

Hong Kong's Welfare Model Reconsidered
- What Model? What Traits? And What Functions?

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Abstract

From a liberal standpoint, Hong Kong's welfare model is often seen as an embarrassment. On the other hand, conservatives hail it as a vindication of Hong Kong's free market system. Little consensus is reached on what the model actually is, the features that are unique to it and what functions it fulfills for society. The paper is an attempt to examine these issues. It is argued that after many decades of incremental improvements, Hong Kong has developed its special welfare approach that differs from the classic residual paradigm and the East Asian Welfare Model. Neither does it rely so heavily on the use of social security as the main instrument of social protection that is characteristic of welfare systems in industrial economies. The extant system represents a complex mix of residual strands as well as principles of universalism and social equity. Under this system, all social classes benefit, albeit to varying extents. By the standards of advanced welfare states, of course, benefits are not generous but neither are they niggardly. In terms of service delivery, both civil society and the state are key players. In particular, the state plays a bigger role than is commonly conceded. It is also found that the system exhibits considerable stability and effectiveness, which can be attributed to the distribution template that cuts across class lines. Nevertheless the system faces key challenges that demand redress and responses to new problems.

Key Words: welfare model, Hong Kong social welfare model, uniqueness and functions

Social Welfare Reconsidered in Hong Kong – What Paradigm?

Social policy researchers and social workers in Hong Kong are often embarrassed about the local welfare system. The system, in their view, is too residual in character and lags behind the territory's advanced economy. Critics highlight the absence of pensions, unemployment benefits, and meager social assistance as gaping holes in the social protection system. On the other hand, the government often congratulates itself that the city has not gone down the path of the welfare state of Britain, the former colonial power that ruled the territory for more than 150 years. Conservative opinions, coming from employers, financiers, and even middle-class tax-payers, consider that a modest approach to welfare gives the right safeguard for Hong Kong's free market system. In their view, minimal social intervention is appropriate. On the more academic question of whether Hong Kong's welfare model, whatever it is, has credibility as a viable approach to welfare provision, few people have given much thought. Given its small size and special circumstances, what useful lessons can Hong Kong offer to other territories? What is the Hong Kong approach anyway? Does it amount to any distinguishable paradigm?

These are all legitimate questions. From my jaundiced perspective, the answers are all in the affirmative. In terms of size, Hong Kong is really not that small. In mid-year 2007, the population stood at 6.98 million, exactly the same as that of Israel (6.99 million), similar to Laos (6.52 million), and bigger than Norway (4.63 million), Denmark (5.47 million) and Finland (5.24 million) (US Census Bureau, 2008). The local welfare system does have interesting features that mark them out from mature welfare states and the East Asian Welfare Model. Also, the functions it performs are positive in the main, its legitimacy attributable to its stability, effectiveness, and cross-sectional support. In recent academic forums in China, Mainland and western participants have expressed interests in Hong Kong's peculiar welfare model. Deficiencies it certainly has, as with any system. On further examination of its approach, features and social functions, there may be little cause for apologia and embarrassment.

The branding of Hong Kong's welfare approach arouses contention (Jones, 1990; Chan, 2003). Scholars studying Hong Kong welfare issues and social workers tend to see it as a residual system. This sees social welfare as an institution that ameliorates the failures of the market economy and the breakdown of family functions. Hence the beneficiaries are mainly individuals and families who cannot help themselves, principally the old, sick and disabled, single families, the unemployed and people with special needs. In order to foster self-reliance among able-bodied persons and deter long-term dependency, the government deliberately sets assistance scales at a very low level. As a consequence, welfare recipients struggle with social stigma, pushing some to leave the public safety nets. The harsh treatment and the underlying negative notions is widely condemned as mean and unreasonable, even an affront to justice. People who hold these views are generally in favor of an institutional approach to welfare. Under this notion, the welfare state should provide universal services to all, strive for social equity, and provide benefits on the basis of need. Welfare should be seen as a vital and indispensable social institution that stands on par with the economic system, rather than treated as an adjunct to it (Wilensky and Lebeaux, 1965).

