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The Road to the Development of Social Welfare in Hong Kong

The Historical Key Issues

香港亞太研究所

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Abstract

In Hong Kong, the development of the economy always remains at the top of the government's agenda. In the past, the government tried very hard to provide the best possible environment for business and industry, and it has continued to do so to the present time. The government's firm commitment to promoting Hong Kong's export and re-export trade, to building up Hong Kong as a financial and commercial center, and a strong entrepôt for its neighboring countries, makes Hong Kong a successful economic story. Yet, the government's obligation to develop social welfare (in its narrow sense) for the sick, the dependent and the destitute remains to be examined. Notably, the local, modern social welfare system was not built by the government but primarily by the non-governmental, Western-style social agencies with religious backgrounds before the 1960s. This paper aims to provide some necessary, background information for the readers to understand the government's past and present role in the areas of economic and social development. Such information will help readers to comprehend better the government's commitment to developing social services for the needy in the present as well as in the future. The information provided is also important for the readers to realize how the profession of social work has been developed.

Introduction

With the signing of the Sino-British Joint Declaration on December 19, 1984, Hong Kong's future destiny was settled. The British administration in Hong Kong was to come to an end in 1997. China's regained sovereignty indicated that a new chapter was to begin in due time. This event carried a modern, significant meaning for the people of Hong Kong. What was going to happen after the government changed hands in 1997? Was there to be any

changes? What kind of changes? When were the changes actually to take place? Would the people of Hong Kong accept these changes? Would the changes undermine Hong Kong's prosperity, its stability and even its present ways of life? What needed to be done to prepare for the changes? Probably, there were more answers than anyone could ever have predicted. But for sure, at the moment, there were no definite answers of any kind to the questions mentioned.

During this critical period of transition to 1997 (which is usually regarded as the late-transition period), maybe it is the right time to introduce to the local and foreign readers the past, present and future development of economic and social policies in Hong Kong, as well as to examine the British sovereign's responsibility in the areas of social welfare at the end of its approximately 150-year long administration.

Social welfare is a modern term widely used in the industrialized world. Similar terms, such as the dole, the rolls, relief, philanthropy, public charity, public aid, public assistance, social security, etc., have been used and, perhaps, still will be used in other parts of the world. Social welfare as a social institution is an even more recent development among the many industrializing countries, including Hong Kong. The role played by social welfare remains critical and controversial. Some people regard social welfare as a means of social control, while others take for granted that social welfare is a philanthropic means to provide the necessary services to enhance and improve the quality of life of its recipients.

The Hong Kong government has defined social welfare pragmatically and in a narrow sense. Accordingly, social welfare is defined as "the range of activities and responsibilities of the Social Welfare Department and of those voluntary agencies engaged in social welfare at any particular point in time" (Hong Kong Government, 1973:2). Today, Alfred Kahn has indicated, as cited by Zastrow (1993), that there is a tendency to use the term human services for what in the past had been called social welfare, because human services is a broader term than social welfare. Human services actually include such services as library services,

law enforcement, housing programs, fire-prevention, etc., that are usually not considered social welfare services. This paper is forced to focus on the government's official definition while talking about the issue of social welfare in Hong Kong. However, this paper would also like to draw to the attention of its readers that, to a certain extent, the concept of social welfare is broader than the government's pragmatic definition.

The systematic development of social welfare in Hong Kong is a relatively recent phenomenon. It is interesting to note that the present social service network was built primarily before the 1960s by the non-governmental, Western-style social agencies, many with religious background. Prior to that time, the role of the colonial government in delivering social services to the sick, the dependent and the destitute had been comparatively passive and minimal.

The major objective of this paper is to offer the readers a portrait of Hong Kong's past and present evolutionary process. It is understood that the present social welfare setting is being practically affected by the essential elements of the past. This paper, adopts a historical approach in organizing the background information, will selectively discuss some major issues that are crucial to the comprehension of the development of social welfare in Hong Kong. The subjects discussed include the population growth, the economic development, *laissez-faire* policy, the government's traditional budgetary strategy, and the public housing program as an example. The paper assumes that the historical review of the areas of political, social and economic change will help the readers understand the government's past and present role in the formulation of social policies for its residents. The discussion of these changes will, no doubt, throw light on the past, the present and the future development of the social welfare in Hong Kong.

The Early History of Hong Kong

Hong Kong, a small but famous city due to be handed over to China by the colonial government in 1997, is situated on the southeast coast of China at the mouth of the Pearl River. Basically, the territory of somewhat a little more than 400 square miles (approximately 1,100 square kilometers) comprises the Hong Kong Island, the Kowloon peninsula and the New Territories.

Hong Kong used to be a resort of pirates and thieves, but was also originally operated as a shelter for British merchants trading with China in the early 19th century. At that time, England was in the midst of expansion politically, economically and militarily. It was envisaged that Hong Kong could serve as "one of the string of British naval stations round the world which provided bunkering and repair facilities for the Royal Navy" (Miners, 1975:3). Geographically, because of its strategic trading position with mainland China and its significance in serving as one of British Royal Navy bases, the British government determined to seize Hong Kong.

After the defeat of China over its First Opium War with the British, the Qing government was humiliated and forced to sign the Treaty of Nanjing to end the war in 1842 — the first one of a series of notorious unequal treaties subsequently signed by the politically and militarily fragile Chinese government. China was officially compelled to cede its land — Hong Kong — to its opium-importer, the United Kingdom. In fact, Hong Kong was turned into a British colony when Henry Pottinger became the first Governor of Hong Kong on August 10, 1841, before the Treaty was settled. The British government secured from the victory of the Second Opium War (1860) the perpetual lease of the peninsula (now Kowloon) as far as Boundary Street. In 1898, London forced the Qing to lease the New Territories and its surrounding 235 islands for 99 years.

It is unmistakable that in the early days the United Kingdom greatly benefited from the legal opium trade, opium smuggling and profiteering. Hong Kong also served as one of the major ports for England to develop business in the Far East. Since then, Hong Kong has become a long-lasting springboard for Westerners entering China. In addition, it has progressively become a favorable trading base first for the Westerners and, lately, for the Chinese businessmen.

