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Poverty in Hong Kong: Why Policy-makers are to Blame

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Contemporary Hong Kong

- SARG has cut its commitments to social services/housing, hoping to shift responsibility for their provision from community to families.
- But the average family's resources did not improve sufficiently 2000-11 to finance this burden, aggravated by an ageing population even though labour productivity rose 3.4% p.a. (Singapore, 2.4; US, 1.4; Germany, 0.8).
- Economic and fiscal crises did not necessitate the adoption of the new policies, whose adverse consequences were foreseeable.

Past Policies Created Current Poverty

- Pensions plans were blocked by officials and business leaders:
 - for a CPF in 1967, 1978; an OAPS in 1993.
 - As a result, 40% of CSSA recipients are aged 60+ with no retirement/ pension incomes.
- Full free schooling 6-15 was not provided until 1978.
 - As a result, workers aged 50+ have grim job prospects through no fault of their own and become long-term unemployed.

Distorted Memories

- In 2000, LegCo business members looked back to a golden age: 'No CSSA, no job referral service or Employees Retraining Scheme'.
- 'In the 1950s and 1960s before the economic take-off', people were generally impoverished. In order to live in better conditions, all one could do was to work assiduously'.
- Now, 'there is increasing dependence on the Government and ... many unrealistic expectations of the Government'..

Hong Kong's Uncaring Tradition

- With 1 mn 'homeless exiles all human compassion baulks'. (*Annual Report*, 1956)
- Cowperthwaite (1961-71): Rely on the market (not gov't) to solve Hong Kong's Third World social problems.
- Haddon-Cave (1971-81): 'The purpose of the fiscal system is not [to] pursue social justice'.
- Bremridge (1981-86): 'The proclivities of decent men and women to spend hugely on social measures' need to be countered by 'tough budgetary policies'.
- Tsang (1996-12) 'I do not buy the idea of assisting the poor by giving them financial [help]'.

HKG: No Shortage of Funds

- Grantham in 1952: no 'real shortage of funds' for social or economic development.
- Cowperthwaite: finance was not the obstacle to housing and social service programmes.
- Haddon-Cave: doubts about 'the growth momentum of the past 10 or 20 years being sustained' were unjustified.
- Bremridge: 'the true shortage is of resources including people and not of money'.

Child Neglect (1950s)

- In the principal maternity hospital, mothers ‘two in a bed’; ‘no facilities for adequate...washing of linen’.
- Kwong Wah nurses admit ‘most’ abandoned children ‘not properly attended’; ‘some small babies...not even fed regularly’.
- 67% of school children ‘nutritionally sub-normal’. Proposed meals service for 50,000 ‘badly undernourished’ rejected because of ‘the detailed administration and organisational work’.

Homes: The Lowest Standards (1960s)

- Squatters (17% of pop.): water '1 tap for 500 people'; latrines, '1 compartment to 100'.
- Resettlement (13% of pop.): living space per head 'lowest in the world. 'Officially depressed' to 16 sq.ft./adult and 8 sq.ft./child.
- New private sector: Families may face 'a more serious health hazard, and bring up their children mentally, socially and physically more handicapped or stunted than in squatter shacks'.

Welfare: Official Sabotage

- 1958: New SWD but no 'clear and approved social welfare policy'; no professionals to draft plans; but the potential for 'enormous and ever-mounting expenditure'.
- 1965: Policy overview finalised but 1967 follow-up 5-year plan ignored in draft and the revision ridiculed in 1971.
- 1964-71: Except for start of PA, Trench's personal lobbying blocked by senior officials who successfully obstructed SWD 'as a matter of deliberate policy'.
- 1971: End of 'Third World' constraints as professionals start the policy flow: White Paper, 5-year plan and elderly care programme (1973), Green Papers on the elderly and social security (1977)

Employers' Profits Prevail

- 1960: S. Y. Chung (FHKI): 'Industrialists would not improve working conditions' unless land prices reduced.
- 1967: Cowperthwaite denounced official proposals on labour reforms for 'emotional prejudice against employers ...and profits'.
- 1981: Maria Tam complained about 'severance pay, workers' insurance, paid maternity leave etc.' paid for by employers while HKG refused them 'low interest loans' and 'low-cost factories'.

Employees' Protection Delayed

- 1958: HKG promised HMG to introduce 'paid sick leave and public holidays, maternity benefit, weekly rest day'. Not implemented until 1968 Employment Ordinance.
- 1966: Trench urged minimum wage unsuccessfully.
- 2005: Tsang Yam-kuen promises minimum wage law.
- 2007: Tsang promises hours law but reneges begging LegCo in 2010 'do not push me to do this...so quickly'.
- 2011: Minimum wage finally enacted followed by revelation that 'over half' the 40,000 unskilled workers on 'government service contracts' needed 20% pay rises to comply with the new law.

'Pragmatic' Social Spending

Past social reforms are explained as inspired by expediency/convenience:

- responses to unrest (1953 Shek Kip Mei fire, 1996 Star Ferry Riot, 1967 Maoist confrontations);
- 'hidden subsidies' to manufacturers (resettlement, education programmes)
- This flawed analysis encourages current policy of 'welfare' to foster social harmony.

No Socio/Political Threats

Since 1950, only 28 serious incidents of collective violence (B.K.P.Leung 1990, 1994)

- Shek Kip Mei Fire 1953
 - 60,000 homeless overnight. Only 3 crimes reported.
 - ‘We should do nothing for the squatter as such, whether or not he is a victim of a fire’.(Holmes, CforR 1954)
- 1967 Confrontation
 - Officials remain hostile to reforms. Future DSW declared himself ‘allergic’ to ‘welfare people’. (Topley Nov 1967)
 - FS rejects CPF/social insurance.

