

# Hong Kong: workfare in the world's freest economy

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## **Abstract**

Workfare was introduced in many countries to suppress welfare dependency and reduce social security expenditures. However, workfare was launched in Hong Kong when there was only a relatively small social security budget and its citizens still strongly adhered to the ideologies of self-reliance. It was found that workfare has performed several functions in Hong Kong. Firstly, it has forced unemployed claimants to give up benefits so that Hong Kong's social security expenditures can be saved. Secondly, workfare had combined with Hong Kong's semi-democratic polity so that extremely stigmatising welfare measures were implemented. Thirdly, it has pushed poor citizens to the labour market without having any protection over wages and working hours. Thus, the combination of workfare and a semi-democratic polity has successfully suppressed Hong Kong's welfare demands and strengthened its self-help spirit. As a result, Hong Kong's minimal social security scheme and its low tax policy have been maintained.

## **Introduction**

Workfare has become a dominant welfare approach, i.e. 'a would-be successor to the welfare state' (Peck, 2001: 342). Lodemel, following the examination of welfare development in seven countries, concluded: 'On both sides of the Atlantic we are witnessing a redirection of welfare provision with the aim of furthering labour market integration' (Lodemel, 2000: 335). Workfare has several key features. Firstly, social welfare is no longer a citizen's automatic right, which is now associated with a person's welfare duties. In Handler's (2004: 2) words, 'obligations are attached to rights', and social citizenship has been changed from 'status to contract'. Secondly, a welfare state is no longer passive but active in enhancing the employability of welfare recipients. This is because the 'surest, most stable path to inclusion is via the paid labour market' through the provision of training and education (Handler, 2004:

4). Thirdly, workfare emphasises ‘individual responsibility and personal agency’ (Carpenter, Speeden & Freda, 2007: 5). Poverty and social exclusion are claimed to be caused by personal and family factors rather than by the structural problems of a society (see Charles Murray’s arguments in the following section). Therefore, welfare-to-work programmes aim at changing welfare recipients’ behaviour and enhancing their work motivation.

Over the past three decades, many Western welfare states introduced workfare in order to tackle a dependency culture and a heavy social security burden. Surprisingly, workfare was implemented at a time when Hong Kong had a relatively small social security budget. Moreover, the majority of Hong Kong citizens still strongly adhered to the ideologies of self-reliance and family dependency. Against this background, this article explores the role of workfare in Hong Kong – the world’s freest economy.

### **The mystery of Hong Kong’s workfare**

Many welfare states in Europe and America have implemented workfare in order to tackle welfare dependency and reduce social security expenditures. Based on the experiences of seven developed countries, Lodemel (2000: 312) pointed out that the governments expressed ‘concerns about high unemployment and about increases in social expenditure in terms of numbers of recipients and spending’. Hemerijck also found that more governments were worried about economically inactive citizens and workless households, particularly long-term unemployed people, ethnic minorities and people with limited skills and low education attainments (cited in Handler, 2004: 3). In the USA, female-headed families receiving the Aid to Families with Dependent Children (AFDC) were seen as a threat to the welfare system. Prior to the Clinton administration, the national caseload of the AFDC jumped by a third, from 3,771,000 in 1989 to 4,981,000 in 1993 (U.S. Department of Health and Human Services, 2008a). In this period, the real growth of the federal AFDC expenditures increased

by 18 per cent, from US\$13,733 million to US\$16,212 million (U.S. Department of Health and Human Services, 2008b). Some neo-liberal and neo-conservative analysts, such as Charles Murray, Lawrence Mead and Michael Novak, attacked the US welfare system for encouraging the increase of lone-parent claimants and the growth of welfare dependency (Grant, 2000). In particular, Murray (1990: 8) pointed out that ‘long-term welfare dependency is a fact, not a myth, among young women who have children without husbands’. He stated that young single parents living on benefits cannot provide children with a positive role model and that the lack of fathers is ‘associated with a level of physical unruliness that makes life difficult’ (Murray, 1990: 12). The social consequence of lone parenthood is the emergence of an underclass with ‘large numbers of young, healthy, low-income males choose not to take jobs’ (Murray, 1990: 17). In short, poverty is caused by personal choice and family problems rather than by the structural problems of society, such as low wages and limited opportunities for poor people. He proposed the elimination of benefits for single mothers that would ‘drastically reduce births to single teenage girls’ and ‘reverse the trendline in the break-up of poor families’ (Murray, 1994: 227). Without public welfare, teenage mothers would seek help from parents or get jobs; unemployed workers would use their own savings; and parents would teach children that ‘independence is a primary value’ (Murray, 1994: 233). Thus, the US government was expected to set up stringent welfare measures so that welfare claimants would be driven back to the family or pushed to the labour market.

