- minimum wage lengthens the duration of a person receiving welfare and causes a negative employment effect among welfare mothers (Brandon, 2008).
- according to the opponents, the introduction of a minimum wage ostensibly helps vulnerable low-paid workers, but in fact it will hurt them.

Positive Impacts

- minimum wage offers substantial benefits to low-wage workers by increasing their wages (income effect) without a negative employment effect (Card, 1992a, 1992b; Fox, 2006; Katz & Krueger, 1992; Machin & Wilson, 2004).

Research on minimum wage

- Most of research focused on economic dimensions, including employment, negative employment effect and income effect.
- Few have considered the social dimension, especially the effects on the **quality of life** of the affected groups.

Trend in Methodology

- Shifted from time-series analysis to experimental treatment group and control group comparison to separate the impacts of the minimum wage from other factors.

Unit of analysis

- 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.

Minimum Wage Impact Study

- In 2009, Hung WONG and Sam YE was 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”

Research Method

Sep 2009 – Dec 2009 (Time 1)	Qualitative : Case study 3-4 cases from each category: people with disabilities, CSSA recipients, and newly arrived women
May 2010 – Sep 2009 (Time 1)	Quantitative Baseline study: 614 respondents : 58 CSSA recipients, 125 low income (control group)
Nov 2011 – Jan 2012 (Time 2)	Quantitative Follow-up study: 379 respondents : 38 CSSA recipients, 84 low income (control group)
Marv2012 (Time 2)	Qualitative : focus group to discuss quantitative result

Measurement

- Examines the effects of the minimum wage on both objective and subjective indicators.
- Objective indicators are **wage rate, working hours, benefit, individual and household income.**
- Subjective indicators are **scale of wage satisfaction, job in general and quality of life.**

Generalized Linear Model

- 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.

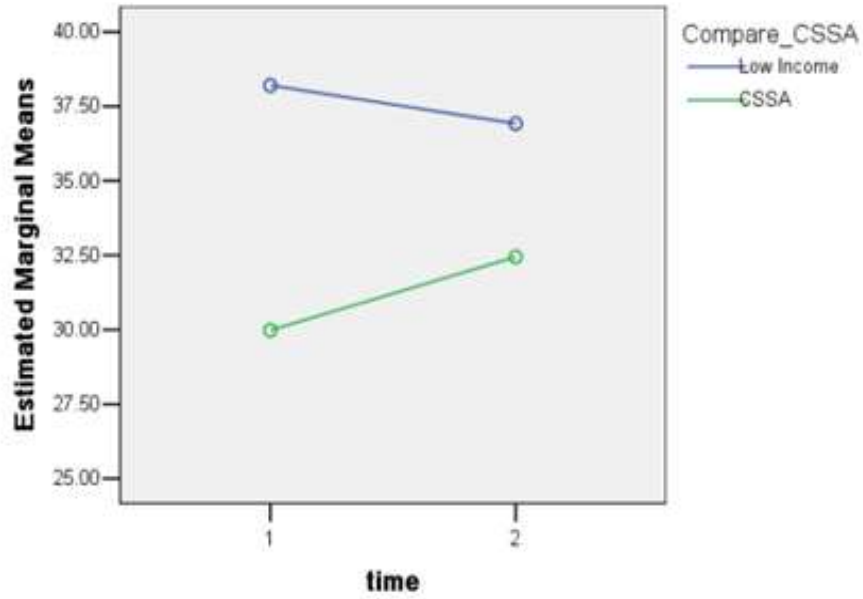
Changes over Time for CSSA Recipients & Low Income Group

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 * Category	.591	.003	
	Category	.225	.015	
Hours	Time	.001	.113	Working hours increased significantly for the low-income group.
	Time * Category	.161	.020	
	Category	.002	.098	
Income	Time	.000	.295	Monthly income increased significantly, particularly among low-income group.
	Time * Category	.005	.078	
	Category	.000	.153	

