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Government Funding of
Voluntary Social Services

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GOVERNMENT FUNDING OF
VOLUNTARY SOCIAL SERVICES

By

John F. Jones

January, 1978

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CHAPTER I

INTRODUCTION

The history of social welfare in Hong Kong is one of voluntary charity first smiled upon by Government, then aided and supported, and lately, as Government itself takes an increasingly active role in the field of social services, questioned -- but still supported. In Hong Kong as elsewhere it was largely voluntary organizations, both religious and philanthropic, which took the initiative in providing social service. This was the general pattern here during the nineteenth and early twentieth century. Not until 1948 did Government set up a Social Welfare Office, and only in 1958 did a separate Social Welfare Department come into existence. Hong Kong has always had many Chinese organizations willing to contribute to the good of the community, and church bodies have traditionally taken upon themselves the obligations of charity. As the Social Welfare Departmental Report of 1966 stated, Hong Kong has been "fortunate in the religious and welfare organizations which have contributed to its needs through money, goods, time, thought, prayer and service. The Social Welfare Department once again acknowledges these services to the community, without which most of the official welfare available would fail to meet the present needs of the people, to say nothing of the future."¹

1 Director of Social Welfare, Annual Departmental Report, 1965-66 (Hong Kong: Government Press, 1966), p. 42.

But times are changing and the future, about which there is plenty to say, is upon us.

The Government's expenditures on social welfare subventions has increased considerably during the past decade -- at an average rate of 26.6 per cent over the last three years alone -- and the large sums of public money thus spent are beginning to attract public attention. Questions are being asked at Legislative Council meetings on how these funds are controlled. In his budget speech of 1977, the Financial Secretary, Mr. Philip Haddon-Cave, said that the Government -- more specifically, the Director of Audit -- would be taking a close look at the subvented organizations.² Official documents too reveal a shift in the way that voluntary agencies are viewed. The 1975-76 Social Welfare Departmental Report, for instance, contains no eulogy of private endeavour. The White Papers of 1965 and 1975 on the aims and policy of social welfare are subtly different in the way that describe the voluntary sector. Government policy reflects -- as it should -- changing circumstances. The increased expenditure of public funds has created a greater demand for accountability. Government's direct

2 The 1977-78 Budget. Speech by the Financial Secretary, concluding the Debate on the Second Reading of the Appropriation Bill, 20th April, 1977 (Hong Kong: Government Press, 1977), p. 18-19.

participation in service delivery has blurred the distinction between the public and private social welfare sectors and necessitated a rethinking of roles. The demand to know the way in which voluntary organizations are using public money is both understandable and legitimate, and the sensitivity of agencies is no reason to soft-pedal the concern.

Dissatisfaction with the public-private partnership in social welfare is not, of course, confined to Government. The voluntary agencies have for some time been expressing their disenchantment with subvention policy and practice. Lack of accountability in the allocation of funding, the inadequacy of Government expenditure on social welfare, and the imprecision of guidelines all form part of the voluntary sector's grievance.

Both Government and the voluntary agencies are unhappy with aspects of the subvention system, and a way should be found to solve as much of the problem as possible. The aim of this study is to explore (1) broad policy issues relating to voluntary social service agencies and the use of public funds; (2) patterns of subvention, with particular attention to discretionary grants and the purchase of service; (3) Government subvention policy and practice in Hong Kong; (4) a critique of the policy and procedures; and finally (5) suggested guidelines for change.

CHAPTER II

PUBLIC MONEY AND VOLUNTARY SERVICE: SOME POLICY ISSUES

In industrial society the common good demands government involvement in the field of social service. While the amount of involvement differs with the degree of a country's development, the resources it possesses and its political ideology, most modern governments are, according to Merle E. Springer, likely to assume the following functions:

1. Provision of basic services in a variety of delivery methods;
2. Policy-setting;
3. Programme planning;
4. Programme monitoring and evaluation;
5. Standard-setting;
6. Research and demonstration;
7. Coordination;
8. Utilization of public participation either by legislatures, boards, or commission members, advisory groups or other citizen review bodies.³

3 Merle E. Springer, "The Role of the Governmental Section," in Social Welfare Forum, 1976 (New York: Columbia University Press, 1977), pp. 70-71.

The non-governmental sector can, in Springer's opinion, provide opportunities for alternatives in service delivery where the following circumstances prevail:

- a. Availability of expertise to serve a given clientele -- professional disciplines, existing services, cultural expertise;
- b. Service delivery, where cost savings have been established;
- c. Programme comparisons in testing cost efficiencies or methodologies. New programmes which must be implemented are of a time-lead demonstration nature. Government often is cumbersome in its employment practice and purchasing and renovation policies, and the difficulties prohibit government from meeting necessary deadlines.⁴

Not all would agree with Springer's division of responsibilities or with his reasoning. Some are opposed to the public subsidy of private programmes on the grounds that the arrangement creates inequities and perpetuates gaps in providing essential services.⁵

4 Springer, p. 71.

5 Sidney J. Berkowitz, "Public Subsidy of Private Programmes," Social Work, Vol. 8, No. 1 (Jan. 1963), pp. 106-108.

Complete rejection of government aid is probably an extreme position which few agency executives would adopt. Coughlin, Hillman and others, studying sectarian agencies in the U.S., have documented the doubts of agency heads who accept government funding for their programmes, but doubts do not add up to rejection of public money. While Coughlin found in a survey that voluntary agency executives were concerned about the potential danger of public subventions, it did not appear that agency directors would turn down government grants in future.⁶

Government contracting for the purchase of social welfare services has been practised for centuries in different countries and under different names. Tax concessions, subsidies, lump-sum grants and per capita or unit payments all amount to the purchase of service. Defining the term more strictly, a contract for service refers to direct payments by a government agency to a voluntary organization as a reimbursement for care or service given to an individual for whom there is public

6 Bernard J. Coughlin, Church and State in Social Welfare (New York: Columbia University Press, 1965); Felice Perlmutter, "The Effects of Public Funds on Voluntary Sectarian Services," Journal of Jewish Communal Service, Vol. 45 (Summer 1969), pp. 312-321; Arthur Hillman, Neighborhood Centers Today: Action Programs for a Rapidly Changing World (New York: National Federation of Settlements and Neighborhood Centers, 1960), pp. 181-217.

responsibility. In general, the arguments for and against government support for voluntary agencies have turned around questions of agency autonomy, as well as the cost and effectiveness of service delivery. When a government funds voluntary services it is usually in the belief that a voluntary agency can provide the service more appropriately (an ideological value), more efficiently (an economic consideration) and more effectively (a practical judgement). To test whether these reasons are valid is difficult, both theoretically and in practice.⁷

The arguments against public funding run in opposite directions to each other. The first argument states that government contracting prevents a government assuming its proper responsibility to provide direct services; the second argument dwells on the danger of a government swamping non-governmental autonomy -- including a restriction on an agency's advocacy function or the dampening of zeal for social action.

Assuming that some purchase of service occurs, what provisions should be made for the protection of government,

⁷ George Hoshino, "Social Service: The Problem of Accountability," Social Service Review, Vol. 47 (September, 1973), pp. 373-383.

the voluntary agencies, and the client-community? Kramer, writing in the context of modern American welfare, suggest six guidelines:⁸

1. Provision should be made for full coverage of all persons for whom there is public responsibility, whether the service is provided directly by government or through a voluntary agency.
2. The service should be clearly defined; the clientele for whom there is public responsibility should be designated, together with the duration of the programme.
3. Standards acceptable to both governmental and voluntary agencies should be set regarding intake policy, personnel, and services.
4. There should be adequate provision for joint planning on behalf of clients; for reporting, review, and audit; and for evaluation, in order to ensure accountability for public funds.
5. Fair payment should be made by the government up to the full cost of the service, as determined by cost analysis. Reimbursement rates should take qualitative factors into account and provide incentives for improvement.

8 Ralph M. Kramer, "Voluntary Agencies and the Use of Public Funds: Some Policy Issues," Social Service Review, Vol. 40 (March 1966), pp. 15-26.

6. A contract embodying these considerations should be jointly developed.

Kramer's fifth guideline on fair payment is easier said than done, especially in regard to qualitative factors and incentives for improvement. Wedel cautiously advocates performance contracting in cases where expectations can be clearly established and criteria to measure performance are agreed upon. There are two variations of performance contracting: (1) the cost-plus-fixed fee contract where the contractor is reimbursed for expenses of service and also receives a negotiated percentage of the costs as profit, and (2) the cost-plus-incentive-fee contract where target costs and performance objectives are first established and, if the contractor then meets the criteria of performance, a reward is given, but failure to meet the criteria results in a penalty. The cost-plus-incentive-fee contract is uncommon in social work and has proved rather unsuccessful where it has been tried -- in the field of education.⁹

Speaking in the context of Asian social welfare, Aminzadeh and Scrivastava suggest guidelines for government

9 Kenneth R. Wedel, "Government Contracting for Purchase of Service," Social Work, Vol. 22, No. 2 (March 1976), pp. 101-105; Lawrence J. McConville, "Evolution of Performance Contracting," The Educational Forum, Vol. 37 (May 1973), pp. 443-452.

and voluntary cooperation. For agencies outside the national government, they visualize three interrelated roles in manpower development: (1) a growth role which provides a direct manpower contribution in the total welfare effort of the country; (2) a promotional role which seeks to supplement or strengthen governmental efforts; and (3) a catalytic role which aims at accelerating or intensifying the manpower development programmes undertaken by the official agencies of the government.¹⁰

10 F. Aminzadeh and R.K. Srivastava, "Role of Inter-governmental and Non-governmental Agencies in Social Welfare Manpower Development," Paper presented at the ICSW Regional Conference for Asia and the Pacific on Manpower, Key to Social Welfare Development, Tehran, October 1977.

CHAPTER III

CHANGING ATTITUDES TOWARDS SUBVENTION

Government and voluntary cooperation in social welfare was considered at length and in policy terms in the White Paper of 1965.¹¹ The White Paper gave due recognition to voluntary agencies as the pioneers of social service in Hong Kong and elsewhere, but noted the tendency of governments to assume ever widening responsibility in the welfare field, leaving to voluntary agencies the task of complementing statutory services and undertaking work which is outside the scope of statutory provision. As is customary in official documents, the White Paper paid a number of general compliments to non-governmental organizations before getting down to business. It remarked how fortunate Hong Kong was in always having had so many Chinese organizations which generously contribute in work and money to many forms of social service, particularly in the fields of education and medicine. Traditionally, Chinese approaches to social welfare constitute a very important "potential asset". The ideal of "Fuk Lei" or social service -- the White Paper continued -- is held high in the Chinese community.

11 Aims and Policy for Social Welfare in Hong Kong. A White Paper, 1965. (Hong Kong: Government Press, 1965).

The policy statements, as such, were contained in a section entitled, "The Role of Voluntary Organizations." The criteria for determining the appropriate sphere for voluntary effort in the fields in which Government is concerned were stated as follows:

- (a) where specific services are provided for special groups, e.g., the deaf, the aged;
- (b) where special resources not available to Government may be used, e.g., overseas funds, proceeds of local appeals, support from a charitable trust or foundation, volunteer staff;
- (c) where voluntary agencies can effectively perform needed services at less cost than Government;
- (d) where the service provided is desirable but not of high priority, and could if necessary be reduced or eliminated during a period of economic recession. (This theme is sounded again and again in Government documents and speeches.)