Culturally and geographically, Hong Kong has been linked closely with China. During the first few years of its sovereignty change-over, the total population was confined to less than 8,000, mainly villagers, boat people, laborers and vendors. Even though the exact racial composition of the population is not known, it is estimated that only a fraction of them were Westerners. The first census published in May 1841 recorded a total of 7,450. The total population increased steadily from approximately 15,000 in 1842 to 19,500 in 1844 (Ng, 1984).

During the 19th and early 20th centuries, the economic situation in mainland China was pretty bleak. The continuous, massive import of opium from India by the British merchants since 1831, either legally or illegally, had brought along a drift of silver out of the country year after year. Additionally, the compensation of war expenses after defeats as well as other debts cost China hundreds and millions of taels of silver yearly. As China was being threatened by foreign powers militarily, it was exploited by these foreign powers politically and economically, too. China just did not have the economic and human resources and the technology to set up its own native industry. Ordinary Chinese people suffered from opium-smoking, poverty and the lack of job opportunity.

Likewise, the political and social conditions in mainland China were extremely unstable. Social disturbance, natural disaster and civil strife always remained a part of everyday life among Chinese and were so frequent as to become the history of the country. There were the First Opium War (1839-1842), the Taiping Rebellion (1851-1864), the Second Opium War (1856-1860), the Sino-French War (1884-1885), the Boxer Rebellion in 1900, the Nationalists' upheavals in the late 19th century and the revolution of 1911, the Japanese invasion in the last decade of the 19th-

century (the Japanese incursions almost lasted for 50 years), the civil war that took place sporadically in the 1920s and 1930s, and intensified in the 1940s between the Communist party and the Nationalist party, the Korean War in the early 1950s, the Great Leap Forward (1958), the famine (1958-1962), the Cultural Revolution in the late 1960s and early 1970s, and the cataclysmic upheavals of 1989. The life of the Chinese people was unavoidably being interrupted. Hong Kong became an asylum for the Chinese along the coast who intended to get away from China's turbulence.

At the beginning of its days as a British colony. Hong Kong's ability at maintaining law and order was regarded as one of the top priorities of the government's agenda, if not the most significant one. G.B. Endacott once wrote, as cited by Albert H. Yee, that "the problem of maintaining law and order demanded continuous attention. Crime was prevalent, piracy on the sea, robbery and burglary on the island" (Yee, 1989:31). Montgomery Martin also recorded that, at that time, the European inhabitants were obliged to sleep with loaded pistols under their pillows. Frequently, they had to get out of beds in the middle of the night to protect their lives and property from gangs of armed robbers (Hodge, 1981). In contrast, the political situation of Hong Kong was rather stable. It gave Hong Kong a golden chance to absorb the financial and manpower resources which flew out of China during the century-long instability. Such resources were assets for Hong Kong to promote its social, economic and industrial development in the forthcoming decades.

The Population Growth

Throughout the history of population growth in the second half of the 19th and the first half of the 20th centuries, many Chinese, mainly poor, single, young and physically capable males from the neighboring provinces, notably from Guangdong, moved to stay in Hong Kong as transients who came to seek employment opportunities to improve their lots. Very few of these migrant laborers would consider Hong Kong as their permanent home. Language was among the negative factors stopping the migrant Chinese from staying in Hong Kong permanently. Because Hong Kong was a British colony, and until *The Official Language Act* was introduced in February 1974 to give the Chinese language an "official" status, English was the only official language used in all aspect of life. Other important negative factors included racial discrimination, the British people's general hostility towards the Chinese people, the "unfriendly" legal system and a minority status in society at large. A majority of these transients regarded Hong Kong as a "foreign place" ruled by *gweilo* (the foreign devils). Most of them had left behind their families (either the families of their parents or their own), relatives and a familiar living place in mainland China so as to come to a new environment to make a fortune and return home shortly.

At the time of the Great Leap Forward of 1958, its subsequent famine, as well as the Cultural Revolution in 1966 to 1976, huge waves of refugees poured in. They daily crossed the border to settle in (see Table 1). Since then, the population growth has stabilized under an effective immigration control, with a daily quota set for Chinese immigrants to come across the border. Prior to early 1993, the original quota was set at 75 per day. After that, it was increased to 105. Since July 1, 1995, the daily quota has been further increased to 150. Statistically, the population growth rates were around 2% in the 1970s and around 1% in the 1980s (Census and Statistics Department, 1993). To be more specific for the last decade, the actual annual growth rate of the population averaged 1.5% between 1981 and 1986 and slowed down to 0.6% over the period 1986-1991 (Census and Statistics Department, 1991). It has been projected that the annual average growth rates will be 0.69% in 1996, 0.66% in 2001, 0.65% in 2006, and 0.62% in 2011 (Census and Statistics Department, 1992a).

Table 1 Population in Hong Kong, 1841-1994

Year	Population
1841[3]	7,450
1845	24,000
1861[1]	119,320
1881[1]	160,420
1891[1]	221,441
1901[1]	368,987
1911[1]	456,739
1921[1]	625,166
1931[1]	840,473
1941[3]	1,640,000
1945[3]	600,000
1946[3]	1,500,000
1951[3]	2,015,300
1961[1]	3,129,648
1966[2]	3,708,920
1971[1]	3,936,630
1976[2]	4,402,990
1981[1]	4,986,560
1986[2]	5,395,997
1991[1]	5,522,281
1992[4]	5,811,500
1993[4]	5,919,000
1994[4]	6,061,400

Notes: (1) Census data.
(2) By-Census data.
(3) Rough estimates of total population.
(4) Estimated mid-year population.

Sources: Data for the period between 1845 and 1951 were adopted from: Information, Education and Communication Department, 1977, p. 21.
Data for 1841 were adopted from Ng, 1984, p. 2.
Data for 1992 were adopted from *Hong Kong Monthly Digest of Statistics, December 1994*, p. 1.
Data for the period between 1993 and 1994 were adopted from *Hong Kong Monthly Digest of Statistics, June 1995*, p. 3.

