

## AGENDA 9

### Financing and Development of Social Welfare System

Over the last decade or so, problems regarding resources or financing for social welfare have been the core issue of concern for the sector. Welfare financing directly affects the availability and quality of services, causing direct impacts on people’s the quality of life. However, the sector and relevant stakeholders still have endless discussion on the related problems. It is expected that this issue will still be an important development agenda in the period ahead.

#### Major Trends

Table 1 presents the figures of recurrent expenditure on social security and social welfare services for the past ten years. From a broad perspective of expenditure, there has been an increase of nearly 10 billion dollars in the expenditure on social security for the past ten years. This is mainly due to the increase in population suffering from poverty, including the unemployed, the low-income groups and the aged, etc. The Government has tried to control the expenditure by “eligibility control”, but such measure has aroused criticisms in the latest incident involving single parent families and Old Age Allowance. Regarding social welfare services, with the implementation of the “Lump Sum Grant”, the Government expenditure maintained between 7 billion and 7.5 billion dollars from the year 01/02 to the year 07/08. It was until the year 08/09 that the expenditure increased to 8.7 billion dollars due to the increase in residential service for persons with disabilities and the elderly, increase in day care services and salary adjustments for civil servants and so on.

**Table one: The recurrent expenditure on social welfare services for the past ten years (unit: billion Hong Kong dollars)**

	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09 Revised Estimate
<b>A. Social Security</b>	<b>19.1</b>	<b>18.3</b>	<b>20.3</b>	<b>22.1</b>	<b>23.2</b>	<b>23.5</b>	<b>23.8</b>	<b>23.8</b>	<b>24.8</b>	<b>28.8</b> (Note 1)
<b>B. Welfare Services</b>	<b>7.8</b>	<b>8.2</b>	<b>8.9</b>	<b>9.3</b>	<b>9.6</b>	<b>9.0</b>	<b>8.8</b>	<b>8.7</b>	<b>9.2</b>	<b>12.4</b> (Note 2)
<b>B1. Government subsidies on organizations providing services</b>	<b>6.1</b>	<b>6.5</b>	<b>7.0</b>	<b>7.4</b>	<b>7.4</b>	<b>7.1</b>	<b>6.9</b>	<b>7.0</b>	<b>7.5</b>	<b>8.7</b>
<b>Total (A+B)</b>	<b>26.9</b>	<b>27.5</b>	<b>29.2</b>	<b>31.3</b>	<b>32.8</b>	<b>32.5</b>	<b>32.5</b>	<b>32.5</b>	<b>33.9</b>	<b>39.2</b>

Note 1: There has been an increase in the expenditure on social welfare, including social security and social welfare services, for the past ten years. The increase in 2008/09 is especially significant. This was mainly due to the significant increase in the amount of Old Age Allowance, and the provision of two extra months of CSSA payment and Disability Allowance as well as three extra months of Old Age Allowance. As for the expenditure on welfare services, the increase was mainly due to the increase in residential service for the elderly and the persons with disabilities, increase in day care services and salary adjustments for civil servants, etc.

Note 2: Expenditure on welfare services including Social Welfare Department, the Community Chest, the Hong Kong Jockey Club Charities Trust, the Lotteries Fund, provision for other Government Departments, personal donation and fund-raising activities, charges on services and activities, other income, etc.

## Concerns

By analyzing the future trend of welfare financing from a broad socioeconomic perspective, the following observations can be identified:

Firstly, It is difficult for the Government to significantly cut the expenditure on social security because it is closely related to population structure and the economic capacity of low-income earners. It is also because the Government uses the Comprehensive Social Security Assistance Scheme as the only solution to all the poverty-related problems.

As for the aspect of social welfare services, the Government previously formulated the provision of services and the amount of expenditure based on (1) social needs; (2) district characteristics. However, these two principles have no longer been relevant. All decisions are made according to the availability of resources. The policy has changed from satisfying social needs to relieving social problems. It is hoped that the public can be self-reliant and no longer “rely” on welfare. These new principles are aimed at narrowing the scope of welfare services and re-defining the users of social welfare. Before 1998, the Government did a major 5-year service planning once every two years and promulgated a white paper on social welfare every ten years in order to elucidate the direction of service development. However, during the past ten years, such measures have been terminated completely. Without comparatively comprehensive welfare policies and planning, the Government resorts to a piecemeal approach to tackle social problems.

The welfare planning of the Government has changed from long-term plan to strategic plan in order to maintain the flexibility of public expenditure. However, it is difficult for welfare organizations to deal with those persistent social problems because of such flexibility, especially those aiming at people changing.

Table 2 presents the sources of income for the overall welfare services from 2000/01 to 2007/08.