The limitations to which voluntary agencies are unavoidably subject and the functions which inevitably fall to Government are, according to the 1963 White Paper, these:

- (a) Voluntary effort may be hampered in maintaining consistent and full standards of performance by lack of assured financial and other resources sufficient to maintain continuity of service.

- (b) A positive request by Government for a voluntary agency to carry certain services may require the grant of a subvention, sometimes in an amount sufficient to carry the total cost.
- (c) When Government either relinquishes certain of its functions to voluntary effort, or provides voluntary agencies with financial support from public funds, it is bound to concern itself with the standard of service provided or the uses to which public funds are put.
- (d) While it is reasonable to assume that all voluntary welfare organizations desire to help people, it is also true that with some organizations, social welfare per se is not the primary objective; other purposes may predominate. (This reference is probably to religious organizations where the goal of giving may, in some cases, be proselytism.) In such cases Government must attempt to influence the organization to operate in accordance with accepted social work principles.

The 1963 White Paper recognized the ideological reasons for supporting voluntarism and the practical implications of such a policy. "Voluntary effort is an essential element in a free community, if its citizens are to develop and maintain a sense of responsibility for

the well-being of others. Such effort also serves as a means of channelling the charitable impulses of people in socially desirable directions and taps financial resources not otherwise available, thus relieving to a marked degree the burden falling upon public funds."¹²

The document ends with a statement more noteworthy for its caution and expediency than any great idealism. Progress will come about provided there is cooperation between voluntary bodies and the Social Welfare Department; provided "the economy continues at its present rate of growth"; and provided the need for flexibility and willingness to alter policy as conditions change is understood and accepted.

Gertrude Williams in a report to Government, 1966, examined the question of government and voluntary cooperation, adopting a viewpoint different from that of the White Paper.¹³ Lady Williams was bolder and more critical of both the public and voluntary sector than the 1965 White Paper dared to be. She found Government timid because of its tendency "to over-emphasize the shifting sands on which

12 Aims and Policy, p. 14.

13 Gertrude Williams, Report on the Feasibility of a Survey into Social Welfare Provision and Allied Topics in Hong Kong (Hong Kong: Government Press, 1966).

the Hong Kong industrial revolution has been based," pointing out that the country would not have proved so attractive to capital and management ability had the potential returns not been so great. The hesitance of Government evident in the field of social welfare remained in sharp contrast to the confidence of Government as well as the business community in the planning of satellite towns, new roads, a cross-harbour tunnel, and the like. William's "terms of reference" encouraged her to be critical, since she had been invited to Hong Kong for the purpose of advising the Government whether a survey of social welfare services would be feasible and valuable. One of her tasks was to spell out the roles of the public and private organizations, their cooperation and coordination in the provision of social services.

Williams saw the main strength of the voluntary agencies lying in their flexibility and their ability to experiment. Not bound by statutory limitation, which hinder government agencies, voluntary organizations, as well as the men and women who form them, can individualize the needs, aspirations and capacities of clients, and deliver service in a selective manner. Voluntary organizations, by implication, can change direction more easily, an option not always open to government agencies. The weakness of voluntary organizations, as Williams observed them at the time, was that they were principally

centred on the alleviation on current distress rather than on preventive, long-term solutions.

If there was to be a division of labour, Williams inclined towards having Government assume the responsibility of providing for distress due to conditions over which the individual had little control (e.g., economic depression), while the voluntary section should concentrate on "internal" difficulties resulting from a particular temperament or lack of ability to cope with the problems of life. While such a division of effort never happened, Government did at a later date take on the burden of social security while the agencies with some reluctance withdraw largely from giving financial assistance. At the time Gertrude Williams was writing, voluntary agencies were heavily dependent on overseas support. A survey of the Council of Social Service showed that of 41 organizations replying to a questionnaire (and these included the larger agencies), 90% of capital expenditure between 1955 and 1964 had been donated by overseas sources, and over 40% of the annual expenditure came from abroad. This she saw as an unfortunate state of affairs for many reasons. Too many organizations were doing almost the same thing in an unsystematic fashion, often at the dictate of overseas funding bodies. Several institutions appeared to be catering mainly for members of middle income groups. In short, there was lacking a comprehensive, territory-wide

programme of income maintenance and services for those needing them most.

Williams stopped short of outlining the sort of subvention policy required to right the situation, feeling the question called for further research -- not an unexpected answer from the writer of a Report on the Feasibility of a Survey. But the drift of her ideas is clear enough. She wanted more discretion exercised in discretionary grants to agencies. At the same time she shied away from the suggestion "that any direction or detailed supervision of voluntary organizations should be made a corollary of the receipt of Government subvention; in fact, this would destroy the chief value of the voluntary body, which is its power to experiment in a variety of ways."¹⁴ Later, this view would be challenged on grounds of accountability, but Williams was probably expressing the philosophy prevalent in Government and voluntary circles of 1966.

The White Paper of 1973 on social welfare was very explicit on the role of the public and private sectors.¹⁵ There was a clear recognition that Government's functions

14 Williams, p. 25.

15 Social Welfare in Hong Kong: The Way Ahead. A White Paper, 1973. (Hong Kong: Government Press, 1973).

were broader than those outlined in the previous white paper. In the intervening years, overseas support for the voluntary agencies had decreased in importance; Government had become the principal source of funding; and Government had expanded its social welfare to include social security. "The Government has the ultimate responsibility for ensuring that Hong Kong has satisfactory social welfare services available to everyone irrespective of race or creed."¹⁶ According to the White Paper this responsibility could be discharged by Government in five ways:

1. By maintaining peace, order and good government, the prerequisites of social welfare;
2. By continuing to provide the majority of the funds available for social welfare in Hong Kong;
3. By offering certain direct social welfare services and also supporting services, e.g. training facilities for other agencies;
4. By carrying out its statutory obligations which it alone can fulfil;
5. By having other departments, besides the Social Welfare Department, involved in the provision of services, e.g. compassionate resettlement in public housing.

16 Social Welfare, p.3.

The Government, the 1973 White Paper stated, recognized the benefit of "a vigorous and progressive voluntary sector." There were four main reasons why it was important to maintain the strength of the voluntary contribution.

1. Voluntary social services can provide a basis of comparison with Government services, and perhaps stimulate improvement;
2. Voluntary agencies can be more experimental in pioneering new programmes or in raising standards of existing services;
3. Non-governmental agencies have been traditionally successful in harnessing the volunteer spirit and utilizing volunteers;
4. While the Government "accepts ultimate responsibility for the provision of social welfare services," there are areas of service, e.g., children and youth centres, "where the Government sees a need and is prepared to meet that need not by the direct provision of services but by providing a financial subvention to an agency, or group of agencies, so that they can provide the services."¹⁷

17 Social Welfare, pp. 4-5.

The 1973 White Paper on social welfare envisaged cooperation between the public and private sectors as a partnership. But accompanying that generalization came the most precise statement yet of the Government's primary role. It was "to provide services which either (a) are statutory requirements, (b) are so vital, widespread or complex that only the Government can provide them effectively or (c) involve other Government Departments and therefore can best be coordinated by the Social Welfare Department." By exclusion: "Services which fall outside these areas will be handled normally by the voluntary agencies."¹⁸

The same year that Social Welfare: The Way Ahead was published, the first Government social welfare Five Year Plan was put out.¹⁹ This plan, which was to be reviewed annually and updated in consultation with the Hong Kong Council of Social Service, constituted a policy blueprint in which areas of need were demarcated, priorities established and a course of action set forth. The functions of the public and private sector, and plans for the development of each, were given in tabular form with a short covering commentary for each division of the plan --

¹⁸ Social Welfare, p. 5.

¹⁹ The Five Year Plan for Social Welfare Development in Hong Kong, 1973-78 (Hong Kong: Government Press, 1973).

social security, services for offenders, family welfare services, services for the elderly, community development, rehabilitation, training, planning and research services, estimates of costing and staff requirements. Part of the intention of the Five Year Plan was to give to voluntary agencies some assurance of Government backing in their enterprises, but the commitment was less firm than agencies would have liked. The Finance Committee of the Legislative Council had not been asked to accept the financial commitment involved in implementing the plan. For existing services, budgeting would be done through the annual Estimates of Expenditure in the light of a yearly review; proposals for funding new services and major extensions to existing services would be made by means of separate submissions to the Finance Committee. The reference in various parts of the plan to legislative proposals did not mean that these had already received Government approval; they were simply proposals that the Social Welfare Department intended to put forward. Finally, of particular interest to agencies: "The fact that certain services are shown in the Plan as being the responsibility of the voluntary sector does not mean that these services will be subvented automatically by the Government. Such services are regarded as being areas of development primarily within the voluntary sector, to be financed in the most appropriate and acceptable way

available."²⁰ The same warning was expressed in the first page of the 1976 annual review of the plan: "the inclusion of any particular project or activity in the Plan does not of itself convey any guarantee of implementation."²¹

While Government thinking on public-private cooperation has become clearer over the past decade and planning more systematic, there remain areas of ambiguity and uncertainty. Hong Kong is of course not unique in its ambiguity about the provision of social services. Other countries have experienced shifts in attitudes towards government's role as private sources of funds become insufficient to meet welfare needs. Hong Kong, like these other nations, has to establish new public policy when the old fails.

20 The Five Year Plan, p. 3.

21 The Five Year Plan for Social Welfare Development in Hong Kong - Review 1976 (Hong Kong: Government Press, 1976), p. 1.

CHAPTER IV

THE PROCEDURE OF SUBVENTION

To understand subvention policy in Hong Kong it is necessary to know its boundaries or its statutory limitations. The Social Welfare Department is charged with certain statutory functions in the field of probation and corrections, adoptions and the care and protection of women and children; it also plays a dominant role in the administration of emergency relief and the social security schemes. These functions cannot be farmed out to voluntary agencies. Other services, e.g. family planning or foster care, are shared by the voluntary agencies and form the basis for subvention. Before considering the process of public funding of voluntary social services, a brief review of the functions of the Social Welfare Department and its budget is in order so that subventions to private agencies may be seen in perspective -- including financial perspective.

The Social Welfare Department

The Social Welfare Department is organized under three branches: the Administration Branch, the General Branch and the Social Work Branch. Under the Administration Branch are the Personnel, General and Finance Sections and the Operations Division. The General Branch comprises the Social Security Division, the Institute for Social Work

Training (until 1977), the Training Section, the Planning and Development Section and the Public Relations Unit. The Social Work Branch includes the Family Services Division, the Group and Community Work Division, the Rehabilitation Division and the Probation and Corrections Division.

The Social Security Division through a network of 25 Field Units controls the public assistance and the disability and infirmity allowances schemes and administers the scheme for compensation for victims of violent crimes. It also provides services in connection with disaster relief and legal aid.

