

**The Impact of the Lump Sum Grant System on
Professional Social Workers in Hong Kong**

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摘要

二零零零年，社會福利署實施整筆過撥款制度，以取代標準成本津貼的社會福利服務的資助模式。在新制下，服務的標準成本由職員薪酬按認可職位的中點薪金計算。而非政府機構在財政調撥，人事架構，僱員薪酬及福利等各方面可享有更大的靈活性及自主性。政府希望通過這一系列的津助改革措施簡化對非政府機構的撥款的安排，以及加強服務表現的監察，促使公帑的運用能達到成本效益，並提升其問責性。不過這項建議隨即引起社工團體強烈反對，他們擔心在資源增值的壓力下，會導致業內裁員減薪不絕，最終打擊福利從業員工作士氣，影響社工對專業的投身。

本文乃就是項的資助改革的爭議作為背景，以批判的角度，探索新資助制度對社工專業的影響。當中會全面探討新制如何改變社工的工作環境、處事習慣與及與政府的關係。最後根據以上的改變探究新制對社工的專業價值觀、自主性和知識的運用與學習的影響。

從多個與社工探入的訪談所得的資料發現，整筆過撥款改革制度為社工帶來了不穩定的工作環境、相異的薪酬制度和緊張的工作氣氛。這些問題嚴重地打擊社工的工作士氣，分散了他們對服務者的關注，並窒礙他們專業知識和服務表現的改進發展。另外，研究發現在新制下，社工除了在資源調配與運用上擔當了重要的角色外，他們在工作上也受到工作指標與資源不足的限制，致使他們不能在工作上發揮專業的知識與判斷，壓縮他們的工作自主性。此外，由於社工逐漸介入有關資源管理的工作，他們在處理和提供社會服務時多從經濟的角度考慮受助者的需要，而非從專業的知識與判斷去了解受助者的需要。筆者發現在這樣的情況下，社工漸漸失卻回應市民需要的精神及能力，最後更削弱了社工助人為本的基本價值觀念。

從訪談記錄得到的証據顯示，新的資助制度改變了社工跟政府長久以來的合作關係。是項資助改革更成了一種管理策略，讓政府重整了對社會福利機構及社

工的控制，並同時削弱他們的自主性，一方面使其成爲國家的工具，協助政府施行社會福利政策，另一方面使其代表國家處理回歸以來社會福利開支急劇增加與資源不足的管理矛盾。總括而言，在新制下，社工的專業角色逐漸淡化，代之而起是成爲資源管理者及國家的行政工具。

Abstract

In 2000, the Social Welfare Department adopted the Lump Sum Grant (LSG) Subvention System to replace the current Standard Unit Cost subvention system. Through the introduction of the LSG subvention reform package, the government intends to streamline the funding arrangement for NGOs and to bring about cost-effective use of public funds and improved accountability. However, the LSG subvention reform has triggered discontent among social work organizations. Critics argue that the new subvention system is merely a device for the government to contain cost. Under a situation of financial austerity, organizations will layoff staff, reduce staff salary and benefits. Ultimately, it will affect social work staff morale and their commitment to work.

This thesis attempts to employ a critical stance to study the impact of LSG subvention system on social workers. In particular, the thesis will examine how the LSG subvention system changes the work conditions and practices of social workers and their relationship with government. Finally, it will investigate how these changes affect professional values, autonomy, learning and the use of knowledge.

The findings from the in-depth interviews with social workers unveil that the LSG system leads to job insecurity, unequal pay problems and workplace tensions and distrust among social work employees. All these are unfavorable to professional knowledge advancement, staff performance and their commitment to social work.

Under the LSG system, social workers not only assume the major role in managing resources, they are also subjected to budgetary discipline and bureaucratic control, which sharply limit their autonomy and their ability to apply professional knowledge and judgment in response to actual clients' needs. Besides, social workers tends to shift the emphasis from providing services according to the clients' needs based on their professional judgment to providing service according to managerial judgment on what is cost-effective or revenue-maximizing. Under such circumstances, social workers gradually lose their sensitivity to clients' needs, which violates the basic ethos of social work in serving the needy.

Most importantly, the LSG system also alters the relationship of partnership between social workers and the state. The LSG subvention system is used as a device to exert new managerial control over the activities of NGOs and their staff, who now become state agents in implementing social policies and dealing with the tensions between the rising welfare demands and the limited financial resources available. To conclude, under the LSG system, social workers no longer uphold their professional role. Rather, they gradually become budget holders and state agents.