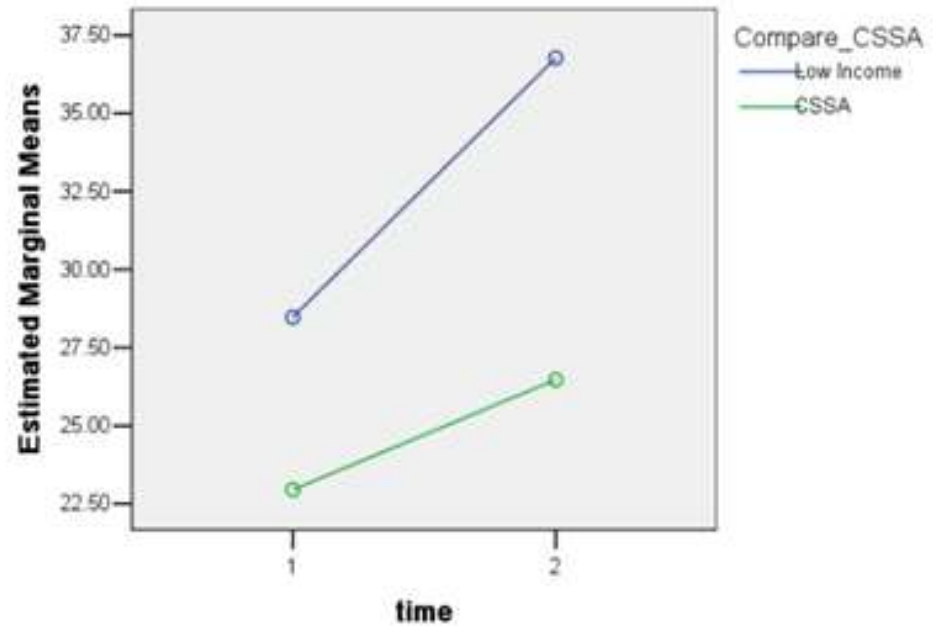
Changes over Time for CSSA Recipients & Low Income Group

DV	IV	significance	Partial Eta ²	Interpretation
Wage Satisfaction	Time	.174	.019	No significant changes in satisfaction with pay for both groups.
	Time * Category	.508	.005	
	Category	.207	.017	
Job Satisfaction	Time	.001*	.104	Satisfaction with job increased significantly for both groups.
	Time * Category	.873		
	Category	.453		
QoL	Time	.465	.006	Quality of life is lower for the CSSA group.
	Time * Category	.803	.001	
	Category	.004*	.083	