The Operations Division is responsible for issuing payments to beneficiaries under the schemes controlled by the Social Security Division.

(The Institute for Social Work Training offers a two-year certificate course in social work to those who do not plan to enter university but who wish to take up social work as a career, or who are already working in a social welfare organization. Since 1977, the Institute has begun to operate under the Hong Kong Polytechnic.)

The Training Section organizes in-service and refresher courses for staff of the Department as well as for voluntary agencies at the Lady Trench Training Centre.

The Centre also runs a demonstration day nursery which provides day care for about 90 children aged between 2 and 5. The nursery is used for training nursery workers.

The Planning and Development Section is responsible for drawing up and reviewing development plans, including the Five Year Plan on Social Welfare Development, co-ordinating welfare service, conducting social welfare research and surveys, evaluating services and providing statistics.

The Family Services Division consists of a decentralized network of 4 district offices and family services centres, providing comprehensive counselling and other facilities to families in need. These centres are supported by specialized services which include a children's reception centre, an adoption unit, an institutions liaison unit and a child care centres advisory inspectorate.

The Group and Community Work Division operates the following community, social, and youth centres, estate welfare buildings and community halls:

- (a) six community centres at Chai Wan, Kwun Tong, Tai Hang Tung, Tsuen Wan, Western District and Wong Tai Sin;
- (b) eight estate welfare buildings at Lam Tin (2), Ngau Tau Kok, Sau Mau Ping (2), Shek Lei and Tsz Wan Shan (2);

- (c) five community halls in the housing estates at Hing Wah, Kwai Shing, Lai King, Lei Muk Shue and Lek Yuen;
- (d) three social or youth centres at Fanling, Sheung Shui and Sham Shui Po.

The Division also runs a library and rural mobile services unit, a youth work unit, and community and youth offices in 13 urban and New Territories districts.

The Rehabilitation Division runs the Aberdeen Rehabilitation Centre, the Kai Chi Children's Centre, the Kai Nang Training Centre, the Kai Yin Training Centre, the World Rehabilitation Fund Day Centre and a number of clubs and centres. These have a total capacity of 1,748 places for the blind, the deaf, the mentally retarded and the physically handicapped, and provide social and vocational training, sheltered work and other activities.

The Probation and Corrections Division has probation offices at most of the magistrates courts and runs the following correctional institutions which have a total capacity of 592:

- Begonia Road Home
- Castle Peak Boys' Home
- Kwun Tong Hostel
- Ma Tau Wai Girls' Home
- O Pui Shan Boys' Home.

Regarding the budget, the government estimate of the amount required in 1977-78 for the salaries and expenses of the Social Welfare Department, including social security, disaster relief, family, probation, correctional and rehabilitation services, training of social welfare workers, group and community work, and grants to voluntary agencies and social groups for the summer youth programme, is \$346,687,000. This represents a decrease of \$8,125,000 on the approved estimate for 1976-77 and an increase of \$51,922,670 on actual expenditure in 1975-76.²² (See Table 1.)

22 Estimates of Revenue and Expenditure for the year ending 31st March 1978 (Hong Kong: Government Press, 1977), p. 670.

Table 1

Analysis of Departmental Expenditure, 1975-76, and
Estimated Expenditures for 1976-77 and 1977-78

	Actual expenditure 1975-76 \$	Approved estimate 1976-77 \$	Revised estimate 1976-77 \$	Estimate 1977-78 \$
Annually Recurrent- Personal Emoluments	42,165,096	48,026,000	52,000,000	57,813,000
Annually Recurrent- Other Charges	252,542,128	306,351,000	246,833,000	287,993,000
Special Expenditure	57,106	435,000	435,000	881,000
Total, gross	294,764,330	354,812,000	299,268,000	346,687,000

The largest portion of the SWD budget -- labelled "Annually Recurrent - Other Charges" -- goes to the Public Assistance, Disability and Infirmity Allowance Schemes.

As regards Social Security, the public assistance scheme is designed to maintain incomes, with the levels of maintenance being determined by the number of eligible members in each case. Additional payments, e.g. for rent (based on public housing rents), school fees or for special diets, are also made where appropriate. The basic monthly maintenance level for an eligible single person living alone is \$180, and for a family with 5 eligible members, \$600. "Eligible members" were previously defined as those under 15 or over 55, or those who, if between 15 and 55, were unable to go out to work because, for example, of illness or circumstances which required them to stay at home to look after children or invalids. (In April 1977, the scheme was extended to cover unemployed adults between 15 and 55 years of age.) Disability and infirmity allowances, which are on a personal basis and which may be paid in addition to public assistance, are \$180 and \$90 per person per month respectively. At 30th November 1976, the Department was administering 50,100 public assistance cases, a decrease of 5,391 or 9.7% on the caseload at 30th November 1975. The Department was administering 70,680 disability and infirmity cases at 30th November, 1976. This represents an increase of

6,959 or 10.9% on the total at 30th November 1975 attributable in the main to the increase in the numbers of beneficiaries over 75 who are eligible for infirmity allowances. Actual Departmental expenditure has risen over the past few years in response to a greater number of people taking advantage of the Social Security provisions. (See Table 2.)

Table 2

Public Assistance and Disability & Infirmity Allowance Payment
1973-74; 1974-75 and 1975-76*

	1973 - 74		1974 - 75		1975 - 76	
	P.A.	D.I.A.	P.A.	D.I.A.	P.A.	D.I.A.
No. of new cases eligible for payment	10,905	41,885	21,183	18,677	21,055	15,957
No. of payment made to new and old cases	240,445	271,784	366,392	522,290	556,817	664,952
Amount of payment (new and old cases together)	\$45,420,017	\$26,273,044.50	\$102,853,156	\$61,202,557	\$163,327,326.03	\$78,206,100.00
Average amount per payment	\$189	\$97	\$281	\$117	\$293	\$118

* Director of Social Welfare, Annual Departmental Report, 1975-76
(Hong Kong: Government Press), Appendix I.6.

A glance at the complete Government expenditure on social welfare, including Departmental salaries and overheads, direct welfare services, subventions and allocations in 1975-76 allows a comparison between the cost of Departmental salaries, direct welfare services, and Government subvention to voluntary agencies. The total Government social welfare expenditures (as distinct from the Departmental expenditures of Tables 1 and 2) amounted to \$340,472,326. (See Table 3.)

Table 3

Analysis of Expenditure, 1 April 1975 to 31 March 1976, Compared with Expenditures in Previous Years and Estimates for 1976-1977*

	<u>Actual Expenditure</u>					<u>Approved Estimate</u>	
	<u>1972-73</u> \$	<u>1973-74</u> \$	<u>1974-75</u> \$	<u>1975-76</u> \$	<u>1975-76</u> \$	<u>1976-77</u> \$	
(1) Departmental:							
Salaries and wages	24,506,630	31,888,773	40,228,628	42,165,096	40,549,000	48,026,000	
Other Charges	1,484,839	2,099,369	1,513,631	1,197,081	1,530,500	1,272,500	
Direct Welfare Work	34,724,184	77,733,305	170,913,183	251,402,153	222,806,500	305,513,500	
(2) Government Subvention:							
Recurrent	19,727,882	25,189,240	38,482,820	45,707,996	47,650,000	52,000,000	
	<u>80,443,535</u>	<u>136,910,687</u>	<u>251,138,262</u>	<u>340,472,326</u>	<u>312,536,000</u>	<u>406,812,000</u>	

* Director of Social Welfare, Annual Departmental Report, 1975-1976, Appendix 1.5.

It can be seen that subventions to voluntary agencies, 1975-76, amounted to \$45,650,000 out of a total social welfare budget of \$312,536,000.

Subventions to the Voluntary Social Welfare Sector

The Government estimate of the amount required in 1977-78 for subvention, towards the annually recurrent salaries of certain voluntary organizations and trusts providing or coordinating social welfare services and facilities is \$68,000,000. This represents an increase of \$16,000,000 on approved estimate for 1976-77 and of \$22,292,004 on actual expenditure in 1975-76. (See Table 4.)

Table 4

Analysis of Subvented Expenditure, 1975-76, and Estimated Expenditures for 1976-77 and 1977-78

	Actual expenditure 1975-76 \$	Approved estimate 1976-77 \$	Revised estimate 1976-77 \$	Estimate 1977-78 \$
Annually Recurrent	45,707,996	52,000,000	55,820,000	68,000,000

Within the \$68 million, \$59 million is intended to cover the cost of maintaining subvented salaries, salary increments, increased rent and rates for accommodation in public housing estates and in private premises, reduction in aid from overseas, for contributions to approved provident

funds, for nine new children's and youth centres to be brought onto recurrent subvention, for various improvements in standards, and for contingencies. The balance of \$9 million is to enable an additional 1,000 places in day nurseries to be subvented; for the standards in subvented day and residential nurseries and creches to be gradually improved as required under the Child Care Centres Ordinance; for an extension to youth guidance services, playleadership schemes, detached work, family life education and school social work; to enable 14 additional training centres, sheltered workshops and homes for the blind, the deaf, the physically handicapped and the mentally retarded to be brought onto subvention; and to support two community development projects.

An analysis of the revised estimates for 1976-77 and the proposed allocations for 1977-78 reveal some shift in subventions to broad categories of service. (See Table 5.)

Table 5

Analysis of Subventions, 1976-77 and 1977-78*

Subject to the advice of the Social Welfare Advisory Committee, the allocations proposed for 1977-78 to broad categories of services, compared with the revised estimate for 1976-77, are:

Category of service	Subventions 1976-77 revised estimate \$	Subventions 1977-78 \$	% increase/ decrease
Services for offenders	1,980,000	2,016,000	2
Family welfare	11,098,000	10,376,000 ⁽²⁾	-7
Nurseries & crèches (below 6 years of age)	8,134,900 ⁽¹⁾	10,647,200	31
Services for the elderly	1,672,000	2,092,000	25
Community development and youth services	19,609,000	20,496,000	5
Rehabilitation	4,637,600	5,618,600	21
Miscellaneous	3,456,000	4,294,600	24
Increase in existing services and additional facilities	3,967,900	11,059,600	179
Rent and rates for non- subvented organizations occupying premises in public housing estates	614,000	620,000	1
Fieldwork placements	350,600	460,000	31
Total for one-line vote.	55,520,000	67,680,000	22
Refund of rate	300,000	320,000	7
	<u>55,820,000</u>	<u>68,000,000</u>	<u>22</u>
	=====	=====	===

* Estimates of Revenue and Expenditures for the Year ending 31st March, 1978, p. 714.

(1) Day nurseries only.

(2) Excluding nurseries and crèches.