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Abbreviations

ASWO	Assistant Social Welfare Officer
FSA	Funding and Service Agreements
HKCSS	Hong Kong Council of Social Service
LSG	Lump Sum Grant
MC	Model Cost

MSC	Modified Standard Cost
NGO	Non – Governmental Organization
SPMS	Service Performance Monitoring System
SQS	Service Quality Standards
SWD	The Social Welfare Department
SWO	Social Welfare Officer
TOG	Tide Over Grant

Chapter One

Introduction

The new millennium represents an era of public management reform for the Hong Kong government that has so far aroused a great deal of anxieties and resentment among various groups. While the civil service faced a major shake-up in their system under the civil service reform measures¹ proposed in 1999, employees of about 180 non-governmental organizations (NGOs)², whose major funding comes from the government, also face some major changes in their working conditions with the implementation of the controversial Lump Sum Grant (LSG) system.

In 1995, the Social Welfare Department (SWD) invited Coopers and Lybrand to introduce reforms on the funding system. A Service Performance Monitoring System (SPMS), which covers an annual self-assessment by service units and external assessment based on a generic set of Service Quality Standards (SQS) and Funding and Service Agreements (FSA), was proposed to monitor the performance of NGOs (Heath and Welfare Bureau, 1999b). In 1999, the Social Welfare Department (SWD) proposed a new subvention package – the Lump Sum Grant (LSG) System and an enhanced Service Performance Monitoring System (SPMS) to NGOs. The official reason for such reform was to enhance the NGOs' flexibility and effectiveness in deploying resources so as to meet the rapidly changing community needs (Social Welfare Department, 2000).

Yet the LSG system does not win the widespread support of social workers.

¹ The official explanation for the civil service reform is to restructure the civil service management system and to make it more flexible and better meet the needs of the community. Practically, the review and the reform of the current civil service management system are conducted in the following policy areas: entry and exist mechanism, pay and fringe benefits, discipline procedures and professional training, performance measurement and personal development. See Hong Kong Government (1999).

² In this thesis, NGOs refer to nonprofit organizations that are engaged in social service provision. They are mostly funded by the Social Welfare Department (SWD).

They protested strongly against the idea. During the consultation period, they even organized sit-ins and petitions to express their discontent about the funding change.³ A coalition including all the social workers' unions was also formed to confront the implementation of the LSG system. In general, their major dissatisfaction is that the funding formula in calculating staff salaries, in which the benchmark of each NGO is determined on the basis of the mid-point salaries of the pay scales of the staff, cannot meet the NGOs' budget need and is barely sufficient for them to meet the projected provident fund requirements and the contractual pay commitments to existing staff. Although the government has promised to provide extra grant to agencies that need extra cash, they consider it too short to meet the long-term financial need of NGOs and not enough to allay the fears of social workers (張國柱, 2000; 大聯盟, 2000). Indeed, even before the consultation period was over, a number of agencies had already imposed a pay cut or frozen certain staff positions in anticipation of a shortfall in the years ahead. There were also reports of layoffs in some NGOs.⁴

Currently, the LSG system has been adopted for more than two years. What are the social workers' perceptions of this policy change? Do social workers experience a fundamental change in work conditions and daily practices under LSG system? How does it affect their exercise of professional autonomy and knowledge? How does it alter their professional mission and values? Perhaps it is time to look into the impact of the LSG system on social workers.

Recently, although there are some writings and researches on the LSG system, their discussion is mainly based on the managerial approach, with much emphasis on the effectiveness of the new system on organizational management but with little focus on its impact on social workers. For example, a group of local scholars express their

³ See South China Morning Post (2000) for details.

⁴ See 明報(2000)

worries on the problems arising from the application of the new funding techniques and ideologies of management that are adopted from the private sector (Wong & Chiu, 2000). Some studies the impact of LSG system on organization management and growth (Au, 1997). Little work has been done on the impact of the new funding system on social workers.

This thesis intends to study the impact of the new funding system on social workers as professionals. In particular, my research questions are:

(1) How has the LSG system impacted on the financial situations of NGOs and hence their flexibility in the deployment of resources?

(2) How has the financial impact of the LSG system implicated on the personnel management of social workers by NGOs; and how has such changes in personnel policy ultimately affected the professional social workers?