On the other hand of the political spectrum, employers and business groups believe Hong Kong already has a full-fledged welfare system of an acceptable standard. Every year the government allocates vast sums of public money to supply free education for all, health, subsidized housing, financial aid and social services for the community. This is the best that can be done. They point out that emulating the British welfare state, depicted (erroneously in my view) as a system of free and expensive benefits for all citizens, is unaffordable and wrong for Hong Kong, given its lack of natural resources and vulnerability to external economic forces. The government, it is claimed, has already done a lot for low-income groups, who are exempted from taxes while the middle and high income groups bear the brunt of taxation. Hence, the widely available public goods are already playing redistributive functions (Ng, 2008). It was also suggested that Hong Kong has developed one of the most comprehensive welfare systems in Asia (Castells, 1998; Chan, 2003; Chau and Yu, 2003). Furthermore, in order to promote high operating efficiency and citizen responsibility, it is unrealistic to provide too many free services. On the contrary, they believe in a bigger role for the market in supplying social goods and greater use of the cost recovery principle, which can conserve resources and increase competitiveness. Views like these are similar to liberal economics. They also share the core beliefs of new public management.

In the last decade, the East Asian Welfare Model (Goodman and Peng, 1996; Holliday, 2000) was much in vogue in accounting for the social welfare systems in East Asian countries. In these societies, economic growth takes precedence over social development. The developmental state trajectory that is commonly adopted provides the basic framework on which welfare systems are embedded. Hence these states strive to restrain social spending to modest levels, giving priority to social investment projects that facilitate economic growth, for example education, health, and vocational training in order to enhance their competitive advantages (Midgley, 1995; Tang and Midgley, 2002). The values that underpin their social system are strongly influenced by Confucian culture, which extol filial piety, self reliance and familial duty. Even their political values and systems lean towards conservatism and authoritarianism. Likewise, civil society in these places is more receptive to state patriarchy and state-society cooperation championed by power elites. The coupling of such forces produces welfare systems whose standards lag behind their level of economic development, is less comprehensive than welfare states in liberal democracies, but is more conducive to economic competition. The notion of an East Asian Welfare Model has attracted much attention and debate. It offers an alternative paradigm that breaks down the hegemony of social policy theory dominated by Euro-centric welfare states and welfare capitalism.

How might one judge Hong Kong's welfare approach against the universal-distributive, residual, and East Asian paradigms? On the surface, the Hong Kong way shares some affinity with each of these systems. At the same time, empirical reality is also at odds with each approach. It is generally accepted that Hong Kong citizens value hard work, self reliance, family duty, and thrift in individual and public spending. A core program, social assistance (Comprehensive Social Security Assistance, CSSA) is noteworthy for its low benefit level and social stigma. However, public services like education and health are enjoyed by all citizens, not just the poor.

The notion that Hong Kong's welfare approach is basically mature and comprehensive, that it is targeted at the needs of low-income groups, and that the system is redistributive and

paid for by the rich and middle class is inaccurate. It is true that the poor and people with special needs like elderly and disabled people are heavy users of social security benefits and in-kind social services. It is equally true that many other social programs like education and health serve all citizens. At the same time though, public housing takes care of the housing needs of low-income groups and segments of the sandwiched class, adding up to nearly half of all residents. Neither is it wrong to assert that the bulk of taxation comes from high and middle-income groups as 61% of employees do not pay income tax. Also, given the low tax rates (ceiling of 15% for salary tax and 16.5% for profit tax), most citizens retain more personal earnings for private disposal, although the rich would benefit the most. Meanwhile, income inequality has widened. Hong Kong's Gini Coefficient has worsened steadily over time, from 5.18 in 1996 to 0.533 in 2006 (Census and Statistics Department, 2007). This is among the highest in industrial economies.

Does Hong Kong's welfare system conform to the East Asian paradigm? The answer is yes and no. To begin with, the East Asian model is too nebulous and ambiguous. Indeed, every state in the region has its own idiosyncrasies. It is a moot point whether one single paradigm can accommodate myriad experiences and approaches. The culture of welfare in Hong Kong is quite distinctive. First, Hong Kong is the heir to the social welfare traditions from her colonial past as well as Chinese Confucian culture. The integration of the two legacies produced a special mix of welfare values and practices from east and west. From this angle, the welfare approach of Hong Kong and Singapore are quite similar, with the former retaining more universalistic programs like health care. Second, the intervention of the Hong Kong government may be broader and deeper than other states in the region (Castells, 1998; Chau and Yu, 2003). In Hong Kong, half of public expending goes to the social services (including education, health, housing, social security, personal social services, and labor services), accounting for 10% to 12% of GDP. Third, Hong Kong is a Special Administrative Region (SAR) of China. Under the "one country, two systems" formula, the territory retains her economic, political, and social systems from before the return of sovereignty. This kind of constitutional status has no precedent in history. Last, in the East Asian context, welfare development is intimately bound up with state building and the consolidation of legitimacy. In comparison, the impetus for the development of Hong Kong's welfare system followed an incremental and evolutionary approach. This kind of trajectory represents a rational choice in solving social problems, which manifests both path dependence and a response to the challenges of social and economic change (Goodman and Peng, 1996; White and Goodman, 1998). Needless to say, the high-speed economic growth that took place after the Second World War gave the resource base for social development.