Migration from mainland China has been part of Hong Kong's population growth history for over a century. Since 1949, most immigrants have realized that there was little chance for them to return home in the foreseeable future. Unlike their predecessors who dreamed of returning home in due time with money, these immigrants have decided to set up their families in Hong Kong. As a result, the ratio concerning the place of birth between born-in-Hong Kong and born-outside-Hong Kong has changed correspondingly. The percentages for those born-in-Hong Kong in 1981 were 57.2% (39.6% born in China; 3.2% born elsewhere), in 1986, 59.4% (37.0% born in China; 3.6% born elsewhere), and in 1991, 59.8% (35.6% born in China; 4.6% born elsewhere). The 1991 Census also reported that the overall sex ratio (i.e., the number of males per 1,000 females) of the population had dropped substantially in the last 10 years from 1,093 in 1981 to 1,038 in 1991. In terms of percentage, it was 50.9% for male (49.1% for female) in 1991. Close to 79.3% of the total population had lived in Hong Kong for more than 10 years. By nationality, about 98% of the residents were Chinese or of Chinese origin (Census and Statistics Department, 1991, 1992b).

The Growth of the Economy: Development and Achievement

As a small fishing port ceded to Britain in 1842, there was probably no industry of any kind on the island. In the first few decades after it was turned into a British colony, Hong Kong earned much of its living by trading opium with China and by serving as an entrepôt between China and other countries in the Southeast Asian region. The colonial government's major revenue was collected from these trades.

Strategically, as a deep sea port located at the mouth of Pearl River, Hong Kong was equipped with excellent port facilities. It was no wonder that Hong Kong became a sizable ship building

and ship repairing center in the coastal area. Catherine Jones even suggested that Hong Kong's early "formal" economy in those days was mainly ship repair and maintenance (Jones, 1990). Slowly but gradually, port-related ancillary industries in various spheres (e.g., rope manufacturing, ship painting) were developed to support the ship building and repairing industry to meet local and overseas needs. Other industries included traditional fishing and agriculture.

Apart from the few big companies owned by foreign people, notably the British, the business being set up before World War II in this colony was of relatively small size. It seems that most of these businesses were family-run and owned by Chinese people. Chinese businessmen usually made use of their own financial resources to start up their enterprise, and it was manned either by themselves and/or by family members. The profits gained were reinvested to expand the scale. Generally, only when the scale was expanded to the extent that it was impossible to count only on family members would the business hire non-family helpers.

G. Theodore (1973) described how unfortunate it was the complex economic network with the rest of the world built prior to the war had been destroyed and the business activity in the colony had come to a standstill by the time the Japanese troops surrendered on August 15, 1945. As the colonial government resumed its governing power, "the situation which confronted the administration was challenging. Hong Kong's economic life was dead. The population had melted away, public utilities were scarcely working: food, shipping, industry and trade were non-existent. There was ruin everywhere: wharves and docks were extensively damaged and 20,000 homes had been destroyed. The place swarmed with rats, malaria was rife, for the Colony's anti-malarial work had been cynically neglected, and lawlessness was widespread" (Jones, 1990:17).

Before the British military arrived in Hong Kong on August 28, 1945, the surviving colonial government officials, British and Chinese civil servants, were already improvising a functioning administration. The remaining businessmen and bankers were

endeavoring to resume their operations in makeshift arrangements (Theodore, 1973). When the British government of Hong Kong came into power again, the government instantaneously reestablished Hong Kong socially, economically and structurally.

Soon after the new China was established on October 1, 1949, by the Chinese Communist Party, Hong Kong took the lead over other countries at trading with China immediately. The restoration of Hong Kong's entrepôt trade with China helped to reconstruct Hong Kong's economic links with the rest of the world. To a certain extent, Hong Kong became China's business middleman with other countries. Free trade was restored, and the recovery of the local economy followed promptly.

Hong Kong's economic recovery was interrupted by the outbreak of the Korean War. Immediately after the embargo imposed by the United Nations took effect in 1951, the trade between Hong Kong and China came to an abrupt stop.

Simultaneously, there were numerous Chinese refugees fleeing the country towards Hong Kong. Many of them had no marketable skills and had little or no money at all. These distressed refugees needed to be settled and supported. It was the influx of the entrepreneurs, capitalists, administrators, managers and technicians who came along which was most beneficial to Hong Kong's post-war economic development. These entrepreneurs and capitalists turned the disaster to their advantage by setting up their business, such as artificial flowers, plastics, textile, clothing, and electronics, and by making use of the abundant and relatively inexpensive human resources.

The post-embargo period was a time of industrial diversification. In order to increase Hong Kong's competitiveness, the Department of Trade, Industry and Customs, the Productivity Centre, the Advisory Committee on Economic Diversification, the Trade Development Council, etc., were founded to promote Hong Kong's trade development. The Industrial Estate Corporation was established in 1977 by the government to provide land at concessionary prices to land-intensive and skill-intensive industries (Sung, 1982). The flourishing of business, both of large and small

scales, provided numerous job opportunities to absorb the ready supply of manpower, resulting in the rapid improvement of the workers' livelihood and keeping Hong Kong in a favorable condition for social development.

The former Financial Secretary, Sir Hamish Macleod (retired on August 31, 1995), once commented that Hong Kong's post-war economic takeoff had been based on the export of its manufactured goods (Hong Kong Government, 1994c). Because Hong Kong was such a small territory, the local market was too small to absorb its own products. For survival, the manufacturing of products, hence, was export-oriented. Most of the products made in Hong Kong were shipped either to the United States or to the European countries. It was fortunate that the post-war period was a golden opportunity for social and economic development for almost all industrial countries in the West. However, there were economic setbacks in the post-war era, notably at the time of local social disturbance in 1966-1967 and the Cultural Revolution (1966-1976) in mainland China. The manufacturers managed to pick up their growth rates again as soon as the rocky time came to its end.