(3) Does the LSG system have any effect on the professional autonomy of social workers and on how effective they are in realizing their professional values?

(4) Has the LSG system changed the way social workers carry out their daily work?

(5) In what ways has the LSG system changed the relationship between the NGOs, social workers and the state?

I. An Overview

1. The Lump Sum Grant System

For over three decades, government subvention has always been the major source of funding for many NGOs that provide social services to the public. The Lotteries Fund, which is administrated by SWD, is also used to support their capital expenses. Subvention, in fact, is paid under a number of different sets of rules. They are known as the modes of subvention. The four principal modes are: (Coopers and Lybrand, 1995)

1. The modified standard cost system
2. The model cost system;
3. The lump sum grant;
4. The unit rate subsidy.

At present, the modified standard cost (MSC) system and the model cost (MC) system are the preferred and major subvention modes under which more than half of the subvented non-governmental social welfare unites are funded. However, this subvention system with its emphasis on input control has been criticized for its inflexibility for NGOs to deploy resources, create disincentives for efficiency, stifle innovation and is, moreover, administratively cumbersome to operate. More importantly, there are also inherent limitations in defining and measuring results in terms of linking outcomes of service objectives with resources inputs. As a whole, the current subvention system falls short of ensuring public accountability and cost-effective use of resources in delivery of social welfare services.

As early as 1994, consultants were appointed to review the subvention system with an aim to replace the input control with output control, and moreover, to establish monitoring mechanisms to enhance public accountability and ensure the efficient use of resources.

Their recommendation on the introduction of a Service Performance Monitoring System (SPMS) was accepted by the welfare sector and has been implemented in phases since April 1999. As for the proposal on fixed funding arrangements, it was strongly rejected by the welfare sector. The SWD thus continued to generate alternatives to improve the current subvention system. (Health and Welfare Bureau, 2000)

In October 1999, the government appointed a working group with representatives from the Government and the welfare sector to examine and follow up on the details of the proposed funding arrangements and finally, a new package of measures including an improved service monitoring system and a new funding model based on lump sum grant was initiated.

The SPMS has been introduced progressively since 1999-2000 and is applied gradually throughout the welfare sector. The new funding system takes the form of a lump sum grant with a view to removing the input-based MSC system and MC system. Under the LSG system, agencies have the flexibility in managing resources with reference to their staffing structures, levels of pay and individual items of expenditure. Regarding the funding level, it is calculated on the basis of service units and a number of components, such as Salaries and Allowances, Provident Fund contributions, Other Charges, and so forth, and finally subvention based on these calculations will be delivered to NGOs in the terms of an agency-based lump sum grant. Moreover, this LSG funding arrangements need to tie in with the external assessment indicators written down in the Service Performance Management System. Agencies will be given greater flexibility to deploy resources as long as the required objective, results, outputs as well as standards are achieved (SWD, 2000).

At present, 150 NGOs have participated in LSG system in 2002 - 2003 and the subvention for these NGOs accounts for 96.4% of the total recurrent subvention (Social

Welfare Department, 2002). Those organizations that have not joined the new subvention yet will continue to be subvented under the four original funding modes as mentioned earlier. However, it remains the government's objective to have all NGOs funded by the LSG system in the long run (SWD, 2000).

The government also suggested that in the future all new services should be allocated on the basis of a bidding process emphasizing value-for-money. Currently, service contracts are opened up for some selected elderly homes, home-care and meal service units as the pilot test (Tsang, 1999).

Although the government insists that the new subvention system bears substantial advantages, such as clear identification of respective responsibilities in delivering social services and improvement in service quality and performance, as expected the new subvention system has generated a lot of discussions among NGOs, social welfare administrators and scholars of social work. And among their worries is anxiety and uncertainty as to how the proposed new subvention system may transform the role of social welfare organizations and its management practice.

Since the 1970s, the government and NGOs have established partnership in rendering social services. The introduction of the new subvention system has, however, destroyed such partnership. The government now assumes the role of the major purchaser of NGOs, and the NGOs take up the role of providing social services according to the government's requirements, with the removal of their distinctive characteristics of creativity and initiative in the provision of social services (Chiu and Wong, 2000, p.171-175).

The transformation of the financial and personnel management system of voluntary agencies is also the subject of discussion among scholars (Chiu and Wong, 2000; Au, 1997). Under the new subvention system, the formula in calculating staff salaries, in which the benchmark of each NGOs is decided on the basis of the mid-point

salaries of the staff, may result in inadequate funding for social agencies to meet the contractual commitment of the service staff, and in turn they may reduce the number of staff, their salary and fringe benefits in the light of budgetary constraints.