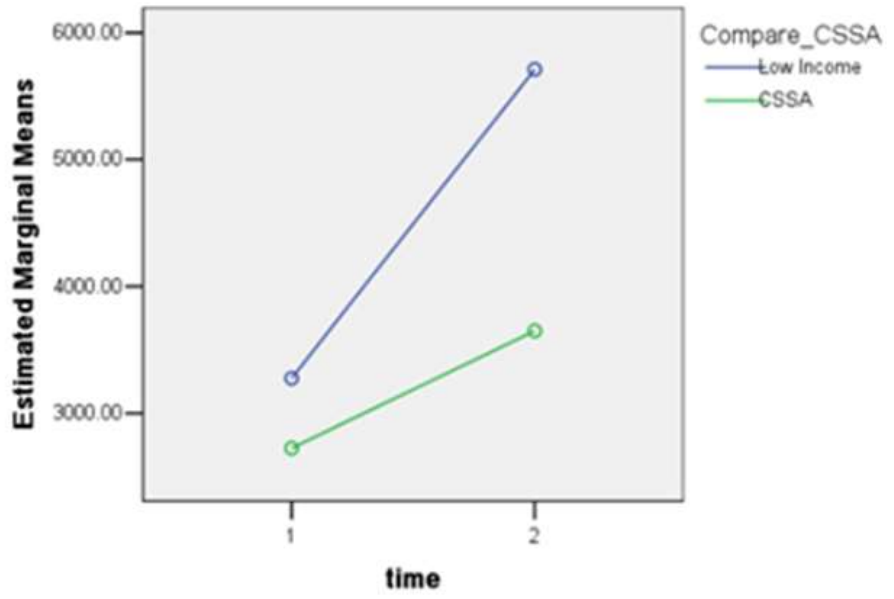
Estimated Marginal Means of rate



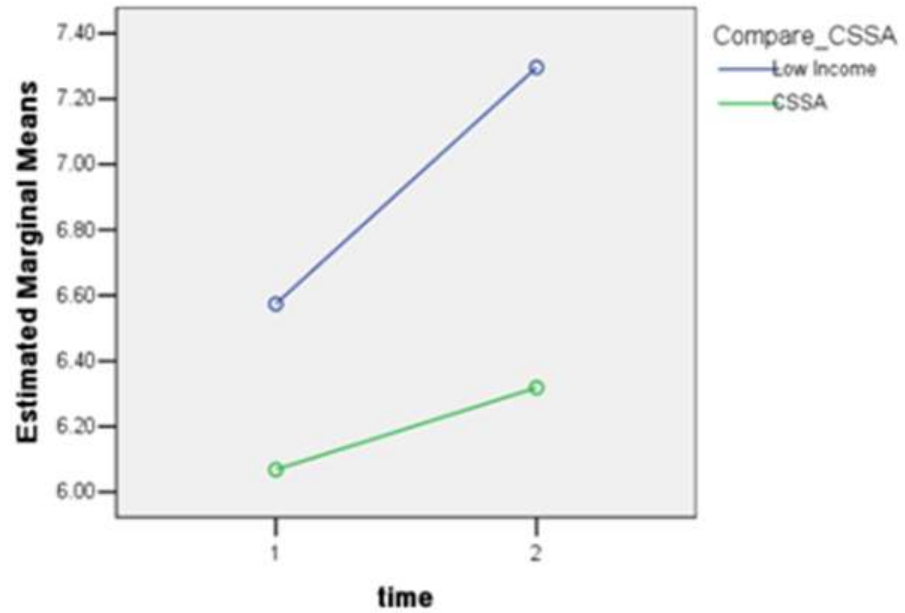
Estimated Marginal Means of hour



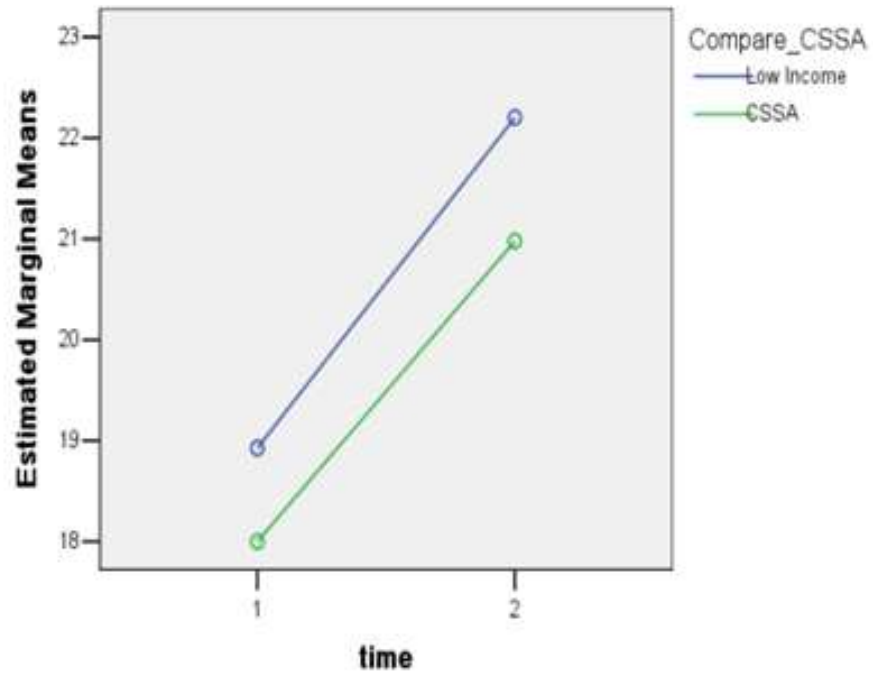
Estimated Marginal Means of income



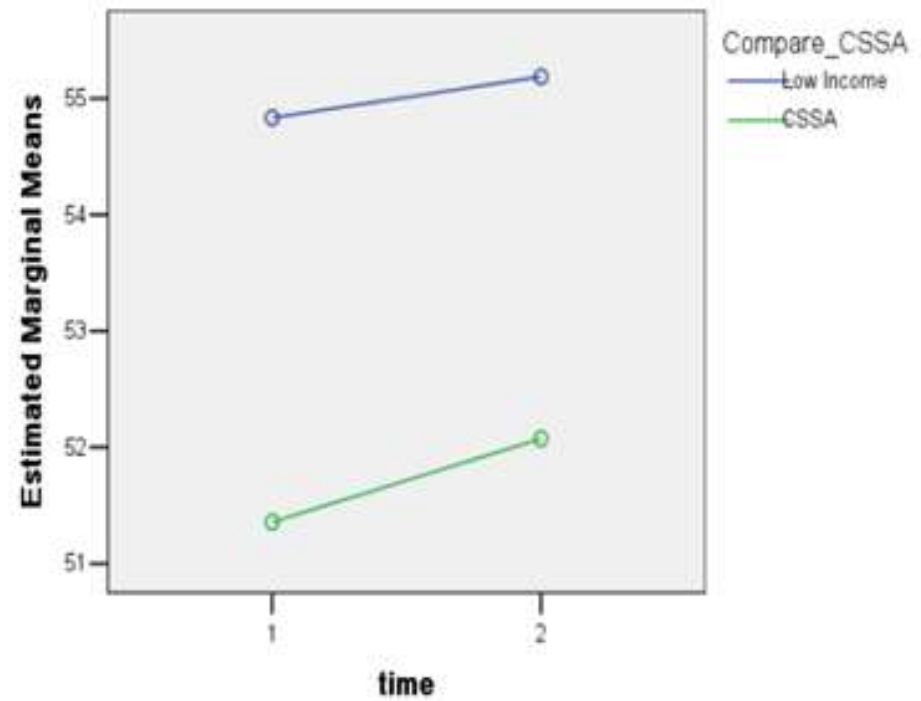
Estimated Marginal Means of jdi



Estimated Marginal Means of jig



Estimated Marginal Means of qol



Results

- 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.

Less improvement than newly arrived women

- 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.

Working hours do not increase

- 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, 34%) and job satisfaction (from 18.0 to 21.0).

Disregarded Earning

- CSSA recipients find it difficult to increase the number of working hours, probably due to the current system of CSSA disregards earnings that does not match SMW.

Disregarded Earning

- 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 (HK\$800 + HK\$3,400/2).

Not encouraging

- Current system of CSSA disregarded earnings does not encourage CSSA recipients to engage in jobs for a monthly income higher than HK\$4,200.
- Our research shows that the monthly income of CSSA recipients increases, but the average monthly income only increases to HK\$3,648.

Conclusion

- 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 Hong Kong government had not given a similarly high budget to the replicated schemes of MY STEP.

Micro vs. Macro Supply vs. Demand

- Both the IEAP and My STEP Programmes focused on the employability of individual recipients rather than macro changes in the labour market.
- Macro policy on the labour market to manage the demand side of the labour market is found to be an effective and active means.

Conclusion

- Minimum wage legislation in Hong Kong has been quite effective in increasing the wage level, income and employment of the CSSA recipients.
- The impacts of the macro labour market is more direct and effective than the workfare programmes in the case of HK.



Thank you!

Acknowledgement



- This paper use results from the minimum wage impact research, which was fully supported by a grant (Public Policy Research [PPR] 7th Round) from the Central Policy Unit (CPU) of the Government of the Hong Kong Special Administrative Region and the Research Grants Council (RGC) of the Hong Kong Special Administrative Region, China (Project No.: CUHK 4020-PPR-09). We acknowledge with sincere appreciation the funding support from the CPU & RGC