Soon after World War II, Hong Kong took the advantage of the Commonwealth preferences granted by Britain to develop a flourishing export trade to the United Kingdom (Miners, 1975) and, lately, has extended to other countries inside and outside the Commonwealth in its post-war attempt to expand its business. Nowadays, Hong Kong has enjoyed the advantage of being closely linked with mainland China geographically and culturally. Also, the blood-related relationship between the people of China and Hong Kong is an important factor for Hong Kong to invest in China. Regardless of their motivation, through investment in China, the people of Hong Kong have made direct contributions in the areas of manufacturing, port facilities, transportation, infrastructure, etc., to China's economic progress. In return, Hong Kong has promoted consistently its export and re-export trades to benefit local economic growth in the spheres of import/export trade, external transport, finance, insurance and business services. Since the end of China's Cultural Revolution,

Hong Kong has enjoyed over 20 years of uninterrupted economic progress, though it has suffered some sporadic setbacks occasionally, strikingly in 1985 and 1989. China's economic development has become the key to Hong Kong's immediate economic success.

Hong Kong has greatly benefited as the gateway to China's potentially profitable huge market as well as to its seemingly infinite investment opportunity. It was recorded that the proportion of Hong Kong's trade involving China had increased from 17% in 1980 to 56% in 1993 (Hong Kong Government, 1994c). For example, in 1994, Hong Kong's trade with China grew by 15%, to total HK$885 billion (i.e., US$113 billion) (Hong Kong Government, 1995).

Meanwhile, some related statistics remarkably tell the successful story of Hong Kong: in 1994, the gross domestic product (GDP) per head was US$21,800, the 15th highest in the world, and ranked the sixth highest in the world in terms of spending power (Hong Kong Government, 1995). Recently, the former Financial Secretary, Hamish Macleod, had predicted that in 1995 the GDP would rise by 5.5% (adjusted to 5.0% on August 25, 1995), the GDP per head would rise to over US$24,000, total exports would rise by 13% (domestic exports by 2% and re-exports by 16%) and exports of services by 9%. And, Hong Kong's trade in goods and services would continue to show a positive balance (Hong Kong Government, 1995). Because of its strong trade performance, stable exchange rates, the formation of strong partnerships with foreign firms, cultural openness, government efficiency, cheap capital, a powerful service sector, a skilled labor force, a well developed infrastructure, a low tax rate, the absence of import control and exchange control, and a cosmopolitan spirit, Hong Kong's standing as an international business center among the 48 countries surveyed by the *World Economic Forum* is extremely good. The *Forum* has reported that Hong Kong is ranked as the third among the world's most competitive nations in 1995, next to the United States (No. 1) and Singapore (No. 2). Among other top-ranked countries are Japan (No. 4), Switzerland (No. 5), Germany (No. 6), The Netherlands (No. 7), New Zealand (No. 8), Denmark (No. 9),

and Norway (No. 10). Hong Kong is the world's fifth largest trading economy, after the European Union, the United States, Japan, and Canada. Furthermore, the territory is rated second out of 48 countries for trade performance (*South China Morning Post*, September 6, 1995; *South China Morning Post*, September 6, 1995: Business Post).

The Government's *Laissez-faire* Policy: Past and Present

As Y.W. Sung has noted (1982), at present, Hong Kong is one of the freest economic systems in the world. There are no tariffs (except on a few specified goods, such as cosmetics, tobacco, fuel, alcohol, motor vehicle taxes, etc.) and no control on capital movement. The government has aggressively and decisively maintained Hong Kong as an international business center. It has deliberately kept regulations to a minimum to encourage the free play of market forces. The basic reason for governmental intervention is to create an economic environment favorable to the functioning of the market and local economic development. It is definitely a philosophy of the *laissez-faire* developed by the government in the early days.

Since the 1890s, the government has kept its determination to facilitate the colony's trade and commerce by making the territory a free port and a trading center. This policy has been executed firmly, predictably and full-heartedly to build up confidence among the investors as well as to eliminate the uncertainties surrounding the investment environment. Literally, the *laissez-faire* policy has meant non-interventionism or a minimum of government interference. Recently, some legislative councillors have even regarded this policy as a wealth creation policy — a free economic system that offers equal opportunity to everyone to create wealth for oneself and fulfill one's ideal (Hong Kong Government, 1993a).

As soon as the government regained its power of governing from the Japanese occupiers in August 1945, the *laissez-faire* policy reclaimed its domination in the administration. The term non-government intervention had slipped into daily use and, thereafter, became a primary guiding principle for the government to develop its economic policies. The government almost gave the industrial and commercial sector a free hand to develop its business. The two former Financial Secretaries, Sir John Cowperthwaite in the 1960s and Sir Philip Haddon-Cave in the 1970s, consistently applied the philosophy of non-interventionism to formulate post-war economic policies for Hong Kong. Recently, this term was replaced by a more progressive one, the so-called positive non-intervention, coined by Haddon-Cave, to support the government's *laissez-faire* economic policy. With the blessing of the skillful, highly qualified, hard working labor force, and the efficiency of government administration, Hong Kong has become one of the most successful financial and commercial centers around the world.

In fact, it seems that the government firmly believes that it is one of the finest means for Hong Kong to provide the best possible economic environment for its businessmen. It is a matter of economic growth and social stability. Governor Patten has highlighted in his latest speech to the Legislative Council the significance of the *laissez-faire* policy. He has also reemphasized to the councillors the relationship between economic growth and the welfare of the local people. The Governor has stressed that "economic growth creates jobs and raises salaries and wages for our workforce. Full employment and decent earnings are the single most important factor in determining the welfare of our families." And, he continued, "only economic growth, maintained from one year to the next, as Hong Kong has achieved annually since 1961, creates the resources to pay for adequate facilities for the deprived, the disadvantaged and the disabled" (Hong Kong Government, 1994a:5).

In the early 1990s, the Financial Secretary, Sir Hamish Macleod, expressed some concern about the philosophy of non-inter-

ventionism and openly declared that he did not fully subscribe to the ideal of that philosophy; he tried to gear his policies to the government's more active role in economic affairs (*Ming Pao Daily News*, February 12, 1992: Editorial). Recently, Governor Patten has shared Macleod's view by saying that, because Hong Kong lives by trade, its goods and services must be competitive in world markets. However, consumer's rights should be defended, and competition should be carried out within a sound, fair framework of regulation and law (Hong Kong Government, 1992). By doing so, Patten asked the Consumer Council to conduct competition policy studies specific to individual industries and asked the government to publish a detailed response within six months after each study report had been released (Hong Kong Government, 1993c).