In summary, the welfare approach of Hong Kong has distinct characteristics. It does not conform fully to the East Asian paradigm. Neither is it a variant of other theoretical formulations. Indeed the disjuncture between reality and theory or ideal types raises basic questions on the usefulness of the latter. Even if the broad shape and component programs are comparable, the devil is often in the details. Indeed if one looks deeply at how one system evolves, including the impetus for continuity and change, the welfare trajectory of each nation is individualistic.

Hong Kong's Welfare Model – What Traits?

The special nature of Hong Kong's welfare system can be appreciated with a look at its key features. First, it is built on the basis of a highly developed economy and a unique polity. Her GDP in 2007 was HK\$1,612.6 billion or HK\$232,836 per capita (www.gov.hk/en/about/abouthk/facts.htm), similar to per capita GDP in the UK and France. Its Human Development Index (2003) ranked 22nd in the world, respectable among industrial economies, just behind Japan in Asia and on par with Singapore. Hong Kong's economy is consistently rated as the freest in the world. Its adherence to a low taxation system means that only one third of residents pay salary tax. Coupled with a high savings rate (about 35%), a stress on family obligation, and the ethic of self reliance, private efforts become the key to personal well being and success. Its status as an SAR in socialist China but with a high degree of autonomy is again unique. The governance regime is executive-led and highly centralized, rightly criticized as high in freedom but low in democracy. These economic-political peculiarities imbue the welfare system with special imprints.

Second, its culture of welfare (Pinker, 1986), composed of two key components: welfare values and welfare institutions, is distinctive. The former supplies it with the moral and philosophical underpinning while the latter comprises practices and institutions of social intervention. In terms of welfare values, Hong Kong citizens hold firm beliefs in hard work and improving the well being of oneself and family through personal industry, thrift and saving up for uncertain times. The loss of personal independence is considered shameful. At the same time, people place great value on the family and the family support. When problems occur, help is first sought within the family unit. Only when this fails would one seek help from community and social organizations. Government aid is often seen as the last resort. Most Hong Kong people, despite the veneer of westernized lifestyle, still embrace Chinese cultural values and believe in precepts like doing good to shore up moral credits. Engagement in philanthropy and helping others not only contributes to society, it also raises one's reputation and social standing. Besides, Confucian thinking espouses self cultivation and role adherence in relation to family, society and the state. Pursuance of social duty is deemed more important than fighting for individual right (Chow, 1995; Wong, 1998). In the course of time, traditional values have undergone erosion and change. In particular, as education levels rise and western notions of citizenship takes hold, individualism and right consciousness goes on the rise. As a corollary, citizens hold higher expectations on the government.

In the provision of welfare, multiple key players are involved. Of central importance is the family, followed by various types of social organizations. Of these, local philanthropic organizations featured prominently in the welfare landscape. Notable cases are the Tung Wah Group of Hospitals and the Po Leung Kuk. The former began as a charity giving free medical care and burial service for the indigent laborers who came to work in 19th century Hong Kong while the latter specialized in protecting women and girls from physical and sexual abuse. Of equal salience were western missionary bodies which delivered many welfare programs for needy groups. Before and after the Second World War, the dearth of state welfare services made the voluntary agencies the major providers of social needs in a society that has not yet attained affluence. Only after the economy completed its take off did the government take over the primary onus for welfare. In particular the introduction of public assistance in 1971 allowed the voluntary agencies, later called NGOs, to transform their mission from dispensing relief to running professional social work services (Chow, 1995; Tang, 1998). Now, Hong Kong NGOs