With the greater discretion and flexibility granted to agencies with regard to their staff standards, salary levels and so on, NGOs will experience a fundamental change in organizational management (Au, 1997, p .170-171). Therefore, they may have to revise their organizational missions; management structure, services and future welfare plan to produce effective and efficient services. These strategic changes in response to the new funding system may generate significant implications on future social welfare development.

Although the new subvention system has stimulated a heated discussion in the sector, the focal point of discussion is mainly on the organizational point of view, emphasizing much on how the new subvention system transforms the management style of social organizations. Its significant impact on professional social workers seems to have been neglected.

Social workers are the front-line professionals in the provision of social services, playing a leading role in helping the deprived, the poor and the weak to cope with their problems. The new subvention system must trigger immediate effects on their working conditions, practice, role and hence their morale, professional autonomy and discretion, knowledge and professional goals and values. In short, this research attempts to stimulate a new line of study on the impact of the new subvention system on social workers as professionals.

2. The New Subvention System and its Relation with New Public Management Reform in the West

The LSG funding model is a flexible funding model based on one-line vote, in

which agencies can have more power in deciding the use of funds and less restrictive rules with regard to staffing. The Service Performance Monitoring System, which comprises Funding and Service Agreements (FSA) and Service Quality Standards (SQS), are used to scrutinize the performance of NGOs. Precisely, it is an output-oriented management model by which governing agents of NGOs and those who are closer to the “problem ” are given a stronger decision making authority to manage resources and subsequently the service contracts and agreements, performance indicators and sanction rules are used to monitor their performance and practices.

The decentralized funding system and its monitoring system de-emphasize procedural constraints and stress the use of performance indicators to measure output. Its principles are substantially influenced by the new managerial movement, which was first adopted by western liberal democracies to deal with the crisis of the welfare state. In the 1970s, economic stagnation coupled with the global energy crisis plunged many western welfare countries into economic crisis. In numerous countries especially Britain, Australia and New Zealand, the political New Right who advocated neoliberalism demanded a smaller public sector and the reduction of welfare programs. They portrayed welfare as an economic burden. They argue that the large number of people who were employed in welfare services add nothing to the productivity of the nation. Secondly, the bureaus-professional welfare delivery structure was overloaded to the point of inefficiency and ineffectiveness, hence unable to meet the needs of people who need services. Thirdly, welfare professionals have controlled state welfare, neglecting those who use the services (Clarke, Langan and Williams, 2001, p.74-74; Lymbery, 2000, p.127).

Theoretically, the New Right managerial thought are rested on the public choice school which stresses the advantages of market over the state in the delivery of public services and the importance of incentive mechanism in increasing productivity

Secondly, there is a belief effecting the superiority of the market mechanism, which privileges entrepreneurial management skills, market-based competition, and other techniques utilized in the business sector (Verheijen, 1998).

Under these New Right theories, competition and market mechanisms were introduced into the public sector, to require all service providers of public services to become more economical, efficient and effective. Managerial techniques, such as outsourcing, out-put oriented funding model, performance measurement, consumer – oriented approach, are adopted in the public sector with an objective to use scarce resources more efficiently and hence contain the drastic growth of public expenditure.

The adoption of new public management reforms in the west has not been without critics and skeptics. For example, scholars have expressed their suspicion on the applicability and effectiveness of NPM in the public sector, arguing that its inherent conceptual vagueness and logical contradictions may produce serious problems of implementation (Pollitt, 1993). Doubt is also expressed about the transferability of business practice from the private to the public sector, given the differences in conditions, processes and desired outcomes between the two sectors. Critics even accuse the proponents of NPM of failure to recognize the distinctive characteristics of public sector when applying the techniques of the new public management that originated from private sector⁵ (Johnston & Callender, 1997; Peter & Savoie, 1994).

The impact of NPM is also evident in the voluntary sector. Recently, there is much scholarly debate and research in the west concerning the changing role of the voluntary sector in response to NPM. For instance, the works of Johnson (1989), Wolch (1992), Smith and Liksy (1993), and Clark and Newman (1997) all point to the problems resulting from increased governmental penetration in voluntary sector when

⁵ For more discussion on this issue, please see Pollitt (1993), Johnston & Callender (1997) and Peter & Savoie (1994)

social services are contracted out from the former to the latter. They believe that the voluntary sector have to downplay their missions and blend their priorities in order to secure adequate funding from government. In this sense, the independence and unique qualities of pioneering and advocacy associated with voluntary organizations are greatly undermined.

