

CHAPTER 7

WELFARE

CHAN Kam Tong, Ph. D.
CHAN Chi Shing, Ph. D.,
HUNG Suet Yee, Zoe, MAK Wing Yan, Sylvia

I. Definitions, methodology and background

Definition

- 1 We categorize the welfare service sector according to the definition suggested by the Central Policy Unit (CPU), Hong Kong SAR Government, with minor modifications.
- 2 The sector¹ includes:
 - (a) child welfare services, child services and day care;
 - (b) family services (including family education, agencies and services for single parents and family violence shelters and services);
 - (c) youth services and youth welfare (including delinquency prevention services, youth centres and clubs (e.g., YMCA, YWCA, Boy Scouts, Girl Scouts);
 - (d) services for the elderly² (including geriatric care services, homemaker services, transport facilities, recreation and meal programmes);
 - (e) community development services;
 - (f) services for the disabled³ (including homes other than nursing homes, transport facilities, recreation and other specialized services);
 - (g) services for disadvantaged groups (including offenders⁴, women, unemployed, new arrivals, gays and lesbians, homeless);
 - (h) support services (including training and research).

Methodology

- 3 Data for the present study were obtained from various sources. The sources include in-depth interviews, survey data, official reports and information from other academic studies.
- 4 A survey was carried out based on the population list provided by the CPU. The objective of the survey was to obtain data on the size, composition and service profile of welfare organizations in the Third Sector. A structured questionnaire was sent to the sampled organizations and was completed by the representatives of those organizations. The questionnaire included the following aspects: the nature of the organization, its history and legal form, employment, governance, volunteers, service provisions, expenditures, income and other issues of concern. The survey data were available to the research team for analysis after processing by the CPU.
- 5 In-depth interviews were carried out to draw detailed information from senior personnel in the sector. Having consulted some key informants of the subject area⁵, a list of targeted welfare agencies and service organizations covering a wide range

of service deliveries was drafted and became the sampling frame for reference (see Appendix I). In order to improve the representativeness of the interview data, organizations were first categorized according to their scope of services. After that, samples were drawn, with both big and small organizations represented. The research team then sent the interview guide (in Chinese) (see Appendix II), together with a formal invitation letter issued by the CPU (in Chinese) (see Appendix III), to the targeted person (head/director/officer in charge/senior member) of the targeted agency or organization, according to the list of interviewees.

- 6 Finally, 24 invitations were sent and follow-up calls were made to confirm the participation of the targeted agencies and organizations, and to arrange the schedule of interviews. The response rate was 66% (see Appendix I). From October 6 to November 1, 2002, 16 face-to-face in-depth interviews and one focus group interview were conducted. Two more agencies were interviewed by another research team and the information was also included in the analysis. A total of 23 welfare agencies or non-governmental organizations were interviewed. They covered a wide range of service deliveries and a wide scope of service recipients including children, youths, families, the elderly, and disabled and disadvantaged groups. The respondents from each selected agency or organization were all senior and experienced personnel in their organizations, who could provide us with their perspectives and views on the landscape and development of their related field.
- 7 All interviews were conducted in a quiet environment, free from interruptions. A tape recording was made with the interviewees' consent while main points were jotted down if the interviewee refused to be taped. Researchers then prepared a summary of each interview, corresponding to the key questions in the interview guide, which acted as the key source of data for further analysis.

Background

- 8 The development of the welfare sector can be briefly described, as follows. At the beginning of the colony's existence, the Government's involvement in providing welfare services was very limited. Most of the welfare services for the Chinese residents were left to voluntary agencies (later called non-governmental organizations). There were two main groups of voluntary organizations providing such services: foreign missionaries, in particular, the Catholic Church; and traditional organizations set up by local elites, such as the Po Leung Kuk. After World War II, a huge influx of refugees from mainland China came to Hong Kong. The colonial Government had only limited resources to help them, and again the major services were left to the voluntary agencies. In the early 1960s, with a much more affluent community, it was increasingly unnecessary for welfare organizations to engage in material relief work, and the voluntary agencies began focusing their attention on special welfare needs, such as services for the elderly, youth and the disabled. After the 1967 riots and in the economic prosperity of the 1970s, the Government determined to spend more resources on social welfare. In a 1973 policy paper, the Government for the first time recognized the status of voluntary agencies as its equal partner in social welfare planning. This resulted in a favourable environment for the growth of voluntary agencies. Both the numbers

and the types of services expanded considerably in this “golden” period. Following a long spell of rapid service expansion, tied in with a growing dependence on public funding in the 1980s, there was a rising concern over the need for greater accountability from voluntary agencies to the public. To justify the huge amount of money being poured into welfare services, the Government began stepping up efforts to improve the quality of social welfare services and strengthen the internal management structures of voluntary agencies. In 1999, the Government conducted a comprehensive review of the social welfare subvention system. It suggested that funding would be based on a lump-sum grant, coupled with a mechanism for enhancing accountability. The aim would be to achieve a more efficient and flexible use of resources by linking the allocation of funds to the output of services. Moreover, under the new policy, all new services would be allocated on the basis of a bidding process, emphasizing both quality and cost. With this policy shift, the relationship between the Government and the voluntary organizations changed from being a partnership to being contractually based. The details of the development and involvement of the Third Sector in welfare services are elaborated below.

Non-intervention by the Government

- 9 As has been stated, in the early days the colonial Government left welfare services for the Chinese residents in the hands of voluntary agencies, which were primarily run by foreign missionaries or by traditional Chinese organizations.
- 10 In 1848, a Catholic missionary order, St. Paul de Chartres Sisters, arrived in Hong Kong and took care of foundlings, sick and elderly people in Wanchai⁶. Other missionaries, both Catholic and Protestant, followed, and established orphanages and special schools for the disabled (for example, the Hong Kong School for the Deaf) before World War II.
- 11 At the time, the abduction and trafficking of women and children were serious problems in Hong Kong. In 1878, four prominent merchants presented a petition to the Governor, John Pope Hennessy, to set up the Po Leung Kuk to prevent kidnapping and to protect the victims. The Po Leung Kuk later became an authorized organization. It was primarily engaged in resisting the abduction of women and children, and providing the victims with shelter and education. In the spirit of community, kaifong (neighbourhood) and tung heung wui, or “same village associations” were also founded to serve the needy.
- 12 The social situation changed significantly after World War II. The Chinese Civil War of 1946-49 caused a huge influx of refugees from mainland China into Hong Kong. The population rocketed to over two million towards the end of the 1950s from an estimated 650,000 during World War II. With funding largely coming from developed countries and overseas relief organizations, voluntary agencies struggled alongside with the Government to feed, clothe and house the stricken immigrants. The Social Welfare Department (then called the Government Social Welfare Office under the Secretariat of Chinese Affairs) served about two thousand meals a day⁷. Because of the large number of agencies involved in serving meals, coordination among them was needed. The Hong Kong Council of Social Services was set up in 1947 to coordinate relief work.