deliver the bulk of all personal social services (family counseling, youth work, rehabilitation, elderly care, and community services). Over 70% of their funding comes from the government, augmented by fee charges and donations. The subvention policy in effect incorporates NGOs in a kind of statist-corporatist framework, turning them into agents of the state to deliver needed programs under service contracts (Lee, 2005). Injection of public funding demands public accountability through a regime of government monitoring and regulation. In the region, Hong Kong's NGOs are known for their dynamism and long history of civil society engagement. Since the 1970s the government's role in welfare matters has been paramount – with unequivocal charge over policy formulation, policy review, funding, service delivery, agency regulation, coordination, and professional guidance. Apart from multiple-actor engagement, another key feature is the choice of welfare instruments. In this regard, the use of direct social services is extremely important. In western welfare states, up to half of social spending is spent on social security (principally pensions) and financial assistance. In the case of Hong Kong, social protection relies heavily on direct service support which serves a greater proportion of the citizenry than safety net provisions for the poor. Contributory social security is distinguished by its absence.

The third hallmark is the leading role of the public sector. A few amplifications are pertinent. Firstly, spending on the social services accounts for half of public spending. Given the fact that Hong Kong has no military expenditure and the SAR pays no taxes to the central government, public spending accounts for only 20% of GDP. This is considered appropriate under the principle of financial prudence stipulated by the Basic Law, Hong Kong's min-constitution. Among all expenditure areas, social spending ranks the highest. In 2006-2007, Hong Kong spent HK\$132.2 billion on welfare programs, accounting for 54.7% of government budget. The share of various social services are as follows: 21.5% on education, 13.8% on social security and social welfare services, 13.3% on health, and 6.1 on housing (*Hong Kong in Figures, 2008 Edition*). Secondly, the actual coverage of social services is high. The list of achievement includes: nine years free and compulsory schooling for all pupils (extended to 12 years of subsidized education in 2008-2009); heavily subsidized university education for some 20% of relevant age cohorts; health care for all at nominal charge in government hospitals and clinics (HK\$100 for hospital treatment, \$68 for outpatient treatment); low-rent public housing for 30% of the population and subsidized home-purchase (20-30% below market price) for 18% of residents; financial assistance for about 15% of families (CSSA, Old Age Allowance, Disability Allowance); and annual spending of HK\$20 billion on social security. Additionally, some 20-30% of all citizens are users of different kinds of personal social services. Other supplementary points are: use of the social services does not require prior contribution and fee charges are low. For example, education and health are universal non-means tested programs. Public housing is targeted at families with relatively low incomes. In comparison, financial aid has the harshest terms involving test of income and asset. Finally, the pattern of service consumption reflects people's preferences. For example, many rich and upper-middle income families send their children to semi-private schools and international schools; they also eschew treatment in government clinics (although 90% of all patients attend public hospitals). These choices reflect the higher standards and superior means of well-off service users. For them, market offerings are more to their taste despite their entitlement to public programs.

The fourth distinguishing feature points to a weak link in Hong Kong's welfare system - the delay and failure to institute a system of contributory social security. Since the 1970s, labor groups and social workers have pushed for a proper social security system. The government, backed by employers, industrialists and financiers, was reluctant. After twenty years of debates, bargaining, and compromises, the government finally agreed to set up the Mandatory Provident Fund Scheme, which began operation in 2000. The MPF is a system of compulsory savings paid for by employers and employees (5% of salary each) to buy privately run provident funds. At retirement, employees get their benefit in one lump sum. At the end of 2007, 99.7% of all employees and 75.7% of the self-employed have been covered (Mandatory Provident Fund Schemes Authority, 2007). The scheme is notable in a number of respects (Lui, 1998; Ngan and Cheung, 2000; Siu, 2002). First, it is delivered purely by market providers. Second, the government role is minimal: it confines itself to forming a public body to oversee the proper running and regulation of the scheme but refuses to guarantee the solvency of the investment, thereby placing all risks on contributors. Third, the return on investment depends solely on the performance of the chosen funds. Finally, it is commonly agreed that the MPF falls short of yielding adequate income for retirement. For people paying low premiums, the yield may be lower than social assistance.