Facing the increasing welfare burden and being influenced by neo-liberal welfare ideologies, both Democrats and Republicans regarded ‘welfare dependency’ as the main cause of poverty (Peck, 2001: 88). As a result, the Personal Responsibility and Work Opportunity Act was endorsed by Clinton in 1996 and a five-year lifetime limit was imposed on those receiving the Temporary Assistance for Needy Families (TANF). Moreover, states were allowed to set up welfare eligibility criteria and implement workfare programmes

(Cebulla & Walker, 2005). These welfare policies aimed to ‘correct those individual behavioural dysfunctions’ such as moral laxity and inadequate work discipline (Peck, 2001: 88).

Similarly, welfare reforms in the UK were driven by politicians’ concerns about benefit dependency caused by unconditional receipt of social security benefits (Cebulla, 2005). The Conservative government in the UK had already introduced several workfare measures prior to the New Labour administration in 1997. For example, ‘active signing’ was launched in 1990 by requiring unemployed claimants to prove that they were actively seeking for jobs. Some claimants would also be referred to advisors to enforce their job searches (Cebulla, 2005). In other words, welfare administration was used to ‘stop benefit dependency building up and the disincentives’ (*Policy Analyst*, 2001, cited in Cebulla, 2005: 25). In 1995, the government introduced ‘workstart’, according to which an employer who offered a job for someone having been unemployed for more than two years could receive a subsidy of £60 a week for the first six months (Dean, 1997). After 1997, the New Labour government adopted similar measures in order to tackle ‘an inheritance of long-term dependency’ (Freud, 2007: 4). Cebulla (2005: 31) pointed out that politicians and policymakers concerned about benefit dependency which, in their view, ‘would result from the unconditional receipt of social security benefit, were the driving force behind this transformation’. As the present UK’s Prime Minister Gordon Brown once stated, the New Deal was ‘an onslaught against the unacceptable culture of worklessness that grew up in some of our communities in the 1980s and early 1990s’ (cited in Carpenter & Speeden, 2007: 143).

The New Deal is also a strategy for reducing the New Labour government’s social security expenditure. Prior to the New Deal’s initiatives, 20 per cent of working age ‘workless households’ or 5 million of workless class were ‘cut off from jobs and careers’ (Department for Education and Employment, 1997, cited in Finn, 1998: 106). Workless household is a key

factor contributing to child poverty. Official statistic showed that among households with children under 16 years old in 1996, 19.4 per cent were 'workless households' (House of Commons, 2004). The increasing number of workless families put a tremendous pressure on the British government's social security budget. For example, the real growth in social security expenditure increased by 35 per cent between 1990/91 and 1996/97 (National Statistics, 2008). Therefore, welfare reforms in the UK aimed to reduce the number of welfare claimants, releasing public funds for education and health services (Cebulla & Walker, 2005). According to the Institute of Fiscal Studies, the New Deal programmes could 'probably outweigh its costs' because of an annual saving of around £50 million (*BBC News*, 2001). The New Labour government also argued that the New Deal for Lone Parents saved the government £40 million due to reduced benefits payments and increased tax revenues as a result of there being more claimants in employment (House of Commons, 2005).

On the other hand, workfare was introduced in Hong Kong in the context of a small social security budget, low benefit levels and a strong self-reliant culture. In 2003/04, Hong Kong used only 1.82 per cent of its GDP on social security in contrast to the UK's 9.3 per cent (House of Commons, 2009). Social security was just 9.5 per cent of Hong Kong's public expenditure in 2005/06 (Hong Kong Special Administrative Region (HKSAR), 2007). Also, welfare fraud was not serious before the implementation of workfare measures. It was evident that of 195,645 social assistance recipients, only 57 fraud cases (0.03%) were found (Social Welfare Department, 1998). Hong Kong's social security system was described to be 'absolute minimum expenditure and minimum intervention in the market or the systems of family obligation' (Macpherson, 1993: 55). Various research studies also reported that Hong Kong social security benefits were too low to meet basic needs (Liu, Yue & Lee, 1996; Macpherson, 1994; Wong & Choi, 1996). More importantly, traditional Chinese familism and self-reliance was still very strong in Hong Kong. According to a study (Wong, 1995: 210), 60

per cent of respondents agreed that ‘caring for old people’s financial needs, the children should play the primary role’. In addition, only 9.1 per cent of cases of the Comprehensive Social Security Assistance Scheme (CSSA; see the following sections for details) were unemployed workers (Census & Statistics Department, 2008). Many unemployed recipients were also eager to stand on their own feet. It was reported that over 60 per cent of unemployed recipients of the CSSA were actively seeking jobs (Wong & Choi, 1998). The above evidence demonstrates that Hong Kong did not face similar welfare problems that had forced many Western welfare states to introduce workfare. Thus, the implementation of workfare in Hong Kong seems to be a mystery.