3. The New Public Management Reforms and Social Work

Recent discussion on the character and role of the voluntary sector and its changing relationship with government also stimulates a broad range of investigation on the impact of NPM on the nature of social work practice and the role of social workers.

The arrival of “performance indicators”, “devolved budgets”, “targets”, “objectives”, and “evaluation mode” into the welfare sector in the west not only leads to the alteration in voluntary sector management styles, but also fundamentally transforms the working practice of social workers (Jones, 1999). Many social workers have been re-titled as “paper bureaucracy” and “care managers” whose primary concern is not to serve the client’s need but to engage in budgeting and resources management. (Kirkpatrick & Lucio, 1995, p.6)

The decentralized budgeting format that de-emphasizes procedural constraints and favors the use of performance indicators to secure service quality has let many agency social workers to work within systems of assessment (Lymbery, 2000, p.129). Under the funding regime, NGOs have to work according to governmental requirements and expectation. In order to assure requirements are met, agencies social workers are thereby expected to present extensive documentation for government assessment of their daily practice, such as record keeping of the number of “service delivery units” performed, the type of clients served, and the reasons for recommended

treatments (Lawler, 2000 & Lymbery, 2000).

Despite the fact that greater transparency of the social work process and accountability for its outcome is desirable in pursuing goals of cost-effective management and in checking the performance of government employed professional staff, it leaves less room for discretion and therefore limits professional autonomy and undermines its effectiveness (Lawler, 2000, p. 50-51). In the light of organization budgetary constraints, social workers may also be under strong control over their professional activities. (Exworthy & Gauser, 1999, p.96-98). Examples of these include quotas for admission to special care, cash limits for care packages, reduced resources for community building activities. All these occupational constraints have increased the level of monitoring of social workers' actions and decision, and thereby reducing their professional autonomy as well as advocacy in response to the need of clients. In Jones and Joss words, social workers are confronted with "firmer limits on their professional discretion with a constant nibbling away at the edges of their professional autonomy". Social workers are shifted to function more as "technical operatives", with increased emphasis to follow rules and procedures rather than the exercise of professional judgment (Jones and Joss 1995: 15-19).

The upshot has been fundamental changes to the nature of social work practice and the role of social workers. Not only will social workers experience greater accountability to managers for the use of resources, their role will also become dramatically managerialized in nature. Consequently, social workers will become the "quasi-managerial practitioner" whose jobs are to secure the cost-effective use of resources (Exworthy & Gordon, 1999, p.97).

The managerial reform also undermines the professional role of social workers (Clarke & Janet, 1994, Clarke, 1996, p.58-60, Exworthy & Gordon, 1999, Lymbery, 2000, p.31). In the old welfare regime, social workers, even though working within a

bureau-professional context, still retained discretion in judging the client's needs and developing proper solutions to their problems according to their professional judgment. In the managerial regimes, social workers are subjected more to managerial control and budgetary constraints. The effect is shifting the focus of social workers from being responsive to individuals to conforming to government requirements and for the managerial values of economy and effectiveness. This, eventually, "moves social work from a professional to a more administrative practice"(Lymbery, 2000, p.132).

Politically, under the banners of quality management and the rhetoric of "value for money", the internal changes in management structures, working practices and conditions of public sector employees are legitimated (Kirkpatrick and Lucio, 1995a, p.8-10, Kirkpatrick and Lucio, 1995b, p.2271-273). Worse still, the state's responsibility in the adequate provision of social services is off-loaded to the front-line service providers and turn them into a buffer against public criticism on the poor quality as well as quantity of social services delivered (Simth and Lisky, 1993, P. 115-120).

In Hong Kong, the LSG system is much influenced by the new public management reform prevailing in the west. Therefore, it is worth investigating whether social workers in Hong Kong will experience the same effects of changes as western social workers under the new managerial reforms. It is also meaningful to explore the political implications of the LSG system on social workers within the particular politico-economic context of Hong Kong.