Increasing involvement of the Government

- 13 The industrialization of Hong Kong started in the early 1960s. An increasingly affluent community also meant a government with additional resources, reducing the need for voluntary organizations to engage in material relief work. These agencies began focusing more on special welfare needs, such as the elderly, youth and the disabled. For instance, the Hong Kong Society for Rehabilitation was established in 1959 to serve those disabled as a result of sickness and trauma.
- 14 The Government demonstrated its commitment to social welfare by issuing its first White Paper on the subject in 1965.⁸ In this document, the Government emphasized that social welfare services were only meant to assist people incapable of standing on their own feet. Families and communities would bear the primary responsibility for caring for the aged and the infirm.
- 15 As Hong Kong was no longer viewed as a disaster relief area, overseas donations and funds for voluntary welfare work began to dry up. Voluntary organizations needed to raise funds from the local community in order to develop new and better services. However, fund-raising activities by individual organizations were disorganized and sometimes confusing to the general public. The Hong Kong Community Chest, established in 1968, coordinated fund-raising activities among the voluntary organizations. It has now become an indispensable funding body for voluntary welfare organizations.
- 16 In 1967, Hong Kong faced a political crisis. Against the backdrop of the Cultural Revolution in China, an industrial dispute involving some disgruntled factory workers in May escalated into a full-scale riot, which destabilized the territory. For weeks, Hong Kong was the scene of looting, bomb attacks, bloody clashes with the police and other acts of violence.
- 17 After the incident, the Government opened an investigation into the origins of the riot. Income disparities, limited welfare protection for the lower classes, and dissatisfaction against the colonial Government, especially among young people, were identified as the major causes of discontent. As a result, the pace of social welfare development, particularly in youth-related services, was hastened.
- 18 By the 1970s, Hong Kong had become one of Asia's fastest-developing economies, with a flourishing manufacturing and industrial sector. With more resources in hand, the Government was determined to spend more on social welfare. Gradually, it began to replace voluntary agencies in the provision of basic welfare services, such as social security programmes and providing allowances to elderly and disabled people, while voluntary organizations ventured into neglected areas such as youth services. However, as the funding of voluntary organizations came to depend more and more on government subventions, they rapidly became less independent.

Partnership between the Government and voluntary organizations

- 19 The Government's relationship with the voluntary organizations achieved a

historic breakthrough in 1973, when the Government presented Hong Kong's first five-year plan in social welfare services⁹. The Government's recognition of voluntary agencies as partners provided a favourable environment for their growth. Both the numbers and the types of services expanded considerably in this "golden" period. The pay scales of the staff of voluntary organizations became linked with those of the civil service.

- 20 Following a long spell of rapid service expansion, tied in with a growing dependence on public funding into the 1980s, concerns arose over the need for voluntary organizations to be more accountable to the public. To justify the huge amounts of money pouring into welfare services, the Government began stepping up efforts to improve the quality of social welfare services and to strengthen the internal management structures of voluntary organizations. Non-profit self-financed services were encouraged so that the Government could concentrate on other forms of social welfare, where privately financed services would be impracticable. Child-care centres and homes for the aged were chosen to test the idea¹⁰.
- 21 In the early 1980s, Hong Kong once again had to face political realities. As the lease of the New Territories would expire in 1997, the British and Chinese governments began negotiations on the future. Hong Kong then experienced a number of political, social and economic changes, which affected the development of its social welfare services.
- 22 Political uncertainties about the future brought instability. Many people began to emigrate. This frequently created split families, with some family members having to travel back and forth between Hong Kong and the place of emigration. Soon, the Hong Kong economy experienced drastic structural changes as manufacturers relocated from Hong Kong to the Pearl River Delta. By the 1990s, more and more Hong Kong people had to work on the mainland, which meant that family members had less time to spend together. Family and marital problems emerged. Family crisis centres were set up to deal with these problems.
- 23 Personal financial difficulties became another social issue. Many manufacturing workers were thrown out of work because of the relocation of factories towards the north. At present, Hong Kong has still not fully recovered from the Asian financial crisis of 1997-98. The unemployment rate stood at over 7% in the first half of 2002, compared with 2% in 1997. Job security had disappeared. The appearance of a "negative equity" class due to the plunge in property prices also created new demands for welfare services at a time of economic difficulty. Labour retraining and suicide prevention services became important ways to tackle these problems. However, as the economic downturn led to shrinking revenues, the Government was hesitant about continuing the amount of funding that it allocated to voluntary organizations.

From partnership to a contractual relationship

- 24 Meanwhile, the Government changed its subvention policy. In 1999, the Government conducted a comprehensive review of the social welfare subvention system¹¹. It suggested that the old input-driven system had become too rigid and

cumbersome. Massive administrative work was generated, and the system provided disincentives for efficiency and stifled innovation.