Hong Kong is a paradise for capitalists (Woronoff, 1980), and it is also one of the world’s fastest growing economies. From 1962 to 2002, its per capita GDP dramatically jumped from US\$2,000 to more than US\$25,000 (Littlewood, 2007). Low and simple tax and free trade have contributed to Hong Kong’s economic success (Invest Hong Kong, 2009; Littlewood, 2007). Hong Kong’s personal income tax rate in 2008/09 was 15 per cent and its corporate tax rate 16.5 per cent (Pricewaterhouse Coopers Hong Kong, 2009). Also, Hong Kong does not have a general sales tax, value-added tax, and interest tax. Following the principle of a small government and a big market, the Hong Kong government has maintained its public spending below 20 per cent of its GDP since the 1970s (Littlewood, 2007). Concerning trade policy, Hong Kong has no barriers to trade – no tariffs, no quotas, no restrictions on investments inward or outward and no foreign exchange controls (Invest Hong Kong, 2009). Thus, Hong Kong has been rated the world’s freest economy by the Heritage Foundation for 15 consecutive years (HKSAR, 2009). Against this background, this article examines the functions of workfare in the world’s freest economy without facing a heavy social security burden and a dependency culture.

## **Hong Kong's workfare programmes**

In Hong Kong, workfare is one of the elements of its social assistance scheme. Lacking a statutory unemployment insurance scheme, unemployed workers have to seek financial support from the CSSA, which is a means-tested and non-contributory public assistance scheme for providing 'a temporary measure to assist recipients to tide over a period of financial hardship' (Social Welfare Department, 2004a: 4). In 1998, the Hong Kong government published its workfare paper called *Support for Self-reliance: Report on Review of the Comprehensive Social Security Assistance Scheme*. The report argued that social security should 'change the attitude of the unemployed recipients who are less motivated' (Social Welfare Department, 1998: 15). Later, workfare programmes were formally introduced in June 1999. Accordingly, all unemployed CSSA recipients are required to sign a Job Seeker's Undertaking to demonstrate that 'he fully understands his obligations to comply with all the requirements under the SFS [Support for Self-reliance] Scheme' (Social Welfare Department, 1998: 3). The SFS is composed by an *Active Employment Assistance Programme*, *the Community Work Programme*, and *Disregarded Earnings (DE)*. The details are as follows:

### ***Active Employment Assistance Programme***

This programme mainly provides CSSA recipients with information on job vacancies and career guidance. Participants are required to fulfil the following conditions (Social Welfare Department, 2004b: 7):

- (a) apply for at least two jobs per fortnight;
- (b) be present at the social security field unit every fortnight to develop and review action plans to find employment with the assistance of the staff;
- (c) attend job interviews as and when arranged by the Social Welfare Department; and



(d) participate in the employment assistance programmes as and when arranged by the Social Welfare Department to enhance their employability.

### ***Community Work Programme***

The main objectives of this programme (Social Welfare Department, 2004b) are to help unemployed recipients to:

- (a) develop a work habit;
- (b) improve their employability;
- (c) widen their social network;
- (d) enhance their self-esteem;
- (e) pave the way for eventually gainful employment; and
- (f) contribute to society, in parallel with their job seeking.

The Social Welfare Department will ‘ensure job-seeking CSSA recipients take part in CW [The Community Work Programme] within the first three months of receiving CSSA’ (Ngai, 2005). New CSSA recipients are required to perform community work for one full day or two half-days (8 hours) a week for six months. Those who have been receiving CSSA for more than one year are required to participate CW for three full days (24 hours) a week for six months. There are two types of community work. The first is ‘environment-related projects’, such as re-painting public facilities, weed-cutting and mosquito prevention (Economic and Employment Council, 2004). The second is ‘diversified community services’, such as counter services, simple clerical duties, and cleaning work (Economic and Employment Council, 2004). Should welfare recipients fail to comply with the mentioned requirements, their benefits will be terminated.

### *Disregarded Earnings (DE)*

CSSA recipients can continue receiving assistance throughout their first month back in work. They will be subsidized to the level of CSSA assistance if their wages are too low.