Provision for social welfare subventions, other than for refunds of rates to social welfare agencies not otherwise in receipt of subvention, is included in a one-line vote, that is, the total budget figure to be allotted to the voluntary social service sector for division among the various agencies. Before 1974, each discretionary subvention by the Director of Social Welfare to voluntary agencies was included in the Government's actual draft estimate under a separate subhead after the following procedure had been carried out: First, each organization applied for subvention to the Director of Social Welfare with the necessary documentation to justify its claim; the Department vetted the application, and if necessary revised it, generally after consultation with the agency concerned. The revised application with the Director's comments and recommendations was then put to the Social Welfare Advisory Committee (appointed by the Governor and charged with advising Government on social welfare matters). SWAC in turn made its recommendations to the Finance Branch of the Secretariat and, after discussion, an agreed sum was entered into the draft estimates in the name of the particular voluntary agency.

The procedure was a cumbersome one, involving SWAC, the Finance Branch and finally the Finance Committee of the Legislative Council which had to consider individually each supported request for subvention. The complexity of

the procedure as well as an increasing number of applications moved the Financial Secretary to complain of the load in his budgetary speech in 1973, and led to the evolution of the one-line vote.

The main stages in the procedure of determining the present one-line vote are:

1. During the course of each financial year, the Director of Social Welfare reviews the Social Welfare Five Year Plan to assess the various social welfare needs, the extent to which the proposals in the Plan have been implemented and the estimated cost of services and facilities to be provided for the following financial year.

2. The Director determines a working figure for the one-line vote for the following financial year. This working figure is based on subventions approved for the current financial year, known cost increases, and the estimated cost of subventing additional facilities to be provided by voluntary organizations in the following financial year. Cost increases might include salary revisions based on Civil Service pay hikes, annual salary increments, increase in rent and rates. The working figure is analyzed according to various categories or fields of service.

3. The working figure is then put to the Finance Committee of the Legislative Council for approval of a

reasonable guide for the Social Welfare Advisory Committee (SWAC) in considering requests for subventions.

4. The Social Welfare Advisory Committee advises on allocations to broad categories of service. It then considers applications from organizations and advises on the subventions in the light of these allocations, of each organization's financial position and of a report (prepared by the Department's staff) evaluating the organization's efficiency and costs. The Director then informs the individual organizations of the subventions for defined services.

5. The Financial Secretary reassesses the working figure in the light of the overall budgetary position and decides upon the actual provision for the one-line vote which appears in the draft Estimates.

While the actual provision for the one-line vote is only made available in March and not confirmed until the Legislative Council votes, the subvention process must start a year in advance. In June, agencies are invited to apply for subvention for the following year's recurrent expenditure. Written guidelines are made available to agencies and the agencies are urged to make their applications (on prescribed forms) by the end of August.

When the Social Welfare Department receives the applications they examine each request in the context of the agency's services, its financial resources, expected

revenue from investments and donations, fees and dues and allocations in lieu of an agency's fund raising appeals from the Community Chest,²³ and finally the agency's prospects of receiving financial assistance from outside sources, including the Community Chest. With 87 organizations seeking subventions, the Department staff prepare some 160 Committee Papers for presentation at nine meetings of the Lotteries and Subvention Sub-Committee of the Social Welfare Advisory Committee. Each paper mentions the nature and cost of current services and when appropriate makes comparisons with similar services; makes comparison between the sum requested for the following year and the amount approved for the current year, while noting the reasons for the larger request; states the amount considered necessary to maintain the agency's present services including staff increases, salary increases and increments and other easily quantifiable changes in the cost of providing these services. (Agencies are not permitted to pay subvented staff more than Government officers are getting for similar work.) An allowance is also made to a maximum of 5% of salary as employer's contribution to an approved provident fund when these salaries are for

23 By agreement with the Community Chest, most agencies do not engage in public fund-raising campaigns if they receive grants from that body.

subvented services. Finally, each Committee Paper assesses and quantifies the agency's needs for additional funds to carry out an approved new project or expand existing services. While the Department staff who write the Committee Papers do not have decision power, the documents are more than background papers and they implicately or explicately offer recommendations to the Lotteries and Subvention Sub-Committee of SWAC.

The Social Welfare Department has a stated policy of assisting agencies to maintain as far as possible their existing services. In March 1977, the Director of Social Welfare, Mr. Thomas Lee, addressed a seminar on subvention policy with the words, "I must emphasize here that it is my policy to help voluntary agencies at least to maintain their services at the level of the previous year and if any service is becoming redundant and therefore likely to lose subvention support, there are almost certainly indications of this and discussions on how the service should be cut down long before the annual subvention exercise comes along. Therefore although funds are voted annually, there is general assurance of continuity of subvention provided the service is still required and a similar standard is being maintained."²⁴

24 Thomas C.Y. Lee, "Government Subvention for Voluntary Welfare Services," Paper presented at a Workshop on Subvention Policy organized by the Hong Kong Council of Social Service (March 11, 1977), p. 4.

The Department's policy on financing new projects and expansion is a different matter and dependent upon wider Government thinking and on the general economic picture. Because the Social Welfare Advisory Committee pays particular attention to the comparative merits of proposals, it is necessary for voluntary agencies to make plans for new projects well in advance and discuss them with Departmental staff. To have any chance of acceptance, such proposals must be ready before the working meetings of the Department and the Council of Social Service which usually take place in the first three months of the financial year. These working meetings are arranged in connection with the annual review of the Social Welfare Five Year Development Plan, and feed into the ultimate decisions of SWAC.

One of the most controversial matters regarding subvention is the attitude of both the Department and the Social Welfare Advisory Committee toward income from other sources more particularly the Community Chest. When assessing how much subvention should be paid to a particular agency, the Department professes to work under the following guidelines:²⁵

25 Lee, p. 5.

1. The first call on Government funds should be those activities which are currently subvented*.

2. Where agencies are providing services which are regarded as subventible but have not yet been subvented, SWAC may agree to the agency using its own funds to run these services without such funds being taken into consideration as outside income.

3. Where agencies are already providing services not considered subventible, SWAC may either recognize these services as a prior commitment by the agency (and thus not treating such funds as extra income) or, alternatively, may encourage the agency to give greater emphasis to subventible activities and to redirect its resources. (The assumption in this latter case is that funds used to support these services should go to subvented activities and must be calculated as other income, lessening the need for subvention.)

4. If agencies want to provide new subventible services, they must first discuss the proposals with Department staff with a view to securing Departmental approval, otherwise they may find that their subvention will suffer by the amount so spent.

* The wording of the guideline, presented by Mr. Lee in the workshop on subvention policy on 11 March 1977, is ambiguous. It may be intended to imply that agency funds should be directed primarily to subvented activities.

In addition to the Social Welfare Department and the Finance Branch, the body most involved in the process of funding the voluntary agencies is SWAC. A word on its terms of reference and composition can round off the brief review of the procedures of subvention.

The Social Welfare Advisory Committee is an advisory body appointed by the Governor. Its terms of reference are "to advise Government on:

- (a) All matters of social welfare policy
- (b) Such other matters as may be referred to the Committee by the Director of Social Welfare, including annual applications from voluntary agencies for subventions from public funds and/or permission to hold flag days."

Its chairman is the Director of Social Welfare (ex officio) and its membership consists of seven unofficial members, a representative of the Secretary for Social Services (ex officio) and a representative of the Deputy Financial Secretary (ex officio). SWAC has three sub-committees: Planning and Review Sub-Committee; Subvention and Lotteries Fund Sub-Committee; Sub-Committee on Evaluation.

CHAPTER V

PATTERNS OF SUBVENTION

Governments in various parts of the world have over the years used a host of methods to encourage the voluntary sector to share the burden of social service. The methods have ranged from tax incentives and grants to private agencies to payment to individuals so that they might buy their own services in a free market. Not all of these techniques have equal applicability in the Hong Kong situation. The purpose of this chapter is to outline the chief patterns of funding voluntary social services which are revelant in our present circumstances. The categories of funding are not air-tight, since categorization is itself a somewhat arbitrary process.

The following, then, is an account of the various types of subvention that are available to social agencies in Hong Kong, as well as the types of subvention which are utilized overseas and have potential bearing on future patterns of funding here.²⁶

26 This chapter draws on the research of "A Background Paper for the Workshop on Subvention Policy," of the Hong Kong Council of Social Service (February 1977). The analysis, however, does not necessarily coincide with that of the background paper.

Deficiency Grant

A deficiency grant is designed to meet the difference between an organization's expenditure for a programme of activities approved by the Government and its income from non-Governmental sources. Deficiency grants are made "to agencies providing services which the Government would otherwise provide and are within approved detailed budgets."²⁷ This implies an obligation on the part of Government to continue to subsidize the organization concerned for as long as the services are required. In general, a deficiency grant covers two broad categories of expenditures, namely, personal emoluments and other charges. The former includes salaries, provident funds and such for staff, which are calculated at par with Government counterparts; any adjustment in salaries in the Government is automatically applied to such aided organizations. Other charges consist of various administrative and programme expenses.

While subvention on deficiency basis means a greater reliance on public funds, the corollary is stricter Government control to ensure accountability to the public.

27. W.M. Bradley, Assistant Financial Secretary, Remarks to the Workshop on Subvention Policy organized by the Hong Kong Council of Social Service (March 11, 1977), p. 10.

As a rule, the Financial Secretary is represented on the board of a deficiency grant organization which is required to work to a budget approved in detail by Government. The number of staff, their qualification and salaries have to comply with Government's establishment. The Government has a say in all appointments and in many other aspects of the day-to-day work of the organization. In short, an agency has to give up part of its autonomy in exchange for a more secure and stable subvention allocation for its services which have acquired a certain Government commitment and recognition.

A subvention of this nature, it could be argued, might restrict the innovative role of a private agency, since hard and fast rules have to be followed. Agencies funded on a deficiency basis are quasi-governmental and therefore less open to experimentation. But this hypothesis needs testing. Empirical research elsewhere does not indicate that voluntary agencies are more innovative than public agencies, although the folklore of social work suggests it. Alvin Schorr has noted in a broad overview that of the five most significant attempts at social service pioneering during the 1960s in the United States (innovative juvenile delinquency programmes, community action, new service initiatives under the Social Security amendments, community care of the mentally ill, Model Cities), four "were largely inspired and set in

motion by government." The exception was community care of the mentally ill. Thus, "the decade's major examples of pioneering have a marginal connection with voluntary social service or owe it nothing."²⁸ Alfred Kahn sums up the situation well, "It is now understood that voluntary social services are both high-quality and low, innovative and rigid, as insensitive and tied up in red tape as any -- and also easy-flowing and flexible. They have both qualified and unqualified staffs, are cautious and conservative. Sometimes they truly are, as they wish to be, the social sector's 'venture capital.' More often they too invest in boundary maintenance."²⁹

Be that as it may, most social agencies in Hong Kong have little interest in switching over from discretionary grants to deficiency funding. Nor is there discernible enthusiasm on the part of Government to increase the number of quasi-government institutions. In Hong Kong, organizations receiving deficiency grants are confined to some medical organizations, certain aided schools, and the Universities and Polytechnic. The only voluntary

28 Alvin L. Schorr, "The Tasks of Voluntarism in the Next Decade," presented at the University of Sussex, Brighton, England, at a conference sponsored by the Family Welfare Association, 1969.