- 25 The Government suggested that funding in future would be based on a lump-sum grant, coupled with a mechanism for enhancing accountability. The aim was to achieve more efficient and more flexible use of resources by linking the allocation of funds to the output of services. Under the Lump Sum Grant policy implemented in 2000, the subvention of organizations was capped according to the mid-point of the salary calculations of an organization in the year 2000.
- 26 The Government also tried to monitor the service providers. It established a Service Performance Monitoring System, which included Service Quality Standards applying to all services, and Funding and Service Agreements to gradually be implemented across the sector.
- 27 Moreover, under the new policy, all new services would be allocated on the basis of a bidding process emphasizing both quality and cost. The Government tried to create an “internal market” to encourage competition among the various service providers. Private profit-making firms were not excluded from the bidding. The Government suggested that this would result in a more efficient service allocation process.
- 28 While in the past, the Government and voluntary organizations jointly planned the development of services, now the Government became a “purchaser” of services from the voluntary organizations, based on a Funding and Service Agreement. The voluntary organizations, which used to depend heavily on government subventions, have had to make a huge adjustment as a result of this change.
- 29 As the Hong Kong economy continued to deteriorate, the Government had to face the problem of budget deficits. As government funding for welfare services shrank, the issue of how to continue providing high-quality services under the Lump Sum Grant policy became the major challenge for voluntary organizations in the sector.

II. Current pictures from the study

- 30 This section will focus on quantifying the current picture of the welfare sector. The sources of data mostly come from the survey findings, in-depth interviews and from the annual reports of various government departments and organizations. These data provide an outline of the landscape of the sector.

Description of the landscape of the welfare sector

- 31 The emergence and establishment of welfare organizations can be explained by the historical context. Table 2.1 shows that most responding organizations were formed in the postwar period and before the economic takeoff of the 1970s. Of the responding organizations, 42.8% reported that they were formed between 1946 and 1975. This is consistent with the historical development of the social welfare sector.

Table 2.1: Year of formation of welfare organizations (from the survey findings)

| Period | % |
|-------------|------|
| Before 1841 | 3.6 |
| 1841 – 1911 | 10.7 |
| 1912 – 1945 | 7.1 |
| 1946 – 1975 | 42.9 |
| 1976 – 1985 | 10.7 |
| 1986 – 1997 | 25.0 |
| Total | 100 |

(n = 28)

- 32 Third Sector organizations are important players in the provision of welfare services in Hong Kong. As estimated by the Hong Kong Council of Social Service (HKCSS), there were 346 welfare organizations with 3,400 service units at the end of March 2002. Over 80% of them (80.3%) were HKCSS members¹². They included a number of large, multi-function organizations that are active players across different services.
- 33 Most organizations in this sector provide direct services to the public. The services include child-care, youth-related and elderly services, community development, and services for the disabled and for disadvantaged groups. Other organizations did not provide direct services; instead they played a supporting role, such as by providing research and consultancy services (for example, the Hong Kong Council of Social Service and the Hong Kong Social Workers Association).

Role in economy

Sources of income

- 34 Funding in this sector is considerable. In the financial year 2001-02, it was estimated that total funding amounted to \$9.76 billion (See Table 2.2). This was equivalent to 0.8% of GDP¹³ in the year 2001. (Note that this figure makes up only part of the total expenditure of the whole sector, as some agencies might receive funding from other sources, such as donations from the private sector and through fund-raising activities.)

Table 2.2: Funding sources in the welfare sector (2001-2002)

| Sources | (HK\$ billion) |
|---|---------------------|
| Subvention from the Social Welfare Department ¹⁴ | 5.355 ¹⁵ |
| Lotteries Fund ¹⁶ | 0.990 |
| Hong Kong Community Chest ¹⁷ | 0.018 |
| Hong Kong Jockey Club Charities Trust (Community service) ¹⁸ | 0.400 |
| Fund-raising by themselves ¹ | 3.000 |
| Total | 9.763 |

- 35 Funding from the Government (through subvention by the Social Welfare Department) was the dominant source of income for organizations in this sector. (See Table 2.3) The subventions included recurrent funding and project funds of the organizations.

Table 2.3: Number of organizations and projects under subvention (2001-2002)

| Sources | Number of organizations / projects subvented (2001-2002) |
|---|--|
| Subvention from the Social Welfare Department | 184 organizations |
| Lotteries Fund | 986 projects |
| Community Chest | 143 organizations |
| Hong Kong Jockey Club Charities Trust (Community service) | 76 organizations |

Expenditure

- 36 The scale of expenditure might provide some hints for their roles in the economy as well as the distribution of resources within the sector. Of the responding welfare organizations 75% reported that their recurrent expenditure in 2001 was well over \$1 million. Twenty-five percent of the responding organizations even reported that their recurrent expenditure was over \$10 million (Table 2.4).

Table 2.4: Recurrent expenditure of the organizations (HK\$) (from the survey findings)

| | % |
|---------------------------|------|
| Less than \$100,000 | 7.1 |
| \$100,000 – 250,000 | 3.6 |
| \$250,001 – 500,000 | 3.6 |
| \$500,001 – 750,000 | 3.6 |
| \$750,001 – 1 million | 7.1 |
| \$1,000,001 – 2 million | 21.4 |
| \$2,000,001 – 5 million | 14.3 |
| \$5,000,001 – 10 million | 14.3 |
| \$10,000,001 – 20 million | 3.6 |
| Over \$20 million | 21.4 |
| Total | 100 |

(n = 28)

Employment

- 37 The total number of people employed in this sector is estimated at more than 30,000, with about 80% (24,107 persons) found in subvented organizations¹⁹. However, the number employed varied a great deal among the organizations (Table 2.5). Some organizations might employ more than 500 full-time staff while about a third of the surveyed organizations had fewer than 10 full-time staff members. This might be explained by variations in the size of organizations and their history of development.

Table 2.5: Number of staff employed (from the survey findings)

| Number of staff | Full-time (%) | Part-time (%) |
|-----------------|---------------|---------------|
| 0 | 7.1 | 14.3 |
| 1-10 | 35.7 | 35.7 |
| 11-20 | 7.1 | 10.7 |
| 21-50 | 14.3 | 14.3 |
| 51-100 | 7.1 | 3.6 |

Welfare

| | | |
|-----------|------|------|
| 101-500 | 10.7 | 0 |
| 501-1000 | 7.1 | 0 |
| Over 1000 | 3.6 | 3.6 |
| Blank | 7.1 | 17.9 |
| Total | 100 | 100 |

(n = 28)

Role in society

Users

- 38 As estimated by the HKCSS, voluntary organizations provided over 90% of total welfare services, serving a population of about two million. The service target in this sector was mostly the general public in Hong Kong (Table 2.7), with the focus being on specific categories of people, including infants, youth, adults, the elderly, physically disabled, unemployed, women, new arrivals, etc.