The Social Welfare Department also uses non-government organizations to carry out employment services. Accordingly, the contracted organizations are expected to provide unemployed people with individualised employment assistance services in order to ‘enhance their employability as well as their ability to sustain employment’ (Social Welfare Department, 2004c). It was estimated that 27,000 unemployed people would be served in a four-year period. The details of these initiatives were as follows:

*The Special Job Attachment Programme* was a two-year programme introduced in January 2001. Thirteen organizations provided both CSSA and non-CSSA unemployed persons with information on job seeking, counselling, job attachment and follow-up support. During the job attachment period, participants could receive a monthly allowance of HK\$1,805 for a maximum of six months. This programme was started in January 2001.

*The Intensive Employment Assistance projects* – The Social Welfare Department commissioned voluntary organizations to run these projects for a period of four years. There were 105 projects that provided unemployed recipients with intensive counselling, work motivation training, job matching and placement as well as post-placement support. Participants of these projects could receive additional help for employment-related expenses such as travelling costs for job interviews (Commission on Poverty, 2005).

In April 2006, the Social Welfare Department launched a New Dawn Project for targeting lone parents whose youngest child was aged 12 to 14 years. It stressed that paid work not only helped CSSA single parents to raise their ‘self-esteem and sense of worthiness’, but also provided them with an opportunity to ‘set up a good model for their children’ (Social

Welfare Department, 2007). Accordingly, eligible single parents had to sign a Job Seeker's Undertaking, declaring their commitment to seeking a job. They were also expected to work no less than 32 hours a month. If they failed to comply with the requirements, their monthly benefits would be deducted by HK\$200. In October 2007, the project was renamed the Enhanced New Dawn Project. Under the new arrangements, 20 non-government organizations would replace Social Welfare Department staff to regularly interview single-parent recipients and supervise their job searches.

To summarise, Hong Kong's workfare programmes have several features. Firstly, there is no 'grace period' for unemployed workers; they are required to do community work immediately once they are on the benefit rolls. Secondly, apart from compulsory community work, there are no other options available to unemployed recipients. This implies that the state is free to restrict the freedom of those who are living on public money. Thirdly, only short-term training courses lasting for several months have been offered to recipients. Unemployed recipients cannot get public money to attend full-time education. This means that unskilled and low-educated workers have difficulty improving their skills and raising their educational levels. Fourthly, a severe punitive approach is being adopted to tackle lone parents. Their benefits will be deducted regardless of their children's well-being. In short, an authoritarian and punitive workfare system has been established in Hong Kong in which welfare recipients have little control over their personal time and have little choice over employment training programmes.

### **Fiscal principles, administrative-led polity and social security**

As illustrated above, the Hong Kong government did not face a dependency culture, nor did it bear a heavy social security burden when the workfare programmes were proposed in 1998. Further exploration suggests that workfare, on one hand, helped maintain Hong Kong's

minimal social security scheme by reducing the public's welfare expectations in time of economic crisis and, on the other, met the Chinese government's expectation of preserving Hong Kong's residual welfare system. Firstly, the outbreak of the Asian economic crisis challenged Hong Kong's minimal social security system. As a result of the crisis, Hong Kong's GDP for the third quarter of 1998 fell by 5.2 per cent (Census & Statistics Department, 1998) and its unemployment rate increased from 2.2 per cent in 1997 to 4.7 per cent in 1998 (The Social and Economic Policy Institute, 2001). In 2003, Hong Kong's economy was further hit by the outbreak of SARS (severe acute respiratory syndrome). Consequently, its unemployment rate jumped to 8.6 per cent (309,000 unemployed persons), the highest over the past three decades (Census & Statistics Department, 2003). Without an unemployment insurance scheme, many unemployed workers had to apply for public assistance. Consequently, the number of CSSA unemployed cases increased from 7.4 per cent in 1995 to 12.2 per cent in 1999 (Lee, 2000). Because of its small social security budget, the Hong Kong government urgently needed an effective mechanism to keep the number of unemployed claimants to a manageable level.