29 Alfred J. Kahn, "A Framework for Public-voluntary Collaboration in the Social Services," in Social Welfare Forum, 1976 (New York: Columbia University Press, 1977), p. 52.

social welfare agency that is currently subvented on a deficiency basis by the medical and health department is the Society for the Aid and Rehabilitation of Drug Addicts, SARDA. Two examples of organizations receiving deficiency grants are offered to illustrate the nature of deficiency funding. These are:

(a) Aided schools. These can operate on standardized manning scales, one school being much like another in the funding context. The code of aid takes the place of approved budgets, and both the Finance Branch and Finance Committee insist on the code's observance. Both the Finance Branch and the Finance Committee have a considerable say in determining the number of classes to be subvented at any time, as do the Education Department and the Social Service Branch.

(b) Certain hospitals which in Government opinion provide central and essential services. With the introduction of regionalization, more hospitals are likely to be brought under deficiency funding. These hospitals work on approved budgets. The Finance Branch as well as the Medical and Health Department are represented on the executive committees of the organizations, and play an active role in drawing up the budgets and in ensuring that they are followed.

Discretionary Grants

Discretionary grants are given to agencies providing services which the government wishes to be provided. Discretionary funding is based on the assumption that certain medical and social welfare organizations are offering services clearly of benefit to the community. To assist them to operate these services properly, they are given subvention from the public funds. This subvention can be a lump-sum or per capita grant which the organization can use in the manner it pleases, on the understanding that funds will only be used for the purposes of the subvention and that voluntary agency subvented staff will not be paid more than equivalent staff in Government service. An organization receiving a discretionary grant does not have to work to approved budgets, nor does the Government control staff or salaries apart from examining the audited accounts and satisfying itself that the service is in fact provided.

It has been argued time and again that while the relative freedom and flexibility in spending is a distinct advantage of the discretionary grant it falls short, however, in the way the allocation is made, since there is little reference to overall social needs, priority of services on the quality of services. There is no definite commitment on the part of Government, since the subvention is discretionary and as such can be regarded as simply

intended to assist an agency in maintaining its current subvented activities. Under such a policy, the Government can at its own discretion grant or withhold a subvention to a voluntary welfare agency though the latter might in fact be performing some of the basic functions that Government should otherwise be providing itself. Furthermore, as there is no assurance regarding the amount available for the coming year, it is difficult for voluntary agencies to plan ahead for improvement and development of services.

In all cases of discretionary grants, the service for which the subvention is given must be provided, and with reasonable economy. Any surplus is taken into account in the following year, as is any reduction in service. If the reduction is significant, it can -- and probably will -- be reflected in subvention the next year. The Director of Audit has the right of access to the books of all these organizations.

Outside the field of social welfare, examples of organizations receiving discretionary grants include:

(a) Hospitals which, in Government eyes, provide services which contribute towards the achievement of approved policy but do not offer the central and essential services of deficiency grant hospitals. They receive assistance on the grounds that the beds should be brought

into the public sector to meet the needs of those unable to afford unsubsidized inpatient treatment. This subvention helps the agency provide the service. The agency is expected to raise revenue itself, a fact acknowledged in the grant being 75% of recognized expenditure. The agency does not have to work to an approved budget. The subventions are calculated having regard either to the cost and size of services to be subvented (cost-per-bed) or to estimated income and expenditure (lump-sum).

Wherever possible the cost-per-bed formula is used and this makes it easier to ensure that the subvention is commensurate to the type of service being provided and its cost; it also guarantees that the agency raises revenue to meet its share of increased costs. Lump-sum payments, which are the nearest to social welfare subventions, are arrived at after taking the agency's estimated revenue and expenditure into account, and represent what the Government thinks is worth paying to see the services provided.

(b) Certain schools which receive assistance when government buys places in them. The unit cost is fixed and the Government does not attempt to exercise detailed control, provided a reasonable level of service is offered on a non-profit basis. The level of subvention, including fee remission, is fixed to enable schools maintain an adequate standard of education. (Profit-

making school may receive financial benefit through assistance given to some students.)

The distinction between services which the Government would otherwise provide were it not for the voluntary agency doing so (the basis for deficiency funding) and services which the Government simply wishes to see provided (the basis for discretionary grants) is fine indeed. The Government "aids" secondary schools by means of deficiency funding, but "assists" private schools through discretionary or unit grants because there is a role for private schools to play in achieving Government targets for education. But both kinds of school contribute to the same goal. Moreover, as the Government seeks to impose more control over funded organizations for reasons of accountability, the line between deficiency and discretionary funding becomes a little blurred.

The Subsidy Code

The subsidy code under which voluntary effort in education, for instance, receives Government support cuts across deficiency and discretionary funding. Strictly speaking, it is not a category of subvention but rather an administrative device to allow the Government encourage and direct non-Government endeavour. In education, the subsidy code defines in great detail what types of subsidy and under what conditions the Education Department

may subsidize schools. The kinds of grant necessary to cover the normal expenditure of a school is calculated in such a way that such grants together with the income from tuition fees, normally standard fees, should in general be sufficient to enable an aided school provide education of a standard acceptable to the Director of Education, subject to the provision of the code.

Aid to schools may consist of recurrent, non-recurrent and capital grants. The former include salary grants, administration grants, janitor staff and cleansing grant, library grant and capitation grant, etc. Some of these are based on the discretionary per capita principle while others, such as salary grants for teaching staff, are allotted on a deficiency basis. In the case of non-recurrent costs not less than \$4,000, the Department may consider a matching grant in the ratio of 80% contribution by the Government and 20% by the school.

No matter what type of grant is considered, the Director of Education exercises control over expenditure; in many cases, Departmental approval is necessary before an expenditure can be made. Approved establishment for teachers and other staff are laid down. For each appointment, application for approval of salary for grant purposes must be made to the Department. As a matter of fact, the Director of Education may reduce or withdraw any grant made to the school, if it appears to

him that the management committee of a school is not managing the school satisfactorily or that the education of the pupils is not being promoted in a proper manner. Accountability is based on compliance with the subsidy code which, if observed, guarantees the provision of public funds.

The Voucher System

The voucher system is a relatively new idea -- not yet tried in Hong Kong -- of giving people earmarked funds or chits for specific social service purposes. It is a return to the market system for delivery of services whereby customers are free to choose from competing institutions offering similar services. This approach stresses responsiveness and efficiency, qualities that are sometimes lacking in the delivery of social services. The consumer can use his money anywhere and, theoretical, quality control can be assured through the public licensing of all institutions.

The voucher system involves costs as well as benefits for the development of a social service programme. Vouchers do not provide protection for those who know nothing of the services available, nor does the voucher system of itself encourage the establishment of a total network of rationally planned services. Although in theory the free market system should cut down costs

through competition, in reality the voucher system is no guarantee of low costs, given the facts of monopoly and other variables.³⁰

Purchase of Service

This refers to the direct payments by a governmental agency to a voluntary agency as a reimbursement for care on service given to an individual for whom there is a public responsibility.³¹ Eligibility is usually determined by the Government agency which has an agreement with the voluntary agency regarding stipulated rates (full cost/partial cost/matching grant), method of payment (per capita or per diem) with some consideration of accountability, and the character (quality and quantity) of the service. This type of public support of voluntary effort is commonly used in countries such as the United States. The process and conditions of purchase vary from place to place. A contract for service, apart from stating the stipulated rates of payment, would outline the goals of the programme, the specific objectives to be achieved, standard of service, intake policies, staff qualifications, maintenance of adequate records, evaluation at stated intervals by the Government agency and an account open to audit and inspection.

30 Shirley M. Buttrick, "On Choices and Services," Social Service Review, Vol. 44 (December 1970), 407-433.

31 Ralph M. Kramer, "Voluntary Agencies and the Use of Public Funds: Some Policy Issues," Social Service Review, Vol. 40 (March 1966), 15-26.

In general, purchase of service is based on the belief that a voluntary agency can provide the service more appropriately, efficiently and economically. The prior existence of a specialized service designed for small population groups for whom there is a public responsibility seems to constitute a presumption in favour of purchase, particularly if the service has never been offered by the Government. This type of subvention also represents a way of getting a programme started in the most expeditious way without the rigidity of civil service and other administrative requirements of large bureaucratic organization. But this potential for efficiency can of course be destroyed by the voluntary agency's own red tape or, worse still, a combination of Government and voluntary bureaucracy. In theory, the purchase of service encourages the best use of existing community resources by avoiding duplicating services and facilities, and it permits the rapid introduction of a needed programme. Furthermore, when governmental procedures are taken into consideration, it is usually easier to defend a budgetary item for purchase of an ancillary service than to justify the creation of a new operating unit with the necessary administrative and supervisory personnel.

Purchase of care from the voluntary sector seems to put more stress on meeting social needs that have a

certain priority rather than the general support of voluntary services already in existence. Bound by a contract, the Government is definitely committed to the provision of a certain service and thus the voluntary agency is guaranteed a steady source of support for its programmes as long as it is fulfilling its agreed upon role. There is the added advantage that voluntary agencies are almost forced to engage in self-evaluation in anticipation of being held accountable to Government.

The disadvantage from the voluntary agency's viewpoint may be that purchase of service introduces an element of outside control as inevitably happens when funds are transferred from one organization to another. Requirements for accountability to the public reduces the degree of freedom of a contracting voluntary agency in policy making and administration. (While the voluntary agency may regret the loss of control, however, it does not necessarily follow that the client or community suffers.) Again from the point of view of the voluntary agency, the rate of payment for purchased service poses a problem. At what point will the buyer tire of the price? Full reimbursement, while desirable, may bring into question the advantage of purchase over direct service by Government, especially since such an arrangement may prevent public agencies from assuming responsibility. One further handicap experienced by a potential contracting

agency is the difficulty of defining units of measurement that allow public accountability. Government has similar difficulty in defining its own service but is not generally faced with the urgency of cost-benefit analysis in the way that a contracting agency is, although introduction of PPBS is having its effect on governmental agencies in many parts of the world.

There is a larger but fully accurate sense in which purchase of service encompasses deficiency and discretionary funding, subsidy codes and voucher systems. The voluntary sector provides services which the Government wishes to see provided but, for one reason or another, does not want to offer itself. Government in effect buys services through a variety of mechanisms, including deficiency and discretionary grants. But, in the case of discretionary grants at least, there is not the rigidity -- and accountability -- of a contract.

Final Note

From the Social Welfare Departmental Report for 1973-74 and an income source survey by the Hong Kong Council of Social Service for the same period, it was found that of the 15 voluntary agencies receiving more than 0.5 million subvention per annum, the subvented amount represented more than half of their total income with percentages ranging from 53.9% to a high of 87.4%. This indicates the extent to which voluntary agencies rely upon Government or, conversely, the degree to which Government relies on the voluntary sector.