Table 2.7: Service users of the organizations (from the survey findings)

| | % |
|---|------|
| Members only | 3.5 |
| Primarily members and some members of the public in Hong Kong | 28.6 |
| Primarily the public at large in Hong Kong | 50.0 |
| Only the public at large in Hong Kong | 17.9 |
| Total | 100 |

(n = 28)

- 39 Data from in-depth interviews also reflected the picture that organizations served a variety of people (See Table 2.8). The range for number of users served is from 400 to 80,000.

Table 2.8: Number and nature of users (from the in-depth interviews)

| Organizations (by code) | Number of users |
|-------------------------|-----------------|
| W01 | 1,300-1,500 |
| W02 | 1,200 |
| W03 | 11,000 |
| W04 | 4,000 |
| W05 | 1,000 |
| W06 | 50,000 |
| W07 | 60,000 |
| W08 | 4,000 (daily) |
| W09 | Unspecified |
| W10 | Unspecified |
| W11 | 300-400 |
| W12 | 80,000 |
| W13 | 15,000 |
| W14 | 400 |
| W15 | 700 |
| W16 | 800-900 |

Volunteers

- 40 Apart from service users of these organizations, voluntary organizations also drew upon a large pool of human resources from the community to support their work and activities. Professional advice and support were vital for management and planning activities in these organizations. The estimated number of volunteers currently serving the welfare sector comes as no surprise. However, the role of volunteers in the Third Sector varied greatly among different organizations. Large organizations, due to their higher mobilizing capacity, could easily recruit a larger pool of volunteers (Case W10). The large pool of volunteer participants might be due to the nature of the activities concerned, such as a large-scale annual event. Some organizations might view volunteering as a means to retain members and maintain their commitment. For instance, in organizations Case W01 and Case W05, volunteers were recruited from their members and participated in a number of planning and administrative activities
- 41 Despite the additional human resources brought by volunteers, the extent to which organizations could manage their volunteers was unclear. Many interviewees were unable to count the number of their volunteers (registered) or to quantify their volunteers' input in a systematic way. Some organizations were able to quote the exact number of volunteers serving their organizations while others just quoted the frequency of participation among a large pool of volunteers. Nevertheless, volunteering is an important phenomenon in this sector that deserves more attention.

III. Links among the Government, the market and the Third Sector

- 42 Gidron, Kramer and Salamon²⁰ (1992) suggested that we could distinguish four basic "models" to depict the relationship between the government and the Third Sector in two dimensions of activities. The first is the financing and authorizing of services and the other is the actual delivery of them. The basic models are: (i) Government-Dominant Model; (ii) Third-Sector-Dominant Model; (iii) Dual Model; and (iv) Collaborative Model.
- 43 In the Government-Dominant Model, the government plays the dominant role in *both* the financing and actual delivery of the services. At the opposite extreme is the Third-Sector-Dominant Model, in which the voluntary organizations play the dominant role in both dimensions. In between these two extremes, hybrid models can exist in the provision of services. One of them is the Dual Model, in which both the government and the Third Sector are extensively involved in both financing and delivering the services, but each in its own separately defined sphere. The government and the Third Sector could work together rather than separately. This would be the Collaborative Model. Typically, in this model, the government provides the financing and the voluntary organizations actually deliver the services.
- 44 The relationship between the Hong Kong Government and the welfare organizations at the early stage could be best described as a Third-Sector-Dominant Model turning to a Collaborative Model. At the beginning of the colony's existence, the Government provided limited welfare

services. The situation changed in the 1970s, as Hong Kong began to modernize. The Government became more involvement in the sector, especially through subvention to the voluntary organizations.

- 45 In the mid-1990s, the relationship between the Government and the voluntary organizations changed from a partnership to a contract-based relationship as the Social Welfare Department changed its subvention policy. Moreover, with its Lump Sum Grant policy and competitive bidding policy for the new services, the Government introduced a new mechanism to promote “social entrepreneurialism” in the voluntary organizations. Under the Lump Sum Grant policy implemented in 2000, the subvention of organizations was capped according to the mid-point of salary calculations in the year 2000. The reduction in funding has created pressure on the voluntary organizations and will force some of them to cut the number of senior experienced staff. This will affect the quality of services and the accumulation of human capital in the field. With the decline of government subvention, voluntary organizations need to find other sources of funds. There is a rise of “for-profit” service units among the organizations, although its number is still not significant. Meanwhile, under the competitive bidding system of the Social Welfare Department, voluntary organizations are exposed to competition with the private sector. This has also brought challenges to the voluntary organizations. As a result of the new funding policy, “market-driven management styles” have become a trend in the welfare sector.

IV. Major issues facing the sector

- 46 The major concern of the non-governmental organizations in the welfare sector, according to both our interviewees and the survey, was the amount of their funding. Table 4.1 showed the results of the survey.

Table 4.1: Dominant issues faced by the organizations (from the survey findings)

| Most dominant issues | % |
|--|------|
| Funding | 64.3 |
| Recruitment and management / retention of volunteers | 3.6 |
| Staffing or management | 10.7 |
| Competition from other organizations and businesses | 3.6 |
| Others | 7.2 |
| Unspecified | 10.7 |
| Total | 100 |

(n = 28)

- 47 From our in-depth interviews, many voluntary organizations relied heavily on the Social Welfare Department’s subvention. Under the Lump Sum Grant policy, the subvention of organizations was capped with the possibility of future cuts. New sources of government funding were also granted through the competitive bidding system. This has led to uncertainty in both the planning and staffing of the organizations. As the subvention policies reflect a change in relationship between the Government and the voluntary organizations, many interviewees felt that the original relationship of partnership should be rebuilt.

Funding

48 The major sources of funding for the organizations interviewed were (i) the Social Welfare Department's subvention; (ii) Government project grants; (iii) Public funds (the Hong Kong Community Chest, Hong Kong Jockey Club Charities Trust, etc.); (iv) Flag sales; (v) Public fund-raising efforts; (vi) Funds from members of parent organizations or volunteers; (vi) the charges of fees.