Government reluctance in intervening in the labor market is the fifth distinguishing feature (England and Rear, 1981; Wong, 1999). Of all the social services, labor welfare gets the least attention. Until now, Hong Kong has no minimum wage, nor unemployment insurance. Unemployed people who face financial hardship can only rely on social assistance, if family resources run out. In the last decade, the government has become concerned about the sharp rise of welfare payments, especially among the unemployed, low-waged workers, and single-parent families. In order to deter dependency and steer able-bodied recipients back to work, a program called Support for Self-Reliance (SFS) was introduced in 1999. Akin to workfare programs in the west, SFS requires targeted persons to receive employment counseling and accept jobs introduced to them or participate in community services. The penalty for noncompliance is reduction or cut in benefits. The effectiveness of these measures is hard to gauge. In times of economic recession and high unemployment, few welfare recipients actually succeeded in getting back to the job market. However, the political and ideological significance of workfare is clear: government is eager to deter welfare dependency or to be seen as responding actively to the problem (Wong, 2008). This stance is indicative of society's prejudices against economically unproductive persons and people with questionable work habit and attitudes. More importantly, it signals state resistance to intervening in labor market and wage matters. Until now, only foreign domestic helpers enjoy statutory minimum wage and protection of working conditions. Recently, however, community concerns about low wages, the working poor, and long work hours have become more vocal. In a gesture to pacify the critics, the government initiated a two year campaign for voluntary wage protection for cleaners and security guards. The result was disheartening: only 52 percent of such workers were earning more than the median wage for their jobs compared with 44 percent two years ago. Under mounting public pressure, the Chief Executive finally announced in his 2008-2009 Policy Address that a bill on minimum wage covering all occupations would be introduced in 2009, based on the recommendations of an advisory Minimum Wage Commission. To forewarn unrealistic expectations, the government suggests that the statutory minimum wage is unlikely to be high (*South China Morning Post*, 16 October 2008, A4; *Ming Pao*, 16 October 2008, A6).

Finally, Hong Kong's welfare apparatus is marked by a high degree of professionalism. After incremental efforts to improve service standards and management systems, the social services are pitched at professional benchmarks. Key to the attainment of quality is the use of trained professionals. Social work is a case in point. With the legacy of fifty years of social work education and example of British practices, social work has gained recognition as a profession and the services offered conform to western professional standards. This is true of health and education, and, to some extent, housing. The performance of public health is noteworthy. A good example is the high degree of professionalism displayed during the SARS crisis in 2003. From the beginning spell of helplessness in fighting the unknown disease, health managers and practitioners, with the support of bio-medical researchers, served their patients with dedication, to the extent of self sacrifice. This and the effective crisis management strategies finally allowed Hong Kong to pull through the disastrous epidemic.

Social Welfare in Hong Kong – What Functions?

If one likens Hong Kong to a building, social welfare can be regarded as part of the supporting structure. The social welfare nexus is organically linked to the economic, cultural, political and social systems, all mutually supporting. Together they hold up the society of Hong Kong. In examining its outcome, it is clear that the welfare system fulfils many useful functions for society. At the same time, its many failings also produce noticeable negative consequences.

Hong Kong's welfare nexus is complex and extensive. Like social welfare in most societies, welfare programs serve the overall aim to enhance personal and societal well being and promote social development. In historical perspective, welfare development in Hong Kong was marked by scarcity and low standards before the Second World War. The half decade of evolution since then saw expansion in both quantity and quality, which responded to society's needs and continually elevated people's quality of life. Universal programs like education and health are rights-based, ensuring that social needs are met irrespective of one's market position. To society, these services represent an investment in people. Hong Kong's high HDI can be taken as proof of social progress (Chan, 2003).

Different social programs deliver specific functions. In public housing, the original policy intention was to provide cheap and safe dwellings for low-income groups. Later, the Home Ownership Scheme extends benefits to the sandwiched classes. In the context of land scarcity and high property and rent levels, housing subsidies give substantial benefits to families who otherwise cannot afford to buy or rent in the private sector. Spending less on housing increases disposable incomes, which one can spend on educating one's children, improving living standards, or accumulating capital for entrepreneurship. Furthermore, public housing is usually built in the new towns. This relieves the congestion of the urban centers and is a better use of land resources and living space (Lee and Lau, 2003). In a comparative perspective, housing intervention in Hong Kong is extensive. Public housing takes care of a larger proportion of the population than in most countries, even welfare states. The social and political significance of subsidized housing is well recognized. By providing affordable housing to half of the population, the public housing program give people a stake in society and makes it socially stable. Economically speaking, cheap rents alleviate the pressure on wages. This kind of indirect

subsidy to employers is a catalyst to industrialization and a boon for economic growth (Wong, 1978; Castells, Goh and Kwok, 1990).