In particular, Hong Kong's small social security budget has had to cope with the financial needs of an increasing number of poor older people. From 1991 to 2001, the number of older people over 65 years old jumped by 55 per cent, from 482,040 to 747,052 (Census & Statistics Department, 2001). Hong Kong's CSSA has always been a last resort for many older people because of the lack of a statutory retirement scheme before 2000; only a third of Hong Kong's labour force was protected by some form of retirement scheme (Patten, 1992). Despite the establishment of a Mandatory Provident Fund in December 2000, many retired workers face economic difficulties because the type of scheme requires 'at least 30 years to yield meaningful returns' (Education and Manpower Branch, 1994: 1). Also, a large number of people, such as home-makers and disabled people, cannot access this scheme. This means

that many of them will have to rely on public assistance in the future. Prior to the implementation of workfare programmes in 1999, 57 per cent of CSSA recipients were 'older people' in 1997/98 (Lingnan University, 2008), and the increasing number of unemployed workers directly threatened the affordability of Hong Kong's minimal social assistance scheme. Thus, the Hong Kong government needed to control the number of CSSA recipients so that its minimal social security scheme could survive.

Another practical problem is that, because of its fiscal and political constraints, the Hong Kong government can hardly raise taxation to cope with the increasing number of unemployed welfare recipients. Financially, Hong Kong's social welfare expansion has traditionally been restricted by its low tax principle. During British administration, the Hong Kong colonial government always followed the rules of self-sufficiency, a balanced budget, fiscal reserves and a small public sector (Cheng, 1977; Miners, 1987; Rabushka, 1976). These principles were strongly guarded by previous Hong Kong's authoritarian polity in which all political power was in the hands of pro-market civil servants and business leaders. The colonial conservative fiscal policies were, however, constitutionally preserved by Hong Kong's Basic Law following the Chinese government's resumed sovereignty over Hong Kong in July 1997. Hong Kong's Basic Law clearly states that the post colonial government has to keep the 'low tax policy previously pursued in Hong Kong' (The Consultative Committee for the Basic Law of the Hong Kong SAR of the People's Republic of China, 1990: 39). Article 107 of the Basic Law even declares:

The Hong Kong Special Administrative Region shall follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product. (The Consultative Committee for the Basic Law of the Hong Kong SAR of the People's Republic of China, 1990: 38)

In other words, Hong Kong's social welfare expansion needs to be in line with its economic growth; and any increase in social security expenditures will be constrained by its low taxation and the decline of its income during economic recession.

More importantly, the mentioned fiscal principles have been preserved by Hong Kong's administrative-led polity. During the British administration, Hong Kong was a bureaucratic-capitalist state in which most political power was in the hands of senior civil servants and local businessmen (Chan, 1997). This type of polity, however, has been preserved by the Chinese government after 1997. Thus, Hong Kong is not a democracy but 'an administrative dominant polity' ruled by the HKSAR's Chief Executive, top civil servants, and members of the Executive Council (Lo, 2003: 224). According to Cheung (2003: 202), the dominance of the civil service bureaucracy is 'supported ideologically by the executive-led ethos and facilitated institutionally by the restraining of political parties and electoral politics'. Hong Kong's liberal fiscal principles are supported by its civil servants and Chief Executive. Most of Hong Kong's senior civil servants during the British administration were free market followers who believed that government intervention in the market should be avoided. For example, the HKSAR's first Financial Secretary Donald Tsang, a former colonial senior civil servant, stressed that Hong Kong still strongly adhered to 'minimal government intervention and maximum private sector' after the political transition (Tsang, 1997). More importantly, Hong Kong's first, and also pro-China, Chief Executive Tung Chee Hwa strongly supported the free market philosophy. Tung, previously a managing director of a private company, was elected by just 400 people appointed by the Chinese government. Before becoming Hong Kong's Chief Executive, he was appointed by the Chinese government as Vice-Chairman of the Hong Kong SAR Preparatory Committee of the National People's Congress (*People's Daily Online*, 2005a). The committee was responsible

for establishing the first Hong Kong post colonial government in July 1997. During his time as the Chief Executive of Hong Kong, Tung put much emphasis on facilitating Hong Kong as a business-friendly city (Tung, 2001). Therefore, he was praised by *Ta Kung Pao*, a pro-China newspaper, for 'improving Hong Kong's image as a place of a free economy' (*People's Daily Online*, 2005b). In short, Hong Kong's Chief Executive and top civil servants were keen to preserve Hong Kong's big market and small government.

Also, the members of the first HKSAR's Executive Council, Tung's cabinet, were composed of senior government officials, businessmen and professionals. Of the eleven unofficial members of the Executive Council, five were businessmen (Chung Sze-yuen, Leung Chun-ying, Leung Kam-chung, Tang Ying-yen and Ch'ien Kuo-fung), two were heads of public statutory bodies (Wong Yick-ming was Chairman of the Hong Kong Housing Authority; Chung Shui-ming was Chief Executive of HKSAR Land Fund), two were professionals (Lee Yeh-kwong was a solicitor; Fong Wong Kut-man was an accountant), one was a retired official (Yang Ti-liang was a retired Chief Justice) and one was leader of a pro-China labour union (Tam Yiu-chung was Vice-Chairman of the Hong Kong Federation of Trade Unions). Clearly, Hong Kong's top decision-making body was dominated by businessmen and pro-China politicians who formed a powerful bloc to preserve Hong Kong's capitalism. The introduction of workfare in 1998 seemed to be an expression of a pro-market administration which aimed to control the increasing number of unemployed claimants.