Macleod further emphasized that, even though Hong Kong government had put its faith in the market, that it believed in small government and that it was the private sector which had generated Hong Kong's wealth, nevertheless, a free market did not mean an economy completely free from regulation, and small government should not be made an excuse for passive government. There were tasks and social responsibilities which only a government could perform (Hong Kong Government, 1995). Macleod once used the term "regulatory environment" to illustrate the government's determination to reaching the very highest standards in the supervision of Hong Kong's financial markets. Accordingly, regulators had to be used to keep pace with innovations to avoid compromising either the growth or the integrity of the market (Hong Kong Government, 1994c). Surely, these considerations have been supported by the Governor's point of view.

It is perhaps the greater interdependence of the Hong Kong economy with advanced trading economies that has forced the government to modify its attitude towards the policy of non-intervention. Hong Kong has been directly and indirectly affected by the economic fluctuations in the West, the prevalence of protectionism in many overseas countries, an increasingly complicated

economic environment, local financial difficulties (e.g., the stock market crisis), property speculation, the persistence of relatively high inflation, and the rising expectation of the local people, etc. The government's more active role in developing social and economic policies pragmatically will extend its positive interference in the area of social services.

Traditional Budgetary Strategy

Norman J. Miners has reported that, since World War II, it had been the British policy to guide the colonial territories to self-government within the Commonwealth (Miners, 1975). It was well known that there was little or no hope for Hong Kong to become politically independent. Financial independence and/or self-support could be regarded as a necessary step to inform London that Hong Kong would not be a burden to the British government economically. Perhaps, it could be taken for granted that to be financially independent was part of Hong Kong's potential self-governing approach, too.

The post-war economic policy and budgetary strategy were formulated in the 1950s and 1960s. Since then, Hong Kong's fundamental economic policies have been guided by three meaningful principles, i.e., low taxes, controlled public spending and free enterprise (Hong Kong Government, 1993c). These are the major factors to the momentum of economic growth. There are clear economic advantages for the government to formulate an annual budget which prevents Hong Kong from running into debt.

It is well known among the local officials that the tax system is formulated to be a tool of the *laissez-faire* policy aiming to achieve its goals of promoting work incentive, economic growth and market competition. Governor Patten even stresses that "low and predictable taxes are the best form of investment incentive" (Hong Kong Government, 1992:2).

In general, there are two recurrent revenue sources in Hong Kong. The first source consists of direct and indirect taxes, charges and fees. The second source is capital revenue, mainly from land sales. Regarding the first one, the tax system in Hong Kong is one of the most straightforward and least onerous tax systems in the world (Hong Kong Government, 1993b); it is rather simple, and the tax rates are relatively low. Comparatively speaking, there are proportionately low corporate and personal income tax rates. For example, the standard tax rates (i.e., the highest tax rates) are much lower than any other countries listed in Table 2, irrespective of the countries' degree of industrialization. Regarding the second one, the price of land sales has fluctuated according to local political, social, economic and financial development. The overseas market and the economic situation may also have some impact on the land sales, notably the sale of industrial land. There is no guarantee for the government how much revenue will be collected each year.

Table 2 Corporate and Personal Income Tax Rates Compared with Select Countries, 1993 (%)

Countries/Regions	Corporate	Personal
Singapore	27.0	2.5-30.0
Hong Kong	17.5	15.0
Taiwan	25.0	6.0-40.0
Korea	34.0	53.75
Indonesia	15.0-35.0	15.0-35.0
Malaysia	34.0	2.0-34.0
Thailand	30.0	5.0-37.0
The Philippines	35.0	1.0-35.0
United States	15.0-34.0	15.0-31.0
United Kingdom	25.0-33.0	25.0-40.0

Source: "The Budget of Singapore: Asian Spirit," *Ming Pao Daily News*, October 3, 1993, p. 30 (in Chinese).

The *laissez-faire* economic policy as well as the low-rate, simple tax system have had a tremendous impact on the government's subsequent social and economic policy. As Macleod explained and reemphasized to the Legislative Council on two occasions recently, the government's policies are "policies to provide incentive for hard work, by a low tax system" (Hong Kong Government, 1993a:3996); and, "higher tax on the rich, or on companies, would act as a disincentive to investment, to effort and ambition, and to growth" (Hong Kong Government, 1993a:3997).

There are some restrictions on the government to increase its income. Hence, the government has held a strong fundamental principle in its annual expenditure: budget according to income. Macleod explained this principle clearly when he addressed the Legislative Council on his strategy in formulating the 1995-96 budget. However, Macleod's strategy could be taken as the government's traditional strategy of budgeting. Accordingly, there are four principal components to the budget strategy (Hong Kong Government, 1995:22-23):

First, the government will control its expenditure so that, over time, it grows no faster than the economy as a whole. This is the elaboration of Governor Patten's words that "government spending must follow not outpace economic growth" (Hong Kong Government, 1992:2). In practice the government cannot do everything it would like to do immediately. It has to set priorities annually, in an orderly and well thought-through process.

Secondly, the government will provide the funds for the programs announced in the Governor's annual Policy Address. The government will live up to its past promises and will refuse to undertake new commitments when these would be beyond its means.

Thirdly, the government will maintain reserves adequate to provide a cushion against future contingencies.

Fourthly, the government will decide whether it is possible to reduce the burden on the taxpayer in the light of its overall economic and financial position.

The new Financial Secretary, Donald Yam-Kuen Tsang, who took his office on September 1, 1995, clearly stated in his maiden speech at a Hong Kong General Chamber of Commerce lunch that there would be no sharp break with the past, no major changes of policy and absolutely no gimmicks. He continued by elaborating that at the heart of the management of Hong Kong's public finances was a very simple formula of low and predictable taxes, balanced budgets, strong reserves and public spending in line with gross domestic product growth. These were the articles of Hong Kong's economic faith. They were the best guarantee of Hong Kong's future prosperity (*South China Morning Post*, September 7, 1995). Tsang's philosophy is clear: what had been used in the past to guide the formulation of the budget would still to be used as his guiding principles.