49 The government subvention was the foremost source for most of the organizations, especially small ones. It accounted for over 90% of the funding for certain organizations. As the funding has been declining, the planning and operation of these organizations has been affected. For instance, due to the drop in funding, the organizations might not plan for the future:

"Because we are too busy getting resources, it is hard to think beyond three years, when we use up the Grant. We are worrying about the money to pay for salaries." (Case W03)

50 Some organizations did not apply for the subvention. They suggested that there were too many requirements and restrictions under the subvention policy, which affected their independence:

"The Social Welfare Department sets up many service targets; e.g., fixed cases served and mechanistic indexes for us to meet.... I would rather maintain the same pattern as now; i.e., writing up proposals to look for funding from different foundations and government departments so that we can walk according to our own way and set targets as we see the real needs to be met." (Case W02)

"The Social Welfare Department rarely funds unconventional projects, except those that follow their own policies.... We develop our own services in an area where we believe there is a need, such as community education." (Case W16)

51 Government project grants were another source of funds for the organizations. The problem with the project grants is that they are short-term and unstable. The instability of funding has also affected the practice of staffing—most employees are project-based. It is hard for the organizations to maintain an experienced team.

"When a project is no longer funded, we cannot keep the staff.... The longest employed person has been working here only for two-and-a-half years.... Experienced staff are valuable, but we cannot keep them." (Case W02)

52 In order to get funds from competitive bidding, some organizations pulled resources from the delivery of existing services to devote to preparations for the bidding.

"Bidding for a new project messes up our own plans. We have to squeeze already tight human resources to write up proposals, calculating the cost and the effect. It increases the administrative load." (Case W03)

53 Some small organizations suggested that the bidding system for the allocation of new government grants were against them.

"We tried to bid Social Welfare Department's project but failed Large

organizations can mobilize resources, e.g. those organizations which are the parent organizations of hospitals can mobilize doctors and therapists. They have the advantage to bid the services like elderly home” (Case W14).

- 54 This informant also suggested that small organizations were like small shops on the street, while the large organizations were the supermarkets. Big supermarkets with lower prices will simply force the small shops out of the market. Fairer competition was deemed necessary, as expressed by the interviewee.
- 55 Some organizations also suggested that no grants would be given to them because their services were not on the government agenda. Moreover, the competitive nature of the bidding system for the new services has resulted in a negative effect on cooperation among voluntary organizations.

“We do not plan to bid on a project from the Social Welfare Department. But the bidding process is hurting the relationship among organizations and social workers. The result is a survival game. Aims and beliefs in services are forgotten.... The Lump Sum Grant and bidding policy can be positive for increased flexibility. It was assumed that the bidding system would not result in cutthroat competition and longer term for the granting of services had been planned. However, it seems that the bureaucracy hindered the real idea of the system and created unwanted results.” (Case W06)

- 56 The sharing of information among social workers and organizations was also hindered.

“I cannot discuss problems on bidding with my wife (who is working in another NGO). They are regarded as commercial secrets.” (Case W08)

- 57 In our interviews, one-third of the informants showed negative feelings about withholding information. Some large organizations were named and blamed by many interviewees as being “too aggressive” in project bidding. The negative effects of competitive bidding can be summarized in the opinion of the Case W01, as follows:

“I see that the effect of this competition between organizations is bad. Social workers now do not share experiences.... They do not want to teach proposal writing skills and do not want to reveal their ideas and problems.... This is really a policy of disintegration rather than one of creating harmony and cohesion in society.” (Case 01)

- 58 Public funds, such as the Hong Kong Community Chest and the Hong Kong Jockey Club Charities Trust, were major funding sources apart from Government funding. However, because of difficulties resulting from the economic downturn, grants from these public funds are also declining.
- 59 Flag sales provided additional sources of income for some voluntary organizations. However, the organization needed to recruit many volunteers to guarantee a certain level of funds for the event. Otherwise, the Government could deprive it of its chance to have a flag sale again in the future. This bothered the small

organizations.

60 Agencies with charitable or religious parent organizations might also raise funds from the members of its parent organization. This provided a stable funding source for some organizations.

61 Three organizations that were interviewed, namely, Oxfam Hong Kong, Breakthrough and a community-based organization, took public fund-raising as their major source of income. Nevertheless, not all organizations felt confident about public fund-raising. Some of our informants said that only about 1%-5% of their expenditure was raised this way. Their reasons were:

(a) They felt that they lacked expertise in the area.

“We were inexperienced, or never held fund-raising projects before; therefore, we needed to hire a fund-raising manager for this. The initial target is HK\$1.2 million this year, compared to our annual budget of over HK\$200 million.” (Case W08);

(b) Resources are limited in society.

“Everybody tries to get more, so we think that we had better find some other ways to generate funds.” (Case W09);

(c) Donors were more selective than before.

“The donors, especially the private companies, are more demanding now because they have more requests.... We have to hand in proposals and make presentations, and we do not know how much the companies are willing to donate and their preferences.... Applications and effort may be spent in vain; but, to a certain extent, this is a way to promote the organization, and we have to try.” (Case W09);

(d) The clients of some organizations, such as those serving prisoners, did not appeal to the public.

(e) They thought that recurrent service was not as appealing as special projects to the public.

“Only special projects are appealing to the public; it is hard to raise funds for daily operation. The public will demand that you sustain your operations by other methods.” (Case W11).

62 Some organizations began to experiment with “for-profit” businesses to raise revenue, such as extending their services to the middle-class for a higher charge. However, similar to the case of public fund-raising, some organizations felt that they have no expertise in this area.

“We open a company to hire offenders as workers; and, yes, we hope to have some profits.... Counting the cost, we have tax-free status to buy fixed assets, e.g.,

vehicles, and labour costs are lower now. Hopefully, we will earn from the service and provide the offenders with jobs. The ideal has not been reached. This is because we are social workers, not merchants. Yes, we need business training.”
(Case W04)

- 63 Based on the interviews, it was observed that government subvention was the foremost source of funds for some organizations. The declines in funding and changing subvention policies affected the planning and operation of those organizations. Many organizations have exploited other means like “for-profit” businesses to increase their resources. However, due to a lack of experience or the nature of their clients, some organizations faced difficulties in doing so.