CHAPTER VI

DISSATISFACTION WITH THE PRESENT SYSTEM

Season of Discontent

For some time both Government and the voluntary agencies have expressed dissatisfaction with subvention policy and practice in the field of social welfare. Government, for its part, objects to the lack of accountability inherent in lump sum discretionary grants and would seem to favour the introduction of subvention on a unit cost basis. In his 1977 budget speech, the Financial Secretary, Mr. Philip Haddon-Cave, stated, "At present, subventions are made on a lump sum discretionary grant basis and it may be that certain services which are regarded as complementary to the Government's social security (for example, homes for the aged) should be subvented on a unit cost basis."³² In the same speech, the Financial Secretary said that the Director of Audit would take a close look at the subvented organizations. More pointed still was a letter from the Social Welfare Department -- following on the heels of Mr. Haddon-Cave's speech -- to certain agencies urging them to use resources "properly, economically and wisely."

32 The 1977-78 Budget. Speech by the Financial Secretary, concluding the Debate on the Second Reading of the Appropriation Bill, 1977 (Hong Kong: Government Press, 1977), p. 11.

A workshop on subvention policy sponsored by the Hong Kong Council of Social Service (March 11-12, 1977) found participants from the voluntary sector in agreement with the proposal of the Financial Secretary that the arrangements for determining subventions to voluntary agencies should be reviewed. Since the workshop raised issues of concern corresponding to the Government's dissatisfaction with the existing subvention policy and practice, a review of the major complaints is helpful. It should be noted, however, that these complaints do not necessarily demonstrate what is wrong, but rather what agency representatives say is wrong. There is of course a difference, but an examination of conflict areas and an exploration of the voluntary sector's viewpoint must be undertaken before attempting policy guidelines. The participants of the workshop were representatives from 44 member organizations of the Council. After general presentations, they formed five groups of approximately 15-persons each to discuss: (a) the one-line vote, (b) the pros and cons of different subvention models, (c) the model or combination of models best suited to the voluntary sector, (d) improvements needed in the machinery and application procedures for subvention, and finally (e) desired changes in the existing subvention system. Each group had a recorder who reported to an overall rapporteur. At a closing meeting, each group presented its viewpoint,

followed by a summary of the general rapporteur. The outline presented below of agency representative's dissatisfaction with subvention policy and programme is based mainly, but not exclusively, on the records of the workshop, including group records. Other sources are used, when deemed appropriate, to illustrate or elaborate a particular point.

The One-Line Vote

Among the issues that most concern the voluntary sector is the manner of determining the one-line vote for the social welfare subvention. The Social Welfare Advisory Committee is bypassed during the initial and crucial decision-making on the total budget figure to be allocated to the social welfare services. Agencies object to the down-grading of SWAC on the grounds that SWAC should have a voice in determining the size of the total subvention and that it should be approached before the Finance Branch or the Secretary for Social Services present their guidelines. Welfare Digest, an organ of the Hong Kong Council of Social Service, has editorialized on the Government's practice of ignoring SWAC when determining the one-line vote calling it "a lamentable neglect of the principle of advice where it matter most."³³

33 Welfare Digest, No. 44 (August, 1977), Editorial.

Priorities

Despite the Government's Five Year Plans and Programme Plans, there is still ambiguity on the part of agencies regarding public policy and funding priorities. The lack of consultation with the voluntary sector -- most obvious in the decision-making around the one-line vote -- casts doubt on the presumption the subvention is need-based, priority-based or based upon quality of service. Because the Social Welfare Department has only three months to process more than a hundred applications from voluntary agencies each year, the procedure is hardly more than an accounting exercise with little assessment of social needs, ranking of priorities or evaluation of programmes.

Accountability in Allocating Funds

The issue of accountability concerns the voluntary sector no less than Government. The principle of advice, illustrated in the working of advisory boards of all sorts, is excellent as far as it goes, but if an advisory committee conducts discussions and hearings in private and only the final outcome, its recommendation, is known, then the same question of accountability is bound to occur to the committee's natural constituents -- in the case of SWAC, the voluntary agencies. The arbitrary use of funds and the arbitrary allocation of funds share one thing in common, an arbitrary nature. Discretary grants -- as the words connote -- cannot wholly avoid this trait but it

might be mitigated through a more open process in SWAC. Voluntary agencies feel there is no open communication, and consultation regarding the distribution of community resources and public funds is totally inadequate. Despite protestations from Government officials and member of SWAC to the contrary, social workers from voluntary organization very often see SWAC as a rubber-stamp for the Social Welfare Department. Since the proceedings take place behind closed doors, who can prove otherwise?

Organization and Timing

Akin to the need for a more open process in SWAC is the necessity of a mechanism which would allow subventions to agencies to be based on need, priority, and quality of service. There is considerable feeling in the voluntary sector that the process of subvention could be improved through more effective management. The imprecision of guidelines, the lack of time given agencies to comment on decisions affecting their programmes or to prepare an appeal adds to this impression. Each year, agency executives complain, agencies are informed about their share of the one-line vote a few weeks before the new financial year. This practice has denied agencies the opportunity to streamline, change or adjust their budgets, or locate other sources of support. There is little chance of an effective appeal on subvention cuts; even if time permitted, SWAC is

usually reluctant to give more funds to an agency since this would mean cutting the budget of another organization. To add to the aggravation of agency heads, the connotation of a service or programme denied support by the Social Welfare Department often creates doubt in the minds of other funding bodies when they are approached for assistance.

Continued Commitment

Another concern of the voluntary sector is the question of the Government's funding commitment to social welfare, a commitment which might permit agencies to plan effectively. The qualification, embodied in the 1976 Review of the Five Year Plan for Social Welfare Development in Hong Kong, that "the inclusion of any particular project or activity in the Plan does not itself convey any guarantee of implementation" severely limits medium-range planning. In her speech to the Legislative Council on the 1977-78 Budget, Miss Ko Siu-Wah drew attention to the disadvantage of "looking at only one year at a time," and asked for a change in the budget policy "to ensure that our social goals were not thwarted by the economic vicissitudes or the underspending in a particular year."

The Size of the Social Welfare Subvention

While the Financial Secretary stated in his April 1977 budget speech that the provision sought for social welfare in the Draft Estimates was adequate "for the

maintenance and improvement of existing services and for the new services projected for 1977-78," agency administrators tend to disagree. In an interview, Mr. Paul K.Y. Lee, Administrative Assistant of Caritas-Hong Kong, said the Caritas group and community services for children and youth in Shek Lei had to close down in September 1976 after two years' operation because the Government subvention would only cover the rent of the building. "We had to spend about HK\$80,000 to HK\$110,000 annually to operate the service but the Government subvention covers only about HK\$14,000. Despite the fact there is need to continue the service, we had to close it down because of financial problem." Mr. Lee also cited the case of the Muk Shue Centre which was planned to open in September 1975 but was forced to postpone operation until June of the following year because no subvention was given by the Government.³⁴ Similar complaints are made by other organizations such as the Salvation Army.³⁵

Dr. Henry Hu put the matter in a broader context when he addressed the Legislative Council, 31st March 1977, "The provision of \$68 million for subventions to voluntary agencies in 1977-78, although an increase of

34 Welfare Digest, No. 44 (August 1977), p. 1.

35 Welfare Digest, No. 44, pp. 8-9.

\$12 million over the current year, is unhealthily inadequate. My estimation is that no less than \$10 million will have to be spent on recurrent expenditure of existing services and in the implementation of the Child Care-Centres Ordinance, leaving a meager \$2 million for expansion purposes. This amount is ridiculously inadequate for the implementation of the committed new projects for the year 1977-78, let alone the resumption of projects which have been abandoned during the years of recession."

Salaries in Subvented Agencies

A constant bone of contention between the Government and voluntary agencies is policy regarding the salaries of social workers in subvented organizations. The Government on occasion refers to the matter as the subvented agencies' pay policy, while agencies call it Government policy. Salary levels in voluntary agencies frequently fall below the salary levels of Government in respect to the same type of work. When Miss Ko Siu-Wah in the 1977 budget debate urged that "the practice of underpaying staff employed by voluntary agencies must be stopped," the Financial Secretary replied that the Government was certainly not responsible for such a state of affairs. "If this practice does exist, it can only exist in agencies subvented on a discretionary grant basis; for, in the case of agencies subvented on a deficiency grant basis, the Government does meet the

financial consequences of parity of salaries where it is established that the staff involved are doing jobs comparable to jobs in the Civil Service and have comparable qualifications as their Civil Service counterparts."³⁶ He went on to say that the subvention represents financial assistance to the overall cost of activities which are deemed subvention-worthy. Mr. Haddon-Cave argued that agencies themselves are to blame if salaries are low, since they enjoy the independence of employing as many persons as they wish with whatever qualifications they deem necessary -- at low salaries. The argument of course galls agency people who believe that, because of the inadequacy of funding to carry out work which the Government itself will not do, agencies must underpay their workers.

The Community Chest

An item of which voluntary agencies are particularly conscious when they start the subvention exercise is the role of the Community Chest. Appreciation of the Community Chest is joined to an anxiety about the seesawing effect of Chest contribution to agencies, i.e., when the Chest increases its contributions to agencies the Government is more than likely to lessen its subvention. This practice

36 Speech by the Financial Secretary, 20th April 1977, p. 15.

would seem to run counter to the intention of the Chest or at least to the idea of the voluntary agencies in becoming members of that funding body in the first place. As the Rev. K.L. Stumpf has pointed out, the matching of Government subventions with Chest contributions defeats the arguments leading to its establishment:

- (a) More money is raised through a joint campaign;
- (b) More people contribute to social welfare services;
- (c) More and better services can be provided by the member agencies.³⁷

It is the policy of the Social Welfare Department when it receives an agency application for subvention to consider the agency's financial resources and prospects, including allocations from the Community Chest. The custom appears to place the Chest in the position of simply subsidizing the Government subvention of voluntary agencies -- a fact probably not understood by Chest donors. Voluntary agencies must gradually come to see Government-Chest allocations as one source of annual income -- whatever the theoretical division in the procedures for

37 K.L. Stumpf in Appendix to the Summary of Proceedings of the Macau Workshop, sponsored by the Social Policy and Planning Committee of the Hong Kong Council of Social Service on "The Role, Function and Financing of Voluntary Agencies in Hong Kong in the Next Decade," Macau, Nov. 15-19, 1976.

application. The rules of the game forbid double-gain, an irritant to the agencies who are normally strapped for money and who feel that there is room for charity in addition to Government spending. The Government, on the other hand, argues that money given in charity should not be duplicated by money from the public coffer. The official formula is in effect: Charity minus Government.

Audit, Evaluation and Control

There is sensitivity, some would say over-sensitivity, on the part of agencies towards the notion of Government supervision. In part this arises from the tradition of social welfare in Hong Kong, its customs and myths. Both Government and the voluntary agencies are used to talking in terms of partnership where each does its thing and the community is served. Gertrude Williams, in a statement quoted earlier remarked that it was not in the cards that "any direction or detailed supervision of voluntary organizations should be made a corollary of the receipt of Government funds." The statement, unchallenged at the time (1966), was to become part of the folklore and an assumption underlying expansion of the voluntary sector. The name "discretionary grant" has the comfortable air of something given and received -- with discretion.