The Public Housing Program

In fact, Hong Kong does not execute the policy of non-intervention in an absolute manner. Government intervenes when there is a need and when the time is right. Housing is a special example.

Through the history of economic development, due to good luck, the spirit of enterprise, relatively sufficient capital, comparatively competent management skills, and modern technical know-how, Hong Kong has become an affluent city. There are people who are relatively well-off, and there are people who are relatively not so well-off. The modern society has become so fragmented and complex that the traditional, informal helping network — the family, the private charities lending a helping hand — has broken down. People who are not able to benefit from the prosperity of the greater society need to be cared for either by their family members or by society. Perhaps, the so-called free-market economy needs some changes, albeit in a measured manner, so as to provide equal opportunities to all as well as to meet the basic need of the less fortunate. The local government, acknowledging the harmful effect of leaving the destitute unattended, has been forced to provide some basic services to satisfy the needs of those indigent people.

According to Abraham H. Maslow's theory of five hierarchy of needs (Schmolling, Youkeles and Burger, 1989), shelter is considered as one of the physiological needs. It is one of the most basic human needs. To improve the residents' accommodation condition is the first step to upgrade their standard of living. It should be noted that the housing problem is closely related to the territory's socio-political order and stability. To help local residents have a decent place to live is a means to maintain law and public order.

The colonial government is the sole proprietor of Crown Land. Ordinary residents of Hong Kong virtually have no housing expectation of the government (Jones, 1990). The residents have had to find ways to satisfy their housing needs. Yet, after the war, to resettle the wartime destitute as well as to accommodate the large number of refugees in a comparatively short period of time were essential. For the sake of maintaining law and order while saving the government from spending its scarce public money, the government unofficially permitted the refugees to build their squatters' huts on the hillsides, rooftops, and even on sidewalks in urban areas in the 1950s and 1960s. Some of the poverty-stricken even lived in tar paper shanties. This kind of temporary accommodation was a clear sign of poverty.

Three successive big fires that had left hundreds and thousands of victims homeless overnight in the early 1950s sparked governmental action to build publicly subsidized, rented housing to resettle the fire victims. The major purpose of developing the public housing program, according to the first Commissioner for Resettlement's initial report, was that squatters were not resettled simply because they needed, or deserved, hygienic and fireproof homes; they were resettled because the community could no longer afford to carry the fire risk, health risk and threat to public order and prestige which the squatter areas represented, and because the community needed the land of which they were in

illegal occupation. And, the land was needed quickly (Jones, 1990).

The public housing program, administered by the Resettlement Department established in 1954 (prior to that year, known as the Hong Kong Settlers Housing Corporation founded in 1952), which aimed at building low-cost housing for the homeless fire victims was later expanded to rehouse the squatter families and the lower income groups. The housing policy essentially served two goals. On the one hand, the government actually took the opportunity to clear slum areas. On the other hand, the squatters grasped at the chance for resettlement — the residents regarded the program as a means to meet their basic housing needs and to improve their quality of life. The effect of the publicly subsidized housing was obvious. It attained some goals which were not originally planned: it resulted in a great reduction in the number of poor families, and it has reduced the gap between the rich and the poor to some extent ever since. It has been recognized by local residents that the public housing program has been one of Hong Kong's greatest achievements.

When came the time to upgrade the standard of the old public housing, to develop housing policy on a long-term basis and to administer the housing program in an efficient and coordinated manner, a statutory body, the Housing Authority, was established to assume the functions of other departments administering and developing housing policies, Governor Murray MacLehose (who was well respected for his far-sighted planning in the field of social services and his effort at satisfying the needs of the most needy) decreed on April 1, 1973, the *Housing Ordinance* to help develop and administer long-term housing policies. The newly established Housing Authority, combining a number of bodies that had been dealing with housing and resettlement matters, was itself reorganized on April 1, 1988, into an independent authority with financial autonomy.

The Housing Authority introduced the Home Ownership Scheme in 1976 to sell government-built housing to the public (preferably to low-income families) at an affordable price. Since

then, the Housing Authority has managed the government subsidized housing rented to the low-income families; while, at the same time, it has the obligation to build decent, comfortable and affordable housing to sell to the general public at a reasonable and affordable price.

In 1994, the government spent HK$15.4 billion (US$2 billion) on the public housing program, about 400% more in real terms than it had spent 10 years before (Hong Kong Government, 1994a). The Financial Secretary, Donald Tsang, also summed up in his 1996-97 Budget that the government had built about 400,000 new public housing units in the past 10 years (Hong Kong Government, 1996). At the moment, about 48% of Hong Kong's total population are being housed in the government-built flats of various kinds, either rented or purchased (Hong Kong Government, 1994b). Yet, the government's effort at building decent, comfortable and affordable housing for the lower-to-mid-income groups is far from meeting the demand. There are 150,000 families on the waiting list for public rented housing. On average, a family has to wait somewhere around seven years before being allocated a flat (Hong Kong Government, 1994b). In 1993, Governor Patten promised that by 1996 all residents staying in the so-called temporary housing areas built before 1984 would have the chance to be resettled (Hong Kong Government, 1993c). In 1994, the Governor reconfirmed in his annual Policy Address that by 1996 all urban squatters on government land would have been offered rehousing, and, by 1997, everyone living in a temporary housing area would have had at least one offer of rehousing (Hong Kong Government, 1994a). Unfortunately, many residents' dream of being rehoused will not come true as promised, as the Housing Authority openly acknowledged in late 1995 that it is going to maintain some of the temporary housing beyond the time specified by the Governor.