II. Objectives & Significance

The primary objective of my research is to examine how the LSG system changes the work conditions, daily practices and the role of social workers, and how these changes affect their professional autonomy, knowledge and values in social services delivery. Particularly, I shall firstly analyze the possible impact of the LSG system on social workers based on the study of the impact of similar types of new managerial reform in western cases and, secondly determine whether such impact has occurred in Hong Kong through investigating the subjective response of social workers to the LSG system. Finally, I shall discuss how the impact of LSG system on social workers undermines social work professionalism.

Although the LSG system adopted in Hong Kong are largely in line with similar reform trends prevailing in western welfare states, its implications should be examined within the political, economical as well as social contexts of Hong Kong. Therefore, prior to exploring the effects of the subvention reform on social workers, I shall try to address the historical and socio-economic background that gives rise to the LSG subvention reform and the political significance of the new managerial techniques pertinent to the LSG system. By doing so, I hope to better capture the historical and political meanings of the LSG system and its political implication on social workers.

As my thesis is one of the latest researches regarding the impact of LSG funding system on social workers, the findings will be significant in stimulating new lines of researches on the LSG funding system in relation to professional autonomy in the workplace, the managerial role and political of role of social workers in the new managerial era, and the changing relationship between the state and the voluntary sector. I believe all these may interest scholars and students in the fields of social work, public management and political science and may also alert our policy makers and our service

providers to the implications of the proposed reforms and shape their future planning on social service programs.

III. Research Plan and Methodology

1. Unit of Analysis

In this thesis, social workers will be my focus of analysis. In the context of Hong Kong, I would like to confine my analysis to those social workers who are holders of a degree in social work recognized by the Registration Board for registration and are involved in both or either of direct social services delivery and agency administrative management.

2. Levels of Analysis

Firstly, I shall analyze the impact of the LSG system on social workers based on the study of the impact on similar type of new managerial reform in western cases and subsequently examine whether such impact has occurred in Hong Kong based on the social workers' subjective experience of how the LSG system affects their work conditions, daily practice and service role. Secondly, I shall explore the new relationship between social workers and the state under the LSG system. In this part, I would like to analyze the new role of social workers under the LSG system in the boarder context of the politico-economic situation in Hong Kong. Finally, I try to reveal how all these changes on social workers' work conditions, practices and role affects their distinct qualities as professionals.

3. Methodology

There are two methodological paradigms in social science research: the quantitative research and qualitative research.

Quantitative research tends to adopt a structured approach to the study of society. Quantitative researchers tend to employ the posture of an outsider looking in on the social world. He or she applies a pre-ordained framework on the subjects being investigated and is involved as little as possible in that world. (Bryman, 2001, p.38-41) Quantitative research method also stresses a positivist approach to social science. Quantitative researchers therefore are likely to use a technocratic perspective, apply "reconstructed logic," and follow a linear research path. They emphasize precisely measuring variables and testing hypotheses that are linked to general causal explanations. (Newman, 2000, p.122) However, to many qualitative researchers, quantitative research produces only superficial data. They tend to view survey research, as a source of surface information, which relates to the social scientist's abstract categories (Bryman, 2001,p.45).

By contrast, qualitative research tends to be more open. Qualitative researchers often reject the idea of using theory as a precursor to an investigation since it may not reflect subjects' views about what is going on and what is important. Therefore, qualitative researchers have strong tendencies to 'get close' to the subjects being investigated – to be an insider. They believe that by getting close to their subjects and becoming an insider that they can view the world as a participant in that setting. Qualitative research method also emphasizes mostly on interpretive or critical social science. Therefore, qualitative researchers are more likely to use a transcendent perspective, apply "logic in practice," and follow a nonlinear research path. They emphasize conducting detailed examinations of cases that arise in the natural flow of social life. They also try to present authentic interpretations that are sensitive to specific social-historical contexts (Bryman, p.38 –41; Lawrence, 2000,p.122-123). However, quantitative researchers criticize that the qualitative research lacks representativeness and has limited generality since the data collected are heavily influenced by the

particular emphases and predispositions of the researcher.

In this research, qualitative analysis mainly through in-depth interviews will be the major research technique in data collection. Qualitative research method is utilized because it allows me to “get close” to the social workers being investigated and to understand what happened in reality from their perspectives. Compared with quantitative methods such as a broad survey of surface patterns, qualitative research method permits us to understand the contextual meaning of LSG system and contents of changes in employee relations and social work practices as the result of LSG system through social workers’ own response and description. In sum, qualitative method provides us with the opportunities to derive data from ethnographic work, which is particularly essential to an exploratory study.