Management/Staffing

- 64 Due to cuts in Government funding, organizations depending heavily on this source had problems with staffing levels, one of the dominant issues faced by organizations (as indicated in Table 2.6 of section 2). Since total funding for the Lump Sum Grant was frozen at the 2000-01 level, the organizations will face difficulties when the salaries of their staff need to be raised. Some organizations spoke about their ways of dealing with the situation.

- 65 Those organizations not having government subventions were unaffected by the Lump Sum Grant policy. Some subvented organizations foresaw that the subvention would not be able to sustain their then pay scales. They began the re-engineering exercise earlier, with the hope of suffering less from the negative impact.

- 66 All affected organizations then hired contract staff at market rates as a contingency measure. New employees were not being paid under the civil service pay scale. However, this created the problem of unequal pay and friction between the permanent and the contact staff. Case W016 pointed out:

“The employees are under different employment terms and benefits according to the time they were hired.”

Case W11 suggested,

“There is certainly pressure for the management level to ensure cooperation between differently paid staff. Permanent staff understand the situation that, although they have done nothing wrong, they have to work harder.... The problem is that the workload grows heavier everyday while wages will remain the same.... There is no clear solution but management staff will monitor the spirit of the work.”

- 67 To deal with the frustrations, more staff meetings were held and communications channels, such as a staff club and retreats, were created.

Volunteers

- 68 Organizations recognized the importance of volunteer participation. As one of the

informants said,

“The Government needs to recognize the power and contribution of ‘civil power’ (民間力量). If NGOs run the services in a more economical and responsive way, the volunteers should better be accepted in society.... For example, we have over 40,000 volunteers who have worked for over 500,000 hours for the organizations. Voluntarism will enhance the sense of belonging to society, but there is the need to mobilize them. The Government should recognize the contribution of volunteers, as well as of the organization that mobilizes them.” (Case W12)

- 69 A community-based organization also stressed that, by recruiting volunteers to participate in flag sales and other activities, a sense of belonging to the organization as well as to the community could be cultivated (Case W01).
- 70 However, the attitude of the majority of the interviewees towards volunteer recruitment was rather passive. Many organizations only recruited volunteers on a short-term and ad-hoc basis. A volunteer registration policy was implemented in only some of the organizations. Most of the informants could not answer clearly how many volunteers they had recruited over the last year. Making an account of volunteer contributions in terms of working hours was rare. Usually, volunteers were recruited for special occasions and the organizations thought that the volunteers could not provide professional social work services. This phenomenon was especially evident in those who relied heavily on government subvention.
- 71 In some of the organizations interviewed, volunteers played the role of core service providers while the staff of the organizations took up the coordinating and secretarial work. These organizations were usually non-subvented, or their nature of service was limited, as was the case with professional associations (Case W05) and self-help societies (Case W16); or their subvention did not support the employment of enough experts or senior positions in the organization (Welfare focus group).

Government policies

- 72 The opinions on the Government’s policies could be grouped into the following categories: (i) on macro policy; (ii) on partnership; and (iii) on subvention policies.
- 73 First, on Government macro policy, the organizations suggested that the Government should show the whole picture regarding its direction clearly to all fellow citizens. This would give the Hong Kong people more confidence to participate. The Government should empower the citizens and should take the initiative to promote civic participation. Also, it had to respect the poor and needy and work against discrimination of disadvantaged groups. Moreover, government departments should be better coordinated and show more consistent policies.
- 74 Second, on partnership between the Government and the Third Sector, the organizations suggested that the Government should recognize the contributions of the Third Sector, especially the smaller organizations and the work of

volunteers. It should involve and consult the voluntary organizations in the policy-making process. Meanwhile, it should also recognize the importance of the independence of the Third Sector. Government bureaucracy and regulations will constrain its development. The Government should also facilitate the development of the organizations by such measures as providing tax incentives and training for volunteers, offering low-rent premises and computer facilities for the organizations. The present registration arrangement of charitable organizations should be changed, as it has been dictated by the Inland Revenue Department alone,

“For they are not professionals who can understand what an organization does. Some organizations experienced the crisis of being deleted from the ‘Charitable organizations list’. “No one knows whether there is any other political reason. The power should be given to those who are familiar with the sector.” (Case W06)

A centralized (although not compulsory) registration system was suggested.

75 Third, on the Social Welfare Department’s subvention policy, the organizations suggested that the department should re-establish the partnership that once existed between it and the voluntary organizations in policy decisions.

76 Some organizations suggested that the department had to really accept creativity and should not favour the larger organizations with its bidding policy for the new services.

“The Government should take measures to protect smaller NGOs. It is a matter of choice of users because small NGOs have their own characteristics. The matter is like whether the Government thinks that supermarket may replace street shops.... The system of bidding should consider giving quotas to the small NGOs.” (Case W14)

77 Also the bidding standard should not simply be calculated on quantifiable parameters. The procedure needs to be more transparent, as the criteria for approval is not known at present.

“People gossip about what organization A has traded for particular projects.... Clarifying what the Social Welfare Department is looking for and showing justice will relieve the NGOs from agony and mistrust.” (Case W08)

78 In sum, on Government policy, the organizations suggested that the Government should take the initiative to promote civic participation and should recognize the contribution of the Third Sector, especially those of the smaller organizations and the work of volunteers. Regarding the Social Welfare Department’s subvention policy, the organizations suggested that the department should re-establish the partnership between itself and the voluntary organizations in policy decisions.

Public awareness

79 Some organizations felt that their clients, especially those belonging to disadvantaged groups, such as prisoners and single parents, were not well received

by the public.

“Not only the public, but even some officials are concerned about whether giving welfare and services to single parents will encourage divorces.” (Case W02)

- 80 This created obstacles to their serving and fund-raising. They suggested that the Government should provide more education to raise the consciousness of the public.

Ethics

- 81 The organizations tried different ways to ensure their accountability. The Social Welfare Department's subvented organizations were obliged to carry out the Service Performance Monitoring System. Some of them also institutionalized accountability systems such as open recruitment and the releasing of newsletters or annual (financial) reports to the public (through the media) and to donors. Organizations with an elected board would report to the members of the board. Some organizations would set up more systematic and transparent complaint handling procedures. Also, the management teams would disseminate information (including financial) to co-workers and staff as a way of achieving internal accountability.