Furthermore, Hong Kong's Legislative Council members were politically too weak to check the power of the administration. In 1998, the public's elected members were a minority in the Legislative Council. Of 60 Legislative Council members, 30 were representatives of functional constituencies representing the interests of business and professional groups, 10 were elected by an election committee comprised of only 800 members of the social and economic elite, leaving only 20 who were elected by the general public. More importantly,

the power of the Legislative Council's members is constitutionally suppressed by the Basic Law of Hong Kong. Although the members can introduce private bills, only those that are not related to public expenditure, political structure and the operation of the government are allowed. Also, written consents from the Chief Executive are required for bills related to government police (The Consultative Committee for the Basic Law of the Hong Kong SAR of the People's Republic of China, 1990). Added to this, bills introduced by individual members need to be approved by a simple majority vote of the 30 functional constituency members and also by a simple majority vote of 30 members from the geographical constituency and the electoral committee (Miners, 2000). As the functional constituencies are mainly 'controlled by the business elites' (Lo, 2003: 232), they are unlikely to support legislations for increasing labour welfare and raising social security benefits. All these constraints mean that the interests of the business community have been constitutionally protected, while the welfare of the lower class has been suppressed. Clearly, 'Hong Kong is run not by politicians', but by the Chief Executive and civil servants (Miners, 2000: 101). The Chief Executive of the Monetary Authority Joseph Yam also admitted that Hong Kong's politicians did not actually have the authority to direct government policies (*Daily Information Bulletin*, 1998). Because of the domination of business interests in both Legislative and Executive Council, the HKSAR continued to pursue the colonial low tax policy during economic recession. For example, although Hong Kong recorded a deficit of HK\$7.8 billion in 2000/01 (Ngai, 2005), its corporate and personal income tax rates in 2002 were just 16 and 15 per cent, respectively. Thus, suppressing the welfare needs of unemployed workers to a financially manageable level seemed to be the Hong Kong government's prime concern. Workfare based on the principle of personal duties was obviously compatible with Hong Kong's free market philosophy.

In addition, preserving Hong Kong's capitalism with a residual social security scheme is compatible with the economic needs of China. Hong Kong was 'the biggest investor in



Mainland China'; its businessmen invested more than US\$200 billion there from 1978 to 2003 (Ho, 2004: 15). In particular, in 1997, 80 per cent of foreign investment in Guangdong Province, China's most economically developed region, came from Hong Kong (Asia Monitor Resource Centre, 1997). Moreover, as an open economy, Hong Kong has long been used by China to 'bring liquidity from global financial markets into the country' (Yam, 2009). Against this background, the Chinese government was suspicious of the British government's welfare policies in the final period of colonial rule; it worried that any radical welfare measures would change the nature of Hong Kong's capitalism and weaken its contributions to China's economic reform. For example, seeing Hong Kong's welfare spending jump by 66.5 per cent under the last colonial Governor Christ Patten, Chen Zou'er, a senior Chinese official, strongly criticised the policy as being like driving a Formula One racing car and some years later 'the car must crash and the passengers must be killed' (McGurn, 1996). Obviously, the Hong Kong government's policy on tightening social security requirements following the introduction of workfare was in line with the Chinese government's expectation.

### **The Functions of Workfare to Hong Kong's residual welfare system**

The above discussion shows that after 1997, Hong Kong's residual welfare system has been preserved by the Basic Law and an administrative-led polity. Because of low taxation, Hong Kong's social security scheme can offer only the deserving poor a minimal level of benefit. Facing an increasing number of unemployed claimants and also aiming at minimising welfare dependency during economic recession, the Hong Kong government used workfare to repack its free market values and control the number of CSSA unemployed recipients.

Firstly, based on workfare values, the Hong Kong government linked unemployment to workers' poor attitudes towards work. The mentioned social security report openly accused CSSA recipients of lacking work motivation and social responsibility:

We should aim to change the attitudes of the unemployed recipients who are less motivated by placing emphasis on their ‘social responsibilities’ and the need to re-establish self-reliance, and helping them understand how employment contributes to the well-being of an individual, the family and the whole community (Social Welfare Department, 1998: 15).