The Implications on the Development of Social Welfare

The review on the political, social and economic development of Hong Kong should have provided the readers with the essential background information to visualize how the government was managing and is going to develop its economic policies, as well as to fulfill its social responsibility in developing social services for the underprivileged now and in the future. Historically, Hong Kong was transformed slowly but steadily from a barren, small island of about 7,450 residents in 1841 into a world-known modern metropolis of six million residents in 1995. The rapid population growth between the mid-1940s and the early 1960s brought many social problems to society as well as to the government. Nonetheless, the subsequent economic success has greatly enlarged the government's financial power to develop the necessary means to tackle the social problems. The development of the public housing program is a good example to illustrate this point.

The achievement and success of Hong Kong are the result of the effort of its people. The government's *laissez-faire* economic policy and budgetary strategy have laid down a financially sound foundation for Hong Kong. The colonial government's administration and Hong Kong's social and economic systems also play an important role in creating the opportunity for the people to accumulate wealth. In addition, China's social and economic development as well as its support for Hong Kong have greatly benefited Hong Kong.

It is the government's assumption, and also the assumption of many Keynesian economists, that, as long as a strong growth economy can be sustained, there are jobs opening up on a broad front, all laborers, including the most inexperienced and unskilled ones, would be benefiting. Wages at all levels would be pushed up. The wages would be even higher if there be a tight labor market (it happened a few years ago in Hong Kong). The growth factor behind a *trickle down* effect from the rich to the poorest

workers would be expected (Bell, 1987). That is to say, with Adam Smith's "invisible hand" of the private market — left to its own devices and the practice of non-interventionism — the quality of life of the residents in Hong Kong will be improved eventually by society's increasing economic prosperity.

However, it is worth noting that, as long as the total population increases constantly and rapidly, inevitably there will be great disparities between the poor and the rich in terms of distribution of income and wealth. Of course, population is not the only factor that causes the great unequal distribution of income. Other factors such as industrial productivity, market structure, family background, labor market, individual capability, personal motivation, proficiency and incentives, as well as the government's social, taxation and economic policies, etc., are significant factors explaining the proportional distribution of the income pyramid. In fact, Henry Mok (1993) has vividly described the disparity between the richest and the poorest being enlarged recently. To some extent, it is due to the government's economic and social policies.

Meanwhile, Hong Kong is among the most affluent societies in the world. It is no wonder to see that the former Financial Secretary, Hamish Macleod, proudly announced that at the end of June 1995 Hong Kong's foreign exchange reserves stood at US$53.6 billion, the equivalent of US$8,933 for every man, woman and child in the territory. Hong Kong was ranked seventh in the world for overall foreign exchange reserves and second per capita (*South China Morning Post*, August 19, 1995). Its huge surplus becomes a good indicator of the government's effective administrative work and budgetary effort, as well as the residents' hard work. However, it is unreasonable that the money continues to be kept in banks while there are destitute people waiting desperately to be assisted. The government should actively make use of some of this financial resource to benefit the less fortunate.

Theoretically, Hong Kong as a capitalist society tends to be conservative. It is suggested that over-stress on the function of the non-interventionism and the free-market economy is a typical

feature of being conservative. Perhaps, there is no better way than to quote Charles Zastrow's words directly:

> Conservatives... tend to resist change.... In economic matters, conservatives feel that government should not interfere with the workings of the marketplace. They encourage the government to support (for example, through tax incentives), rather than regulate, business and industry in society. A free-market economy is thought to be the best way to ensure prosperity and fulfillment of individual needs. Conservatives embrace the old adage that "government governs best which governs least." They believe that most government activities constitute grave threats to individual liberty and to the smooth functioning of the free market. (Zastrow, 1993:13-14)

The government of Hong Kong, which is regarded as conservative by Zastrow's words, believes in commercial competition, Adam Smith's principle of *laissez-faire* and Charles Darwin's concept of the survival of the fittest. These are convenient theories to justify its "passive" welfare policy — to assist those most in need both by applying the *principle of less eligibility*, by adopting the *means-tested approach* and by narrowing the scope of welfare services to a certain extent. Since the beginning, the government mistakenly has taken the social welfare for granted primarily as the public assistance or cash benefit. Hence, it has continually rejected the idea of transforming Hong Kong into a welfare state. Also, it has constantly rejected the idea of a socialist type of interference for fear of promoting dependency on welfare.

A conservative government, such as the Hong Kong government, usually holds a *residual approach* towards social welfare. It believes that every poor person is poor because of a defect in his/her character, i.e, the blame is on the victim. Individuals should be responsible for their actions and behavior. Giving charity to the poor, especially to those undeserving poor, is wasteful. The conservative government firmly believes that problems should rest with individuals or their family. It insists that social welfare should only be provided on short-term basis to reduce the

possibility of permanent dependency. It is relief in nature (although in the name of social welfare). There is no such thing as welfare right and entitlement. And, a conservative government strongly believes that assistance should be made as unpleasant as possible to check its use. As a matter of fact, if the social welfare system is built upon a residual view, it is rather punitive. The scope of social welfare services will be very limited, too.

This theoretically conservative spirit can be found in Hong Kong government's welfare documents. For example, in the government's first White Paper on local social welfare (1965) ever published, it is clearly written that "it is important that control measures should be maintained to ensure that the incentive to be independent as individuals or family groups are not weakened, and that the future capacity of the economy to finance public assistance is not jeopardized" (Hong Kong Government, 1965:8-9). After more than 25 years or so, the same tone is echoed in the 1991 White Paper on social welfare. In this most recent White Paper, it is recorded that "the challenge for Hong Kong is to improve services without creating the sort of dependency culture that has emerged in some developed industrialized societies, a phenomenon that removes the incentive to work and undermines the productive engine of the economy" (Hong Kong Government, 1991:14). It is clear that the local social welfare system is set up according to this residual view. In assisting the needy people, the government's welfare services are mainly focused on improving the people, rather than on helping them to enhance their capacity for social functioning, or to create societal conditions favorable to their goals.

As noted, in the early 1980s, Hong Kong had already become a relatively affluent society when compared with some Asian countries. Hong Kong's statistics on per capita gross national product (GNP) was even approaching some of the industrialized countries in the West. Nonetheless, the money spent on social welfare was disproportionately far less than many industrialized countries — where the welfare systems were normally built with an *institutional view* and emphasized the beneficiaries' entitlement

(see Table 3). Historically, it seems that the government of Hong Kong seldom spends more than 7% of its public expenditure on social welfare (see annual budget).