**Table 2: Income Sources of HKCSS Agency Members**

	2000/01 (billion/%)		2003/04 (billion/%)		2007/08 (billion/%)	
<b>Social Welfare Department</b>	<b>6.37</b>	<b>5.44</b>	<b>6.92</b>	<b>5.40</b>	<b>7.48</b>	<b>4.95</b>
<b>The Community Chest</b>	<b>0.18</b>	<b>0.15</b>	<b>0.14</b>	<b>0.11</b>	<b>0.19</b>	<b>0.12</b>
<b>The Charities Trust of HKJC</b>	<b>0.45</b>	<b>0.38</b>	<b>0.23</b>	<b>0.18</b>	<b>0.15</b>	<b>0.10</b>
<b>Lotteries Fund</b>	<b>0.55</b>	<b>0.47</b>	<b>0.86</b>	<b>0.67</b>	<b>0.82</b>	<b>0.54</b>
<b>Subsidies from other Government Departments and planned provision</b>	<b>1.04</b>	<b>0.89</b>	<b>1.14</b>	<b>0.89</b>	<b>1.11</b>	<b>0.74</b>
<b>Personal donation and fund-raising activities (including private fund and</b>	<b>0.61</b>	<b>0.52</b>	<b>0.57</b>	<b>0.44</b>	<b>2.24</b>	<b>1.48</b>

<b>planned provision)</b>						
<b>Charges on services and activities</b>	<b>2.11</b>	<b>1.80</b>	<b>2.43</b>	<b>1.90</b>	<b>1.78</b>	<b>1.18</b>
<b>Other income (including interest, investment and profits)</b>	<b>0.41</b>	<b>0.35</b>	<b>0.51</b>	<b>0.40</b>	<b>1.35</b>	<b>0.89</b>
<b>Total</b>	<b>11.72</b>	<b>10.00</b>	<b>12.81</b>	<b>10.00</b>	<b>15.13</b>	<b>10.00</b>

(Sources of information: Directory of Social Service Organizations in Hong Kong published by the Hong Kong Council of Social Service (2002, 2005 and 2009)). (Note: Income statistics of Hong Kong Housing Society were included in the Directory published in 2009. However, as the planning of this organization is much larger in scale, the statistics were not included in the above table for better comparison of increase with previous years.

### Challenges Ahead

The following observations and problems are identified upon analyzing the sources of income of social welfare services:

1. The proportion of allocations to Social Welfare Department has declined from 54.4% to 49.5%. There is no significant increase in the allocations of other funds (including the Community Chest, the HKJC Charities Trust and the Lotteries Fund), and there is even a declining trend.
2. Income from personal donation and fund-raising activities has increased from 0.61 billion to 2.24 billion dollars. However, there is no long-term and stable support for such income, and short-term project is implemented instead. As a result, many services that require long-term planning and investment become fragmented and difficult to continue. Should the Government formulate some overall directions for welfare policies, and invite the public and enterprises fund to be concerned with certain important social issues? Should the welfare organizations do more on policy advocacy to push for more effective utilization of social resources?
3. As the major targets of social welfare services are the socially disadvantaged, it is not feasible to ask these people to bear all the costs of services. It is also because of this that the Government was responsible for the expenditure on social welfare services in the past, though such expenditure had declined from 2.1 billion to around 1.8 billion dollars. However, there have emerged some views that the “user pays” or “richer pays” principle should be adopted so that welfare organizations can gain extra financial resources. This view has a significant impact on welfare services. This will not only classify the service targets according to its financial ability, but also create expectations from consumers, causing fragmentation of services. It is necessary to further examine the implementation of “user pays” principle as the financing mode.
4. At present, the Government is thinking of adopting the idea of “welfare voucher” to strengthen the competitive principle of “pay as you go” to enhance the quality of services provided by welfare organizations. Not only do welfare services lose the support from government policy, it also bases itself on a motto of “customers

are always right” in handling service matters. As a result, the public goal is skewed towards the market taste and the welfare organizations are increasingly relying on public relations and publicity. Such market competition has a great impact on the services provided by welfare organizations.

### **Possible Actions**

1. Set the goal of social welfare and formulate long-term blueprint for social welfare and policies regarding allocation of resources. These are the crucial factors for establishing social welfare system. At present, the increase in population in poverty and disparity between the rich and the poor has become the focus of social conflicts. There is a pressing need to deal with the problem now. The Government should formulate some long-term blueprint right away with non-governmental welfare organizations to deal with overall welfare problems, such as structural poverty, ageing population, family status, etc.
2. Corporate social responsibility is one of the sources of welfare income. However, it is necessary for the Government to provide persistent support and incentives at the policy level. The Government and non-governmental organizations should make concrete suggestions regarding such aspect.
3. The major targets of welfare services are the poor and the grassroots. At present, only some welfare organizations adopt the “user pays” principle on a limited scale. However, if we turn it into a financing modeling, the impacts will be profound. Therefore, it is necessary to assess the problem more carefully.
4. Introduction of welfare voucher will privilege the taste of consumers over the public interest and make welfare organizations become more personalized rather than socialized. Social policies will be relegated into matters of personal choice. Such system will further weaken public policies. The sector should consider this financing model very carefully.

How do you think about the themes/topics above? Are there any other themes left out that you would like to raise? What are other issues or problems related to this Agenda that you think should be explored and discussed?

**Members of Agenda Group drafting the above text: Law Chi Kwong, Fung Ho Lap, Chua Hoi Wai.**

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