After blaming welfare recipients as being manipulative and irresponsible, the Hong Kong government established a moral foundation for justifying its compulsory community work measure and tighter control over unemployed recipients’ job-seeking activities.

Secondly, the stigmatising effects of social assistance have been maximised following the introduction of workfare measures. According to an official study, the Active Employment Programme and the Community Work Programme have contributed to welfare recipients’ feeling of ‘receiving CSSA is a shame’ (LegCo Panel on Welfare Services, 2001). In particular, community work had ‘a deterrent effect on those who prefer to leave CSSA upon the arrangement of CW’ (Commission on Poverty, 2005). Obviously, self-reliance in Hong Kong’s free economy has been strengthened through humiliating social security arrangements.

Thirdly, the social security pressure on Hong Kong government was reduced as a result of the decreasing number of welfare recipients. The Hong Kong Social Welfare Department boasted the success of its workfare measures, claiming HK\$882 million was saved between 1999 and November 2000 (LegCo Panel on Welfare Services, 2001). It was reported that 12,334 out of 29,714 SFS participants gave up their benefits in order to avoid doing community work (Commission on Poverty, 2005). Clearly, the SFS was ‘effective in containing the growth of CSSA unemployment cases’ (Economic and Employment Council, 2004: 6). More importantly, stricter measures had suppressed the general public’s welfare

expectations, creating an anti-welfare atmosphere. According to the Hong Kong Polytechnic University, of 1,000 respondents of a telephone survey, 35 per cent said that they would not apply for public benefits even in financial difficulties (*Ming Pao*, 2007). Also, those who had dropped out of the SFS, only 26 per cent got 'gainful employment' (LegCo Panel on Welfare Services, 2001). Clearly, Hong Kong's stigmatised public assistance scheme had reduced the government's financial pressures by pushing a large number of welfare recipients out of its safety-net and, at the same time, suppressing the welfare expectations of its citizens.

Fourthly, workfare had strengthened Hong Kong's work ethics, providing its economy with a pool of cheap labour. By achieving self-reliance, many poor people had no choice but to accept low wages and work long hours. According to a labour union, more than 90 workers complained that three private contractors, which were responsible for the cleaning services of public housing estates, paid their staff's salaries that were HK\$1,000 less than stated in the contracts. Some workers were even ordered to work seven days a week without paid holidays (*Ming Pao*, 2005). Another trade union, after studying the wages of 74 fast food restaurants in 2006, reported that the hourly rate for cleaners, cashiers, kitchen assistants and waiters was only HK\$13.3 (US\$1.71) (*Shuo Online*, 2005). Even the workers worked 8 hours a day for 30 days, they could only get a monthly salary of HK\$3,192 (US\$409), a third of Hong Kong's median income. According to Wong and Lee (2000), there were 320,000 working poor people in Hong Kong earning a monthly salary of less than half of the median income (HK\$4,500). However, 56 per cent were working more than 50 hours a week. A recent study found that of 86 non-skilled respondent workers, 72 per cent had a salary of less than half of the medium income. Also, 80 per cent were not entitled to sick leave and 77 per cent of them did not have any paid holidays (*Ming Pao*, 2008). Unlike in the UK, where 9 per cent (2 million) workers benefited from the implementation of a national minimum wage policy (Low Pay Commission, 1998; Trades Union Congress, 2001), the Hong Kong government not only did

not introduce a similar policy, but also urged unemployed workers to accept any wage level. As the mentioned welfare reform paper declared: ‘The messages that we aim to get across are “Any job is better than no job” and “Low pay is better than no pay” (Social Welfare Department, 1998: 14). Because of the low wages, 15.9 per cent of CSSA recipients continued living on public benefits despite having jobs; their status only changed from ‘unemployment’ to ‘low-earning’ (Commission on Poverty, 2005). As the International Trade Union Hong Kong Liaison Office (2007: 14) pointed out: ‘The primary cause of poverty in Hong Kong is not unemployment, but low wages.’ Obviously, the case of Hong Kong shows that self-reliance is a myth if workfare policies do not link with wage protection measures.

### **The implications of Hong Kong’s workfare**

The case of Hong Kong has several implications for the discourse on workfare. It has been widely argued that governments adopt workfare because they have to tackle welfare dependency and a heavy social security burden. However, this paper shows that the Hong Kong government used workfare to save its minimal social security scheme and to maintain its low tax regime rather than to address welfare dependency and a big social security budget.