A total of sixteen social workers were finally interviewed from the mid-February to the late May. The interviews were conducted in Cantonese and each interview took around one and a half hours. To ensure the reliability of data collected from each semi-structured interview, firstly four pilot interviews were conducted before in-depth interviews. The pilot interviews are important as I can test the interview questions by asking them questions and checking to see whether they are clear and suitable. Secondly, questions asked in each interview with a social worker also tend to be consistent. (Please see Appendix 3 for the interview questions) Probe and follow-up questions are also made to allow social workers to have greater opportunity to organize their answers, to express themselves within their own frameworks. Also, before the beginning of each interview, I explained thoroughly to my interviewees the objectives of my study and ensured them of confidentiality for all the information they provided and the anonymity of the identity of the interviewees. For the purpose of anonymity, all the names of the interviewees and their affiliated organizations will not be disclosed in my thesis, and pseudonyms will be used to represent the interviewees where they were

quoted. (Please see Appendix 1 for the interviewees' personal profile) Upon the permission from interviewees, all the interviews were also recorded by a tape recorder and later transcribed into English scripts.

Among the sixteen interviewees, four were referred by an executive member of the Hong Kong Social Workers' General Union. The rest of them were approached through the snowball method in which I conducted interviews with a few social workers that I had initial contact with, and then asked them to refer me to their colleagues who volunteered to be interviewed.

Apart from in-depth interviews, archival and documentary researches were also conducted. I focused on analyzing materials from the documents of social workers unions' annual reports; academic journals; governmental consultation papers and newspaper cuttings related to the historical development of social service, the growth of the social work profession and LSG funding model. These materials are useful for my understanding of the development of social service and the social work profession in Hong Kong, and the broader structural context of the development of the residual welfare state in Hong Kong.

IV. The Structure of the Thesis

The thesis consists of five chapters. Apart from this introductory chapter that gives an overview of the background of my research questions and the research methodology employed, the focus of the remaining chapters are as follows:

Chapter Two -- will offer a literature review on the definition of professions and attempt to situate the nature of social work in the literature of professionalism. It will also delineate the growth and development of western public sector reforms, its impact on the welfare state, NGOs and the social work profession.

Chapter Three --- will address the history of development of the social work profession in Hong Kong in relation to the development of the residual welfare state and the voluntary sector. Afterwards, it will delineate the socio-economic and political contexts that gave rise to the LSG system. Besides, it introduces the LSG subvention system and explores the managerial techniques related to the LSG subvention reform. Consequently, the implications of the LSG system on the welfare system, NGOs and social workers are investigated.

Chapter Four -- will analyze the data obtained from the in-depth interviews with social workers. This chapter will contribute most to the understanding of the impact of LSG system on social workers as professionals.

Chapter Five -- will be a concluding chapter that summarizes the findings in the research and suggests the directions for further researches related to the LSG system. Besides, it will spell out the constraints encountered when conducting the research and reflect on possible improvements.

Chapter TWO

Literature Review

This chapter shall be divided into the following parts: Firstly, it is necessary to briefly summarize the current debate in the definition of profession with reference to sociological as well as social work literature and then analyze the nature of professionalism for social work. Secondly, it outlines the new public management reforms in the west and its impact on voluntary organizations and welfare state. Thirdly, it addresses the impact of such reforms on professional social workers. Finally, it outlines the analytical framework for the later discussion of the impact of the LSG system on social workers.

I. Current Debate on Social Work as a Profession and The Nature of Social Work

1. Sociological Definition of Profession

A. The Trait Approach

The early trait approach rests on the idea that the description of professional structures will explain the nature of professions. It is believed that there is an ideal type of profession, which represents the essential characteristics of professionalism. Moreover, it claims that the more closely an occupation met the features of the ideal type, the more of an occupation resembles a profession. The influential literature of this approach was produced by Greenwood, who argues that a profession is constituted by five distinguishing attributes of a profession. They are systematic body of theory, authority, community sanction, ethical codes, and a culture (Greenwood, 1957).