The stabilizing role of social welfare becomes apparent if one takes a holistic look at the contribution of the key programs. Using the analogy of the building again, the social welfare mansion in Hong Kong reveals a pyramidal design, with each service taking refuge in different floors of the edifice. To begin with, the ground level is taken up by education, which covers all school aged children. The first floor accommodates low-cost and accessible public health care, despite wide use of private health care by middle and high income groups. The second floor accommodates the public housing program, which covers half of the population. The third floor houses personal social services for needy groups, taking care of a quarter of the population. On the top floor is hung the public safety net which caters for the poor, or some 15% of families. This architectural plan, featuring a wide base and tapering upper levels, is reflective of the benefit structure emanating from the welfare nexus. In this structure, all classes are catered for, each benefiting one way or another from various social programs. The plan is underpinned by a tacit social contract that determines who gets what and how and is the result of evolution and incremental improvement. The resultant distribution regime may not be entirely fair to everyone, but everyone has a stake in it. The pyramidal structure represents a type of inter-class consensus which gives the system its stability. The welfare system therefore reflects a delicate balance of social interests. Low income groups get more by way of financial assistance and services in kind. The middle classes enjoy key benefits like education and health care. The rich gets little welfare directly but preserves a large part of their income and wealth by dint of the regressive taxation system. In the post-war years, Hong Kong has witnessed and surmounted many economic and political upheavals. The fact that the city managed to stave off the social turbulence that often comes with these crises can be attributed, in part, to the stabilizing effect of its welfare system. Despite its weaknesses, the core social services deliver tangible benefits to many citizens. They give people an anchor in society. Standards are not uniformly generous. Given the limited resources budgeted for social programs, public welfare does deliver value for money. People who desire tailored services at higher standards know they have to buy them in the market.

Notwithstanding the many positive functions, Hong Kong's welfare system has many failings. In the face of structural transformation, global competition, population aging, weakening of family functions, rising social inequality and poverty, the pressures on the welfare system are immense. Some key weaknesses stand out starkly. For example, the social assistance system is too simple. It does not differentiate between able-bodied persons and those without work ability. This is not conducive to helping the former re-establish the will to work. Benefit levels are too low, which keeps people in poverty rather than above it. Another failure comes from the government's reluctance to intervene in the labor market. In a scenario of weak labor and strong capital associated with economic globalization, wage levels and work hours for low-skill workers have deteriorated, forcing some to take refuge in the safety net. The costs that society has to bear include wastage of human resources, stigmatization, and social exclusion. Furthermore, the rise in income inequality reflects deep malaise in the labor and welfare redistribution regime. There is a genuine case to improve the level of welfare payments to allow recipients to live with dignity and participate in society. For the elderly, sick, and disabled, community support, rehabilitation and care services fall short of demand. Likewise, Hong Kong's public hospitals are bursting at the seams, reflected by deteriorating service quality, long

waiting times, flight of doctors into the private sector, and low staff morale. Since the late 1990s, government attempts to reform the system of health care financing has created much controversy (The Harvard Team, 1999). The government is keen to alleviate the financial pressure on the public coffers by introducing medical saving schemes or health insurance. Public reaction has been largely negative. Citizens resist changing the funding mode for public health care (Yuen, 1999; Cheung, 2003). The loudest objections come from the middle class. In the panoply of social services, health care is the only benefit they can enjoy apart from free education for their children. Even if some abstain from visiting government clinics, low-cost hospital care is important to them and their elderly parents. Forcing the middle class to take out medical insurance or savings violates the terms of the tacit social contract which promise some benefits to all social groups. If one sees community reactions in this light, the strong negative sentiments are rational and not emotional.

Conclusion

No welfare system is perfect. Hong Kong's is no exception. In the sixty years after the Second World War, Hong Kong's trajectory has followed both path dependence and trial and error in carving its unique road to welfare. The system that evolved is both rich and complex, which clearly defies the simplified notion of a residual welfare state. Under the existing template, some resources are distributed along the principles of social justice and social right. Some welfare goods cater for the non-rich. The meanest treatment is reserved for the economically dependent. Undoubtedly, the public sector has played a leading role in social welfare. In sum, the welfare system of Hong Kong is far from generous but definitely not mean. It also exhibits a high degree of effectiveness and stability. System sustainability owes a lot to inter-class support. Incremental improvements ensure that the system adapts the best it can to changing circumstances. From the vantage point of individuals and society, the welfare system has contributed many positive functions. At the same time, its imperfections cry out for redress in order to satisfy unmet needs and respond to new exigencies. How to rise to the challenge is a long and hard battle confronting Hong Kong's welfare system. (END)

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