An interesting illustration of changed times is the Tai Wo Hau Ecumenical Community Development Project which

has encountered serious financial problems as a result of Government's insufficient subvention. Mr. Tsang Ka Tat described the Social Welfare Department subvention of HK\$28,000 to the project as only meaningful when taken against the 1950's prices. Mr. Tsang revealed that a letter from the Social Welfare Department to the Tai Wo Hau Ecumenical Community Development Project stating that the subvention of HK\$28,000 was given to assist the operation of:

1. Recreational activities, e.g. Tai Wo Hau Friendly Festival, social gatherings;
2. The Development of self-help services in organized groups, e.g. youth self-help group, the educational guidance group and the federation of working youth;
3. Activities which are service oriented, e.g. distribution of blankets and clothing, the delivery of supportive social services to individuals or families in distress;
4. Providing residents with information about social welfare services and/or referring cases for such services.

Mr. Tsang, reacting to the letter, stated, "We are left with the impression that the Government is not using subvention to assist in the development and building of a

community but rather a means of control."³⁸ His remark is not without merit, given the fact that the Project, by association or involvement, ran afoul of Government and in particular the Housing Department which earlier sent representatives to a SWAC meeting urging that the organization's subvention be cut. (That accusations were made with giving the other party a chance to reply made the occasion one of which SWAC has little reason to be proud.) Although a subvention was granted, the suspicion remains the Social Welfare Department, while not exactly squeezing the project workers into submission, wished to keep them so busy with Government-approved activities that they would have little time to spend on Government-disfavoured community organization.

A further point was stressed by Mr. Tsang, "A more democratic process should be developed in the allocation of subventions. What kind of activities are to be subvented? To what extent?" The imposition of controls is less acceptable where the decision to tighten restrictions, even in the name of accountability, is made behind closed doors. Control is more acceptable where the control is public and uniform. Evaluation likewise should be public and uniform. The Social Welfare Department does not possess the means -- or even, as far as can be ascertained, the methodology -- to evaluate programmes.

38 Welfare Digest, No. 44 (August 1977), p. 1.

The Composition of the Social Welfare Advisory Committee

Because of the present method of appointing SWAC members, questions are inevitably raised on how well qualified the membership is to meet its obligations. The climate of opinion is such that the composition of Government-appointed committees is no longer accepted as a "given fact" exempt from challenge and criticism. The view expressed in the workshop on subvention policy (March 11-12, 1977) was that SWAC should have a majority of representatives from the field of social welfare, people who are most familiar with the problems of the voluntary agencies and with the issues relating to Government subvention. The notion that social work representatives would press for more money to be spent on social services is not without foundation, this being the nature of advocacy, but the fear of an inordinate sum being wasted on welfare is groundless, given the watchdog function of the Finance Branch and Government's control over public spending.

Defenders of the Social Welfare Advisory Committee are quick to point to its heterogeneous membership, comprising not only members active in the field of social welfare but also "layman from other walks of life, and with varying social backgrounds." But a glance at the membership's names, honours, and a guess at income levels suggest that the tinker, tailor and candlestick-maker are

not included. According to Mr. Thomas Lee, the Director of Social Welfare, unofficial members of the Lotteries and Subventions Sub-committee who hold majority (seven unofficial members; two official) "are far from being a rubber-stamp of my recommendations." While self-evaluation has its merits, the closed door policy of SWAC prevents a more objective and rigorous assessment of SWAC's behavior. There is of course no client participation and, by statute, no elected membership, but even the imposition of these limitations should permit a more expert, if not representative, membership. The need for greater participation by social service personnel rests mainly on the premise that where committee members possess first-hand knowledge of matters under debate the chances of correct decisions being made are somewhat improved.

CHAPTER VII

GUIDELINES FOR CHANGE

Introduction

Starting with the premise that both Government and the voluntary social welfare sector are anxious to make changes in subvention policy and practice, the aim of this chapter is to spell out how this could be done. The guidelines follow in general the recommendations of the Hong Kong Council of Social Service's Working Party on Subvention Policy,³⁹ but the elaboration of the guidelines, explanation of the rationale and other alterations of the original document bear no seal of approval.

The guidelines outlined in this chapter envisage the modification of Government subvention policy and significant changes in the manner in which the Social Welfare Advisory Committee undertakes its work. The assumption is that the structure, the method of appointing members and terms of reference of SWAC could remain unchanged and still permit the implementation of certain proposals. Acceptance of such an assumption is not tantamount to endorsement of the structure, the method of appointing members or the terms of reference of that committee.

39 Proposed Changes in Subvention Policy. Working Party's Report. Convenor, John F. Jones. The Hong Kong Council of Social Service, May 1977.

The Working Party on Subvention Policy, referred to above, was careful to point out that these issues deserve separate consideration and treatment. An alternative way of handling subventions might be the establishment of an independent body, elected or appointed, with rights and responsibilities exceeding those of advice. An advisory system is vulnerable in that it is only as strong as its advisors and only as effective as the Government cares to make it.

An Approach to Classifying Services

One of the characteristics of effective planning is that it is goal-directed. It focuses on the fundamental purposes for which Government exists and then relates all activities to these basic purposes. In the area of social welfare a serious problem is how to define the basic purposes. One approach is first to state the broad goals of Government and then to identify the efforts that should be undertaken to achieve that purpose. Another approach is to start at the bottom and group every activity by some functional arrangement until they are all accounted for in terms of some stated objectives.⁴⁰ The "top-to-bottom" approach is implied in Green and White Papers,

40 Paul L. Brown, "Establishing a Programme Structure," in Fremont J. Lyden and Ernest G. Miller (eds.), Planning, Programming, Budgeting: A Systems Approach to Management (Chicago: Markham, 1972; 2nd ed.), pp. 183-195.

and would logically lead to a definition of essential services which the Government should either offer itself or see to it that others in the voluntary sector provide. An inherent drawback in the rational model is the difficulty in reaching a consensus on what is essential and what is good but dispensable. Furthermore, in Hong Kong, where programmes have haphazardly developed over the years in response to need, there already exists a network of services sustained by agencies which individually lay claim to being essential.

Clearly, Government must push ahead in its task of defining overall policy and SWAC's role is limited by the title word, advisory. But its advisory capacity should be exercised from the start and not, in the case of the social welfare subvention, only after the Director of Social Welfare has arrived at a working figure for recurrent expenditure and the Finance Branch has approved this. Consultation, even where Government refuses to go along with advice from the private sector, is very useful and should be part of all planning. Eventually, the decision on how much to spend is Government's, but if even limited partnership is desired then consultation should begin before SWAC is asked to decide on subventions for broad categories of service and for individual organizations. Specifically, policy issues should be decided in consultation with SWAC before a working figure is reached

and SWAC should also have a say in the decision on the one-line vote.

To aid SWAC in its task of deciding subvention, it would be useful to divide services into contractual and non-contractual. This method resembles the "bottom-up" approach mentioned earlier where services are listed and put in categories, but it does not rule out Government thinking in terms of basic services which Government itself or someone else must provide. (All projects whether in transportation or welfare involve a judgement on Government's part as to what is more or less necessary.) From SWAC's point of view, calling services contractual or non-contractual side-steps controversy about the relative importance of competing programmes but at the same time offers a mechanism that makes at least some allocation of funds less arbitrary. From Government's point of view, the scheme would introduce more accountability.

The next step is to establish what are contractual services. Fortunately, there are models for this in education and health, and to some extent it is a matter of identifying services which permit unitary measurement in the way that hospital beds and school places do. Initially, four types of social service could become contractual services - creches, nurseries, old age homes and child care institutions. Contractual services require

a subsidy code and a method of ensuring that agreed-upon standards are maintained. It follows that in the beginning the simpler the mechanism, both for accounting costs and administering the system, the better. Later, services of a more complex unitary measurement might be added.

A Subsidy code implies the payment of money according to a predetermined scale on which all parties agree. If SWAC is to avoid becoming involved in negotiations with particular agencies, it must keep away from the bargaining table and stick to the business of advising Government on the equity and sufficiency of payment scales in general. A subsidy does permit negotiation, however; indeed it would be foolhardy and perhaps unjust to establish rates without negotiation. An arrangement whereby the agencies either themselves or through a single body which they select to represent them -- such as the Hong Kong Council of Social Service -- negotiate directly with the Department of Social Welfare on subsidy terms would seem desirable. It is understood that individual agencies have the right to refuse contracts just as Government may refuse to buy the services of an agency because it fails to meet established standards. But all this should be according to a code.

Non-contractual services encompass those services which, because they contribute to the achievement of social policy, receive Government assistance -- assistance given

on a lump sum or block grant basis and not through a per capita or unit system. These non-contractual services should, for the time being, continue to be subvented through discretionary grants but some changes in the manner of subvention are desirable. In order to justify these changes it is necessary to dwell a little longer on the nature and purpose of non-contractual services. The voluntary sector provides services which Government wishes to see provided but does not, for one reason or another, wish to offer itself. It in effect, therefore, purchases services. Government assistance is not gratuitous; it is not charity to voluntary agencies; it is discretionary mainly in the sense that the form of subsidy is without a fixed per capita or unit formula. Because it allocates public money to private agencies, Government is entitled to demand value for its money even though it does not require agencies to work according to approved budgets. From the voluntary agencies' point of view, it would seem that they have the right to know which types of service will receive a financial commitment from Government, and how much this commitment amounts to. Since these agencies, no less than Government departments, must plan programmes not just for a single year, they should be informed what projects Government will fund, to what extent, and for what period. If they know well in advance which type of service will be partially (precisely stated) or fully

subvented, agencies can engage in more effective medium-range planning to the benefit of the community.

For these reasons, a triennium block-grant planning for non-contractual services would be of considerable benefit to the voluntary agencies and their clients. This is in line with Miss Ko Siu-Wah's proposal, made during the 1977-78 budget debate, that social welfare subventions should be made in a manner similar to the financing of the Universities and the Polytechnic. In reply, the Financial Secretary stated the block-grants "would inject an unnecessary element of rigidity into the forward planning of social welfare services without giving agencies any greater sense of security as regards existing services than they have at present."⁴¹ But Mr. Haddon-Cave's objection to Miss Ko's proposal overlooks two things -- first, the need (and security) of knowing what resources will be available for a period longer than one year; and secondly, the advantage of medium-range planning. All good planning has a certain precision which restricts options, but day-to-day or year-to-year thinking hardly suffices in a complex sector such as social welfare. The notion of Five-Year Plans is weakened when agencies

41 Speech by the Financial Secretary, concluding the Debate on the Second Reading of the Appropriation, 1977 (Hong Kong: Government Press, 1977), p. 14.

dedicated to carrying out official social policy must work without knowing the extent of Government commitment to their programmes.

In calculating the cost both of contractual and non-contractual services, an important item is salaries. Present subvention policy affects salaries in voluntary agencies adversely. In the case of agencies subvented on a discretionary grant basis, the subvention represents financial assistance towards the overall cost of activities, and frequently agencies must cover a broad range of programmes, cutting corners on salaries. The argument that agencies have only themselves to blame since they enjoy the liberty of paying low salaries to minimally qualified personnel is specious and quite cynical. The scope of voluntary services is vast and agencies feel obliged to run them as long as possible -- whatever the budget. The community is not served when agencies employ staff who are not fully qualified to do the tasks for which the Government provides public money. The principle of accountability demands that standards be established relating to the qualifications of staff in subvented agencies, while fairness requires that salaries be in line with qualifications and experience. To insist on the first principle without guaranteeing proper salaries is self-defeating.