V. Recommendations and conclusions

- 82 Both in the past and in the present, voluntary welfare organizations have been providing services to the needy promptly and creatively, and will go on doing so in the future. They have lubricated our round-the-clock labouring economy and alleviated many social ailments to contribute to the building of this city. Their missions and values and the commitment and care their staff characteristically possess are instrumental in bonding this society, since our society is far from perfectly able to take care of all during the process of development. These voluntary welfare agencies have been able to marshal volunteers and establish a cost-effective way to deliver the services. The voluntary organizations also have a role in partnering with the commercial sector to deliver better services to the public. The Government should recognize their significant contributions in building up social capital in Hong Kong and ensure that they can function in an environment conducive to their growth.
- 83 Specifically, it was suggested that the Government should strengthen its partnership with the voluntary organizations by more actively involving them in the policy-making process. The Government should also recognize that the independence of the Third Sector from government bureaucracy and over-regulation is an important way to encourage the development of the sector.
- 84 On the macro policy side, the Government should state clearly its direction, to give the Hong Kong people more confidence to participate. The Government should take the initiative to promote civil participation. A culture of caring and respecting the poor and the needy and of not discriminating against disadvantaged groups is a hard pursuit that will need the active leadership of the Government, the creative and wholehearted devotion of voluntary welfare staff, and an increasingly aware

population.

- 85 The foremost concern of the voluntary organizations in the welfare sector today is funding. As most of the voluntary organizations depend heavily on government subvention, the dwindling amount of government funding and the new subvention policies mean great uncertainty in the planning and delivery of services by voluntary organizations. One major concern of these organizations is that they might not be able to afford many of their senior experienced social workers. This would depreciate the human and social capital of the sector. The Government should recognize that sufficient funding is important in order for the voluntary organizations to be able to provide better services for the public.
- 86 Another major worry behind the strong reaction towards the subvention reform arises from the strong pressure of competitive bidding in social services, and the increasing trend of a mixed economy. Market competition, which exists not only between voluntary organizations and private providers, but also among voluntary organizations, will create an environment in which revenue becomes an overly dominant concern that will displace the missions and goals of voluntary welfare organizations. While we might trust that the leaders of voluntary organizations will be determined in safeguarding their valuable missions, how the public, as a source of volunteers, donors, and users of non-profit welfare organizations, perceives the trends of competition and a mixed economy will be a crucial factor determining the future development of this sector.
- 87 Also, as the Government will rely more on the mechanism of bidding to distribute its funds in the future, a fair and transparent process should be established to give confidence to the voluntary organizations.
- 88 Recruiting and training volunteers are important to the development of the Third Sector. However, many organizations, especially small ones, may not have enough resources to do so. The Government should offer help to them. In this regard, policies such as the registration of volunteers or tax incentive for volunteer work would be useful.

VI. Acknowledgements

- Ms Yu Sau Chu,
Chairperson, Hong Kong Single Parents Association.
- Mr Choi Hoi Wai,
Vice-President, Hong Kong Social Workers Association.
- Mr Chong Chan-yau,
Executive Director of Oxfam Hong Kong.
- Dr Choi Yuen- Wan,
General Secretary, Breakthrough.
- Mr Tik Chi-Yeun,
Executive Director, The Hong Kong Society for the Aged.
- Ms Rosanna Wong,
Executive Director, The Hong Kong Federation of Youth.
- Mr Sunny Ng,
Executive Director, Helping Hand.

- Ms Lee Mei Yin,
Centre-in-charge, The Hong Kong Joint Council of Parents of the Mentally Handicapped.
- Ms Yau Ho-Chun,
Director, Christian Family Service Centre.
- Ms Yue Mui-ying,
Principal Social Services Secretary (RSW), Social Services Department, Po Leung Kuk.
- Ms Fung Mei-ling,
Chairwoman, Hong Kong Association for the Survivors of Women Abuse.
- Mr Jack Sun-wah Fung,
President, Prisoners' Friends Association. (Yau Oi Society).
- Ms Cheung Siu-Wah,
Administrator, American Baptist Mission.
- Ms Leung Wai-chun, Peggy,
Central Administration Officer, Association of Baptists for World Evangelism (HK) Ltd.
- Ms Chan Wai-chun,
Director, Seventh-day Adventist Church (Hong Kong-Macao Conference).
- Mr So Kwok On, Christopher,
Director, Hong Kong Down Syndrome Association.
- Ms Lam Pui Tsz, Ivy,
Christian & Missionary Alliance Church Union Hong Kong Ltd.
- Ms Margaret Wong,
Executive Director, Harmony House.
- Ms Prausa S.W. Wong,
Co-ordinator, The Church of United Brethren in Christ.
- Dr Ho Kit Wan,
Lecturer, Department of Applied Social Sciences, The Hong Kong Polytechnic University.
- Mr Alan Sze Yuk Hiu,
Lecturer, Department of Applied Social Sciences, The Hong Kong Polytechnic University.
- Dr Jimmy Chi Tsing Wong,
Jimmy C.T. Wong & Associates Consultancy Firm.

Appendix I

In the welfare sector, we held in-depth interviews with top-level executives of 16 voluntary organizations. Five of them did not want to be named and one of them wanted to keep the whole discussion off-the-record. A focus group discussion was held on October 16, 2002. Executives of seven small voluntary organizations attended the session.