Hong Kong’s experiences also illustrates that workfare can be an extremely humiliating welfare scheme in an undemocratic polity. As illustrated above, the freedom of unemployed recipients has been strictly limited, as they are required to participate in compulsory voluntary work immediately, regardless of the causes of unemployment and their psychological conditions. Also, more punitive methods were adopted by Hong Kong’s undemocratic government, including the open condemnation of unemployed claimants over their attitudes to work, their life styles as well as the deduction of benefits for lone parent families regardless of their children’s well-being. It was reported that the benefits of all family members were even deducted as a result of one member who had failed to fulfil

voluntary work requirements (*Ming Pao*, 2004a). In addition, poor people were pushed into a competitive labour market without protection over wages and working hours. Now, the Hong Kong Social Welfare Department is using the expertise of policemen to help investigate CSSA fraud cases. Thus, the compulsory nature of workfare has been mixed with Hong Kong's undemocratic polity. As a result, the public assistance scheme has been constructed similar to a criminal justice system in which the prime concern is punishment rather than care and support.

The case of Hong Kong further demonstrates the long-term impact of workfare on non-welfare recipients. As mentioned previously, workfare was launched when Hong Kong needed to cope with increasing welfare demands following the outbreak of the Asian economic crisis and the SARS. Although Hong Kong's financial conditions have improved over the past three years, the Hong Kong government has not relaxed its workfare requirements. As a result, the mentioned oppressive workfare measures have created a threatening social atmosphere that discourages needy citizens from seeking public benefits. For example, a 40-year-old unemployed man did not apply for the CSSA and stole three pieces of bread from a restaurant. After being arrested, he emphasised: 'Hong Kong people should be self-reliant, not live on the CSSA' (*Ming Pao*, 2004b). Another 31-year-old unemployed man cheated a supermarket because of poverty. According to the police, the man refused to receive public assistance for the sake of safeguarding his dignity (*Ming Pao*, 2003a). More seriously, poor people were reported to prefer committing suicide to living on the CSSA. Mr. Lee pointed out that his wife strongly resisted obtaining public assistance. This was because she stressed self-reliance even though all family members were starving (*Ming Pao*, 2004c). It was found that of 1,025 suicide cases in 2002, 48.9 per cent were unemployed people (*Ming Pao*, 2003b). The mentioned behaviour and tragedies seem to be poor people's passive resistance in response to a highly oppressive welfare system. This also

implies that an aversive welfare system generated by workfare measures during economic recessions has successfully prevented the erosion of work ethics in time of economic growth.

## **Conclusion**

The case of Hong Kong has demonstrated the functions of workfare in a free economy as well as the nature of workfare programmes in a semi-democratic polity. Because the working class is too weak to check the power of the business communities and middle class in the Legislative Council, the Hong Kong government has successfully constructed a poor and highly stigmatised public assistance scheme that resembles ‘an open workhouse’ – in the 21st century. According to the Health, Welfare and Food Bureau, ‘CW [Community Work] has proved to be one of the most successful measures to reduce CSSA caseloads because of its deterrent effect on those who have no genuine need for assistance’ (Commission on Poverty, 2005). This ‘open workhouse’ not only has forced unemployed workers to fulfil compulsory community work and regularly report job searches, but also has created a fear culture surrounding public assistance. As a consequence, welfare applicants have been pushed into a competitive labour market or pushed back to their families for meeting financial needs.

The case of Hong Kong also illustrates that self-reliance is a myth if workfare measures are not supported by labour market protection legislations. It should be stressed that workfare and its associated welfare ideologies, such as citizenship duties and an active welfare state, have offered the Hong Kong government a renewed moral foundation for justifying its stricter welfare policies and for pressing unemployed workers to accept any wages and working hours in an exploitative labour market. In short, as a result of the implementation of workfare programmes, economic recessions in Hong Kong did not lead to welfare expansion and changes in its minimal social security scheme and low tax policy. Also, the combination of workfare and an undemocratic polity has successfully created a highly

stigmatising social assistance scheme that strengthens work ethics and self-reliance even during economic crisis.

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Author's feedback on two items:

- (1) (Education and Manpower Branch, 1994: 1; the fund was established in 2000, and the E&MB reference to it is from 1994??).

Author's feedback: This is because the Education and Manpower Branch of the Hong Kong government examined the impact of this type of scheme in 1994 and concluded that the scheme needs to take at least 30 years to yield any meaningful returns.

- (2) (More info must be provided so that readers know where they could access the Ming Pao references.)

Author's feedback: Ming Pao is a Chinese daily newspaper.