Subvented agencies whose staff are presently paid below Government scale for jobs demanding similar qualifications and experience and with similar responsibilities should be helped by the Social Welfare Advisory Committee to achieve parity over a phased-in period. For contractual services, salaries of voluntary agencies should be paid according to their Government counterparts and should be fully provided for by Government in the subsidy code.

In brief, it is assumed that contractual and non-contractual services alike are best regarded as purchased services. That being so, it is up to Government and the voluntary sector to ensure that proper standards are maintained and that the terms under which money is allocated are acceptable to each party. In the case of contractual services, procedures may be routinized by means of a subsidy code. Non-contractual services are more problematic in this respect but, to the degree that standardization is introduced and the arbitrary elements of discretionary grants removed, the risk of programmes operating without accountability or under severe and unjust handicap will be lessened.

Developing Procedures for Subvention

Identifying basic programmes worthy of subvention and determining what operations should be subvented, to

what extent, and for how long, is no easy task. It requires a systematic approach that can be easily understood and universally applied. Happily, some guidelines exist in the Five Year Plans and Programme Plans. Three initial questions must be answered in some detail and in accordance with those Plans:

1. What is the need?
2. What are priorities?
3. What are the services and standards of service required to fulfil Government's social policy?

These policy questions should be decided before moving on to the next step which should be a synthesis of voluntary agency plans and a tentative estimation of cost. Logically, it is at this point that the Social Welfare Advisory Committee should enter into consultation with the Financial Branch of the Secretariat regarding a working figure as tentative provision for the recurrent expenditure for either the coming financial year or, preferably, for a triennium.

In formulating the working figure for a particular year, the following should be provided for, unless a decision -- coupled with advance notice -- has been taken to abolish a programme or transfer it to Government.

A. Maintenance of existing services:

1. One line vote of the previous year;

2. Annual increments of staff salaries and their recognized adjustments;
 3. Inflation and increase of rent and rates.
- B. Expansion of existing services and provision for new services:
1. Projects committed in the Annual Review of the Five Year Plan;
 2. Projects committed in Programme Plans.

Guided by this realistic working figure, based on facts and stated Government policies, the Social Welfare Advisory Committee should be able to negotiate with the Finance Branch for a reasonable allocation.

The final stage involves the painful task of deciding on the size of the subvention given particular programmes or projects, but this is made easier if during the earlier exercise agreement has been reached on the amount of money to be given to functional areas (e.g., child welfare).

To carry out the analysis of policy and establish broad guidelines (stage one) and to decide on subventions to particular agencies (stage two), the Social Welfare Advisory Committee would do well to set up a system of sub-committees whose members possess expertise in the field of social welfare, but it should reserve the right to make its own independent recommendations. The chairperson of each sub-committee could be a SWAC member, but the terms of reference of each sub-committee or task-force ought to dictate its composition.

Each sub-committee, consisting of experts and knowledgeable people of a specific service area, would be accountable to SWAC proper and would be served by departmental staff. The function of each committee would be to assist in the screening and processing of subvention applications in that particular service area, to maintain dialogue with the agencies in order to bridge the communication gap between SWAC as a whole and the individual agencies applying for subvention.

Determination of what serves the public interest is nearly always contentious. But in performing its role of subventing voluntary agencies, SWAC should engage itself thoroughly and openly in the debate. By agreeing to serve on the Committee, members automatically become advocates of the interests both of Government and of the various voluntary organizations, agencies, groups or individuals who are concerned with social welfare.

The recommendations of SWAC represent and plead the plans of many interested parties. The right course of action is always a matter of choice, and the weighing of a multitude of facts. Care must be taken that choices remain in the area of public view and participation. There is need to balance the demands for central bureaucratic control against the demands for increased concern for the unique requirements of particular groups and specialized agencies. Open debate serves the search for

truth in much the same manner as due process in law. Fair notice and hearings, production of supporting evidence, disputation, reasoned decision are all means employed to arrive at truth and a just decision. Due process and open hearings serve the cause of accountability.

It is therefore imperative that SWAC conduct open hearings for the benefit of the voluntary agencies and their clients.

Further Basic Considerations

A third type of service which falls outside the category of contractual and non-contractual service is that group of projects or programmes termed experimental. By experimental is meant those demonstration or pioneer projects, normally time-limited, undertaken by voluntary agencies to test out a new method of service delivery. Very often difficulty arises in fitting these experimental services into the basic programmes worthy of subvention. Since they are experimental, the services require time for testing. Taking this into consideration, it would be better if Government did not subvent these projects provided an alternative means of funding could be guaranteed. The Community Chest is a body which might well support experimental projects as an independent way of promoting social welfare. The Chest can do so either through its regular ABAC allocations or by setting up a

Special Pilot Project Fund for this purpose. However there should be clear delineations of responsibilities between the Chest and the Government's Lotteries Fund so that resources can be maximized and the duplicating of efforts can be eliminated. It is desirable that the Lotteries Fund continues to support pilot projects which the Government considers worthy of support and which are most likely to be absorbed eventually into Government's regular subvention system. The Chest on the other hand should cater more specifically to those experimental projects which for one reason or another are considered to function best if they stay out of Government control.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

This study set out to explore: (1) broad policy issues relating to voluntary social service agencies and the use of public funds; (2) general patterns of funding voluntary organizations; (3) Government subvention policy and practice in Hong Kong; (4) a critique of the policy and procedures; and (5) suggested guidelines for change.

In general, the arguments for and against government support for voluntary agencies have turned around questions of agency autonomy, as well as the cost and effectiveness of service delivery. Public funding of private endeavour in the social service field is generally based on the assumption that voluntary organizations can provide certain services more appropriately (an ideological consideration), more efficiently and more effectively. Supporters of voluntary efforts also point to the flexibility of non-governmental agencies and their suitability for experimenting. But the pioneering nature of voluntary organizations is disputed, and research does not demonstrate any consistent superiority of private agencies over public departments in this regard.

The objections to public funding of voluntary social services rest on two different premises: first, a government is dodging its responsibility to citizens if it hands over

the running of social services to voluntary bodies; secondly, voluntary agencies when they accept government support sacrifice autonomy, especially in the area of social action.

Government purchasing of social services has long been practised throughout the world. Funding methods have included tax concessions, lump-sum grants, subsidies, and per unit or per capita payments. In Hong Kong, the principal means of subvention have been deficiency and discretionary grants, voluntary social services being subvented almost exclusively through discretionary funding. As Government has over the years assumed the role of chief provider of funds for social welfare, the policy and practice of discretionary grants have come in for increasing criticism.

The main objection Government has to lump-sum discretionary grants appears to be the lack of accountability inherent in the method, while the voluntary sector is dissatisfied with the present manner of determining the one-line vote for the social welfare subvention. The process whereby individual subventions are made and the role of the Social Welfare Advisory Committee in the process are also matters of concern.

An analysis of present procedure of subventing voluntary social services suggests the need to modify Government subvention policy and to alter the manner in

which the Social Welfare Advisory Committee undertakes its work. The guidelines outlined in Chapter VII assume that the structure, the method of appointing members and the terms of reference of SWAC could remain unchanged and still permit the implementation of certain proposals.

Following the recommendations of the Hong Kong Council of Social Service's Working Party on Subvention Policy, guidelines for change have been suggested, which fall into three categories: 1. guidelines relating to need, priority and quality of services; 2. guidelines relating to the classification of services; and 3. guidelines relating to work of the Social Welfare Advisory Committee.

1. In formulating the working figure for social welfare for a particular year, there is needed to provide for both the maintenance and expansion of services.

A. Provision for the maintenance of existing services involves:

- (i) The one-line vote of the previous year;
- (ii) Annual increments of staff salaries and their recognized adjustments;
- (iii) Inflation and increase of rent and rates.

B. Provision for the expansion of existing services and proposed new ones involves:

- (i) Projects committed in the Annual Review of the Five Year Plan;
- (ii) Projects committed in Programme Plans.

2. Services should be classified as contractual, non-contractual, and experimental.

- (i) Contractual services should initially include creches, nurseries, old age homes and child care institutions. Subventions should be based on a subsidy code (unit cost) according to an agreed standard. Salaries of workers should be covered by subvention and equal to those of Government counterparts.
- (ii) Non-contractual services should remain discretionary. There should be triennium block-grant planning for non-contractual services stating the level of Government support. Salaries of workers should be equal to those of Government counterparts, and the Social Welfare Advisory Committee should ensure parity over a phased-in period.
- (iii) Experimental projects need not be funded by Government. Such projects might more appropriately be funded by the Lotteries Fund and the Community Chest. If this were the case, it would first be necessary to clarify the relationship between Lotteries and Chest allocations. The seesawing effect of subvention and Chest allocations should be resolved.

3. The composition and procedures of the Social Welfare Advisory Committee should be changed to make promote expertise, efficiency, and accountability.

- (i) The composition of the Social Welfare Advisory Committee should consist of a majority of members from the voluntary agencies.
- (ii) SWAC should be involved in the estimation of the one-line vote figure before it goes to the Finance Branch of the Secretariat, and SWAC should be consulted prior to a formal decision.
- (iii) Sub-committees for specific areas of service should be formed in SWAC. Their responsibility might include the analysis of policy and the establishment of guidelines for subventing areas of service, as well as the screening of applications by particular agencies. While these sub-committees would aid in facilitating communications and in fostering understanding of agency problems, they should not take over the prerogative of SWAC itself -- the making of final recommendations.
- (iv) SWAC should conduct open hearings for the benefit of the voluntary agencies and their clients. Its information should be made available to the public.

Policy research, when purely an academic exercise, has limited relevance. This study was undertaken simultaneously with the endeavours of the Working Party on Subvention Policy of the Hong Kong Council of Social Service to examine existing policy and to come up with proposals for change. Because of these circumstances, a final question can be raised here. How far is the Hong Kong Government likely to modify subvention policy and practice?

There are indications that some changes are certain to occur while others are in doubt. The present trend is to move towards contract for service in four areas, viz., creches, nurseries, old age homes and child care. The Social Welfare Advisory Committee is likely to assume a more active advisory role. It will be consulted on the preparation of the Five Year Forecast on Social Welfare Subvention and on the one-line vote working figure on subvention. In some other respects, change appears unlikely. There is no indication that Government is as dissatisfied with the composition of SWAC as the voluntary agencies are. And, while SWAC keeps its present shape, the voluntary agencies have little reason to hope that some of their more urgent needs will be met. Accountability, for instance, which could be promoted among SWAC's natural constituents by holding open meetings is as likely as in the past to be down-played. There is no

indication at present that SWAC will conduct its business in open meetings or institute a sub-committee structure that would include representatives from the voluntary agencies.