We have divided the field into 10 categories:

| Category | Voluntary organizations interviewed |
|-----------------------------------|--|
| Child Services | * W09 and W14 Two child-care organizations (names not to be disclosed) |
| Family Services | * W02 Hong Kong Single Parents Association |
| Youth Services | * W07 Breakthrough * W12 The Hong Kong Federation of Youth Groups |
| Elderly Services | * W08 Hong Kong Society for the Aged * W15 Helping Hand |
| Community Development | * W01 and W03 Two regional organizations (names not to be disclosed) |
| Services for the Disabled | * W16 The Hong Kong Joint Council of Parents of the Mentally Handicapped |
| Services for Disadvantaged Groups | * W04 An organization serving prisoners (name not to be disclosed) * W17 The Prisoners' Friends Society * W18 The Hong Kong Association for the Survivors of Women Abuse * An organization that was interviewed but where informant refused to be recorded |
| Supporting Services | * W05 Hong Kong Social Workers Association * W06 Oxfam Hong Kong (local service) |
| Multiple-services | * W10 A large organization (name not to be disclosed) * W11 Christian Family Service Centre * W13 Po Leung Kuk (Social Service) |
| Small Organizations | * Welfare focus group * American Baptist Mission * Association of Baptists for World Evangelism (HK) Ltd. * Seventh-day Adventist Church (Hong Kong-Macao Conference) * Hong Kong Down Syndrome Association * Christian & Missionary Alliance Church Union Hong Kong Ltd. * Harmony House * The Church of United Brethren in Christ |

Interview Guide

中央政策組

香港第三部門概況研究

本次研究主要希望得知志願團體本身，以及第三部門現時面對的主要問題與機遇

訪問問題大綱

1. 機構概況包括人手、經費來源(政府津助及其他來源的比例)、未來發展重點?
2. 現時的政府津助政策及社會服務趨勢對於貴機構的發展、人事有什麼影響?
3. 現時的政府津助政策及社會服務趨勢對於整個第三部門的影響?
4. 貴機構面對什麼競爭?競爭對於貴機構以及第三部門的影響?
5. 社會環境:除了資源問題影響貴機構的營運之外,政策、政治環境、社會氣氛、科技等,對第三部門有何影響?機遇?威脅?
6. 第三部門怎樣才可以獲得更多的社會認同?例如爭取法定地位、道德上的認同;現時流行講「創新」、「問責」、「資源增值」,你認為志願機構有冇需要迎合這些潮流?
7. 貴機構,以至第三部門整體而言,如何為香港累積社會資本?
8. 政府應該做或者不做什麼,以幫助第三部門的發展,令他們發揮最多的潛力?

Appendix III

電話號碼： (852) 2810 2378
傳真號碼： (852) 2524 2706

敬啟者：

中央政策組現正展開一項有關香港非牟利組織整體情況的研究，旨在了解有關機構的運作情況及所面對的挑戰。冀能協助改善有關政策，藉以促進非牟利組織在本港社會發展上擔當更重要的角色。我們已委派陳志誠先生參與本項研究工作。

貴機構在業界中佔有舉足輕重的地位，對本港社會及經濟發展貢獻良多。貴機構的支持將是整個研究計劃成敗的關鍵，懇請撥冗參加一次專題小組討論或面談，有關詳情見附件。

如有任何疑問，請與本人（電話：2810 2378）或劉海先生聯絡（電話：2810 2362）。謹先多謝合作。

香港特別行政區政府
中央政策組首席顧問

（黃敏 代行）

-
- 1 Some voluntary organizations providing welfare services also offer advocacy work or belong to district and community-based organizations.
- 2 Some voluntary organizations providing services for the elderly also offer nursing home services, which belong to the category of health services.
- 3 People with mental disabilities are included in this group.
- 4 In Hong Kong these services for offenders are commonly identified as social services rather than legal services.
- 5 They are Dr Ho Kit-wan, an academic expert in the field of welfare, Mr Albert Chan, an expert in the field of social welfare, and Ms Cheung Siu-Wah, an experienced administrator in the field.
- 6 The Catholic Diocese in Hong Kong, "Hong Kong Catholic Diocesan Archives", <<http://archives.catholic.org.hk/>>.
- 7 The Hong Kong Council of Social Service, "Hong Kong Social Service Brief History 1947 - 1997", <<http://www.swik.org.hk/SWIKPortal/DesktopDefault.aspx?tabIndex=3&tabid=50&ItemID=637>>
- 8 The Hong Kong Government (1965), *Aims and Policy for Social Welfare in Hong Kong*, Hong Kong: Hong Kong Government Printer.
- 9 The Hong Kong Government (1973), *Social Welfare - The Way Ahead*, Hong Kong: Hong Kong Government Printer.
- 10 The Hong Kong Social Welfare Planning Committee (1979), *Social Welfare into the 1980's*, Hong Kong: Hong Kong Government Printer.
- 11 The Social Welfare Department (1999), "Press release---Review of Welfare Subvention Policy", <http://www.info.gov.hk/swd/html_eng/sup_ser/subven/sub_reform/index.html>
- 12 Statement by Ms Christine M.S. Fang, Chief Executive of the HKCSS in the welfare convention of the "Social Welfare Missions and Strategies and Opportunities for Cross Sector Collaboration".
- 13 GDP at Current Market Prices was estimated to be \$1279.0 billion in 2001. The data came from the Hong Kong Census and Statistics Department, <http://www.info.gov.hk/censtatd/eng/hkstat/fas/nat_account/gdp/gdp1_index.html>
- 14 The Social Welfare Department, *Annual Report 2000-2001*, Hong Kong: Hong Kong Government Printer.
- 15 Please note that this figure is an estimate after subtracting 30% (rehabilitation and medical social welfare services) from the total subvention. For year 2001-02, total subvention by the Social Welfare Department was \$7.65 billion. The reduction part counted in the subvention went to organizations providing rehabilitative and medical social welfare services in the health sector.
- 16 The Social Welfare Department, "Lotteries Fund", <http://www.info.gov.hk/swd/html_tc/sup_ser/lot_fund/index.html>.
- 17 The Community Chest, *Annual Report 2001-2002*, Hong Kong: The Community Chest.
- 18 The Hong Kong Jockey Club, "Charity-Community Services", <http://www.hongkongjockeyclub.com/english/charity/trust_community.htm>.
- 19 The Social Welfare Department, *Annual Report 2001/2002*, Hong Kong: Hong Kong Government Printer.
- 20 Gidron, B., R. Kramer and L.M. Salamon (1992), "Government and the Third Sector in Comparative Perspective: Allies or Adversaries?" in B. Gidron, R. Kramer and L.M. Salamon (eds.), *Government and the Third Sector: Emerging Relationships in Welfare States*, San Francisco: Jossey-Bass Publishers, pp. 1-30.
- 21 The Hong Kong Association for the Survivors of Women Abuse and the Prisoners' Friends Society were interviewed by another research team and the interview notes were passed to us.