Third World Social Standards Still

Social expenditure as share of GDP:

OECD:

- 1960: 13%
- 2001: 22%

Hong Kong:

- 1961: 5%
- 2001: 12% (Castells 1990;Chack Kie Wong 2008)

Welfare's Low Political Priority

- On 'autonomy' and integrity issues (e.g. patriotic education, Article 23), public criticism is large-scale and effective.
- Political parties' criticism of reduced social services and higher fees and charges (eg, schools, hospitals) is limited.
- No major political groups support a 'welfare state' or 'income redistribution'.
- All major political parties believe HK cannot afford free, comprehensive social services.

Self-inflicted Crisis, 1998-2003

Social service and public housing cuts were presented as the unavoidable outcome of the Asian financial crisis.

- Hong Kong's 1998 recession followed the slump in public and business confidence when satisfaction with SARG performance fell to record lows. (*G/S*, 03/08/98)
- CE: 'It would have been easier ... to ease back into another bubble economy...with Keynesian fiscal and monetary stimulus' My way will 'take longer...imparts more pain in the short term...but is ultimately healthier'. (*G/S*, 10/08/00)
- GDP fell 23% with 'job losses and reduced income' for 90% of families. (CE *G/S*, 04/12/04, 29/05/04)

Erroneous Economics

- The first CE claimed recession was inevitable: 'For years ... our competitiveness has gradually lagged behind that of our competitors'. (CE, *GIS*, 07/12/98)
- This claim was false:
 - 1990: world's 10th largest trading centre;
 - 1995: world's 7th largest trading centre (C&SD, *A Comparison...* p. 30.)
 - 1984-97: export prices rose less than inflation overseas and locally. (Deputy CE HKMA, *GIS*, 04/12/97)

SARG: Firmly in Denial

- 2005: Commission on Poverty: 1.03 million
- 15 % of the population - lived in poverty.

(CoP Paper 14/2006, July 2006)

- 2011: 'In a free, open and mature capitalist economy, the wealth gap can hardly be eradicated...The wealth gap has become a structural cause of social tension'. (*CE Policy*

Address 2011)

SARG: No Shortage of Cash

Total net assets 2011: \$1,230 bn

	2000	2011
Total budget reserves	\$430bn	\$662bn
Total budget spending	\$233bn	\$366bn
Months spending covered	22	22

Welfare: A Waste of Money

Hong Kong government and business leaders deny that the state can help the poor:

- 'The Government must never try to assist the poor using its own resources, for this is doomed to failure'. (CE (Tsang Yam-kuen) *LegCo* 27/06/05)
- 'Providing financial assistance is not the best way to lift people out of poverty'. (FS (Henry Tang Ying-yen) *LegCo* 16/03/05)
- 'We should learn from countries where welfare populism, believed to be the principal cause to the accumulation of sovereign debts, has destroyed prosperity... I am not an expert in ...these countries'. (FS (John Tsang) *GIS*, 7/11/12)

Welfare Cuts are Good for You!

- 2003: SWD stated EPP savings meant more NGO residential services, same premises, lower costs, no loss of quality. This claim not credible.
 - 1999: subvented elderly homes already at full capacity, average waiting time of 29 months. SWD licensing and inspection of homes still incomplete.
 - 2003: 7,537 disabled faced 13-102 months average wait for residential places despite SWD attempts to use 'the compassionate rehousing arrangement and self-financing hostels' as substitutes for residential care. (Director of Audit 2004)

How do the Poor Survive?

	2001	2005	2010
Unemployed NOT receiving CSSA (%age of total)	86	79	78
Low-waged NOT receiving CSSA (%age of total)	91	81	78
60+ NOT receiving CSSA (%age of total age group)	85	83	86

Patients must Pay

From 2001, Hospital Authority no longer given funding to provide patients free of charge with:

- Pacemakers
- Interferon for hepatitis, chronic myeloid leukemia and multiple sclerosis
- Growth hormone for children with growth retardation
- Taxane, letrozole and anastrozole for breast cancer (E K Yeoh, SHW, *LegCo*, 9/05/01)

Hospital Budgets Cut

- CE 2005: 'There has been no deterioration of service quality'. (*LegCo 27/06/05*)
- HA public statements:
 - 'Limitation of resources' means that 'quality started to be compromised'. (2005)
 - Inadequate funds for 'new technologies and pharmaceuticals... [and] equipment'. (2007)
 - Queues continue to worsen for all specialties, particularly surgical. (2008)
 - HA beds decreased 8% 2000-2010.

How can families pay?

	2001	2006	2011
Average household size	3.1	3.0	2.9
Average monthly income per household	\$18,710	\$17,250	\$20,500
Average monthly earnings per person	\$10,000	\$10,000	\$11,000
Gini Coefficient	0.525	0.533	0.537

Additional Data and Sources

1. *Uneasy Partners: The Conflict between Public Interest and Private Profit in Hong Kong* (2nd edition 2009)
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3. Tony Latter (ed.), *Hong Kong's Budget: Challenges and Solutions for the Longer Term* (Hong Kong: Civic Exchange, 2009)
4. *Profits, Politics and Panics: Hong Kong's Banks and the Making of a Miracle Economy, 1935-1985* (2007)