Fortunately, there are signs of changes lately. As Governor Patten is a politician rather than a professional, colonial administrator, his ways of managing and his policy orientation are not necessarily bound by colonial traditions. If speaking purely from a practical point of view without taking into consideration his political motivation, his philosophy regarding the formulation of social and economic policies is somewhat different from his predecessors. Patten's seemingly more liberal attitude (compared with his predecessors) has guided the administration to ensure fair competition as well as to safeguard human rights and the social well-being of the public, notably the vulnerable people. Hence, the presumably conservative government has swung the pendulum to the somewhat more liberal side. As Zastrow stated:

> Liberals believe that change is generally good, as it usually brings progress. Moderate change is best. They view society as needing regulation to ensure fair competition among various interests. In particular, a free-market economy is viewed as needing regulation to ensure fairness. Government programs, including social welfare programs, are viewed as necessary to help meet basic human needs. Liberals advocate government action to remedy social deficiencies and to improve human welfare. They feel that government regulation and intervention is often necessary to safeguard human rights, to control the excesses of capitalism, and to provide equal chances for success. They emphasize egalitarianism and the rights of minorities.
>
> Liberals generally adhere to an institutional view of social welfare. They assert that because modern society has become so fragmented and complex and because traditional institutions (such as the family) have been unable to meet emerging human needs, few individuals can now function without the help of social services (including work training, job location services, child care, health care, and counseling). (Zastrow, 1993:14)

Table 3 Intercountry Comparisons of Social Welfare Expenditures and Per Capita Gross National Product, 1980-1981

Countries/ Regions	Social welfare expenditure as percentage of GDP[1] 1981 (%)	GDP/GNP 1980 (US$)	Per capita GNP 1981 (US$)
Belgium	30.2	—	9,655
Canada	—	—	11,318
Denmark	29.3	—	10,957
France	27.2	—	10,619
W. Germany	29.5	13,300[3]	11,132
Italy	24.7	—	6,122
Japan	—	8,900[3]	9,578
The Netherlands	31.7	—	9,740
Norway	—	—	13,463
Sweden	—	—	13,233
United Kingdom	23.5	9,300[3]	8,941
United States	14.4	11,320[3]	12,783
Hong Kong	0.9[2]	4,072[4]	4,615[6]
Singapore	—	4,460[3]	—
Malaysia	—	1,760[3]	—
Republic of Korea	—	1,550[3]	—
The Philippines	—	730[3]	—
Thailand	—	700[3]	—
Taiwan	—	2,258[5]	—
China	—	290[5]	—
India	—	240[5]	—
World's Average	—	2,130[3]	—

Notes: (1) Figures for the Western countries were estimated by removing housing and education from total.
(2) Calculated from the Hong Kong's 1980-1981 Budget.
(3) Hong Kong Government, 1982b, p. 49.
(4) Hong Kong Government, 1981, p. 1. (The exchange rate at the rate of US$1:HK$5.14 on December 31, 1980.)
(5) Cheng, 1985, p. 107.
(6) Hong Kong Government, 1982a, p. 1. (The exchange rate at the rate of US$1:HK$5.69 on December 31, 1981.)

Source: Bell, 1987, p. 38.

The running up to 1997 has given the British administration of Hong Kong an excellent opportunity to improve the lots of the deprived. It is perhaps the right time for the government to sidetrack the philosophy of non-interventionism and make use of the available financial and human resources, so as to take up a more active role in the development of social welfare policy to maximize the benefit of its residents and to spend more effort in directing the welfare system towards correcting and improving the deficiencies of society's institutions.

As a matter of fact, it is well understood that since the postwar period, due to the very rapid population growth that took place between the 1940s and the early 1960s, numerous major social problems have existed. On the one hand, there has been great pressure on the government to promote economic development, on the other hand, there has been similar pressure on the government to solve some of the major social problems of the needy. The government has admitted that it was not until the late 1960s that the increasing economic prosperity arising from the rapid and successful industrialization had enabled the public and voluntary social agencies to move on from the provision of basic relief services towards more sophisticated social services. The government has also acknowledged that, even though some of these services had been envisaged in the late 1940s, they had been postponed due to the slow development of suitable programs able to tackle the problem because of the increase in population (Hong Kong Government, 1973).

It is hoped that as Hong Kong has accumulated tens of billions of US dollars in reserves, the improvement of the economic and social conditions in Hong Kong, as well as the new, tentatively more liberal governorship of Patten, will permit the government to take up the social responsibility of caring for the deprived, the disadvantaged and the disabled more readily. Perhaps it is a crucial time for the government to spend more effort to review and develop social welfare programs for the people of Hong Kong in a more generous manner.

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香港社會服務的發展道路

主要的歷史因素

李翊駿

（中文摘要）

本文的主要目的是要爲讀者（尤其是對香港的政治、社會、經濟等發展認識不深的西方讀者）提供一些歷史背景資料，以展示香港政府在制訂社會及經濟政策過程時所扮演的角色，和對社會福利政策的態度。香港政府素以發展經濟爲其首務，在策略上利用推動經濟成長來帶動社會發展，改善民生。從過往以至現在的政策制訂過程中，可以看到政府不斷透過制訂合適的經濟政策，爲工商界提供一個良好的投資環境，發展業務。政府發展經濟的主要目標，是要致力提高香港的進出口及轉口業務，使香港成爲鄰近地區的一個重要轉口港，以及一個世界性的金融和商業中心。政府近年來的努力終於使香港的經濟發展突飛猛進，成爲世界上一個成功的例子。政府在推動經濟成長之餘，顯然並不重視發展低下階層市民生活所需之社會福利服務。基本上，香港今日大規模的現代化社會福利制度，是由一些與西方慈善團體有聯繫的，或跟西方宗教團體有統屬關係的非政府社會服務機構（前稱志願服務機構）在六十年代前奠下基礎的。香港政府的做法，只是因利乘便，透過整體性的資助政策，將這些社會福利服務較有系統地連結起來，加以擴展而已。