B. The Structural Functional Approach

Another major approach to the definition of professionals stemmed from structural differentiation and the functional division of labor in society. The basis of structural-functional analyses is the special nature of the occupational function of the professions. A key assumption is that there is a naturally evolved social and biological fit between the characteristics of the professions and the nature and needs of society. Professionalism is thus considered a method through which the knowledge available to society is developed and used for the service of the common good. The consensual, vocational service view is evident in the work of Durkheim, Etzioni and Parsons. Halmos also focuses the role of professional ethics in promoting a sense of moral order (Yelloly and Henkel, 1995; p.17):

C. Occupational Control

This approach argues that professionalization is just one of the measures by which occupations attempt to place their work practice under greater internal and external scrutiny. Thus, there is no real difference between professions and other occupations save that "a profession has become an occupation which has assumed a dominant position in the division of labor, so that it gains control over the determination of the substance of its own work" (Friedson 1973).

In this model, work is characterized by exclusive knowledge. The power of professionals is acquired through a variety of gate-keeping methods to ensure exclusive control of that knowledge. In general, the professionals preserve their expert status by a range of measures, including limiting the right of entry to selected candidates, determining and providing training, and licensing members to practice, in exchange for certain privileges such as autonomy, financial rewards and relative freedom from external accountability.

Internal control is also established through professional codes of ethics as well as other implicit control, for instance, socialization through training to ensure self-regulation. In sum, this approach advocates taking the analysis of the structural and cultural characteristics of an occupation into account when explaining professional work.

2. Sociological Studies: Social Workers As Semi - Professionals

It is often argued that social workers fail to assume the full-fledged professions status according to the sociological definitions of professions. With reference to the *trait theory*, social work can only be classified as a semi-profession since social work does not meet all the cited requirements of the traits that are held to characterize a full profession. Social workers lack a systematic theoretical knowledge base, hence entail a shorter period of training for its member and cannot exercise monopolistic control over its members. Therefore, although social workers possess the main attributes characterizing a profession, they are less highly developed than in the established profession. In this sense, social work still ranks low on the continuum of professionalism (Lymbery, 1999, p.125; Etzioni, 1969, p.145-147). The occupational control approach also denies that social work is a profession since social work faces external conditions, which prevent them from having full measure of occupational control. The fact that social work operates largely within the hierarchical structures of governments means that social workers are forced to adopt a more technical approach to problems at the expense of professional judgments (Lymbery, 1998, p.865; Lymbery, 2000, p.126). Eventually, the location of social work increases the level of hierarchical accountability of social workers and decreases the level of their professional autonomy. In fact, the history of development of social work in the west reveals that it is strongly associated with the development of welfare state. Social workers are incorporated as

state agents to deliver services to the needy. Consequently, their works have been largely shaped and developed by governmental policies, and are key instruments in the operationalization of political ideas and governmental policy. This perspective has given rise to a theory of bureau-professionalism, which is based on the ideas that “neither autonomous professionalism nor purely bureaucratic hierarchies” have developed from the establishment of unified social services department (Parry and Parry, 1979, p. 43; Lymbery, 2000, p. 125).

Hence, the major hindrance to the development of social work as a profession is the location of most practice within the hierarchical and bureaucratic structures of government that limits their professional autonomy and compromise their full control over the work process.

3. Social Work: Diverse Views on Professionalization

Apart from instead of focusing on defining social work as a profession, scholars of social work are interested in debating whether social work should be professionalized. The proponents argue that professionalization stems from the prestige of science and represents an aspiration to achieve scientific status. For instance, in the U.S, many occupations have stressed the empirical, critical, rational spirit of science in their work process. Social Work also looks up to this model for the model of professionalization and emphasizes scientific knowledge as the basis for professional practice.

Professionalism, involving the use of esoteric skills and knowledge, provides social work with autonomy, which makes it easier for them withstand outside pressures. Thus, professionalism extends the power of social work, both over its own members and the client group (Wilebsky & Harold, 1958, 284-287). Thus, professionalization can advance the actual and perceived status of social workers, by which they can acquire

higher status, prestige and income. Therefore, some writers of social work developed various theories for improving the status and increasing the degree of occupational control of social work. For example, Larson's theory of the "professional project" is one of the attempts to advance both the actual and perceived status of an occupation, including social work. In response to this theory, Howe went further to improve the social worker's status and prestige by a process he named "ditching the dirty work", getting away from certain forms of less glamorous activities to focus on activities with greater "occupational potential" (Howe 1986). Jamous and Peloille argue that a profession must maintain an equilibrium between its technicality and its indeterminate elements. Technicality refers to rules and procedures, which social workers have to follow, while indeterminacy refers to the aspects of professional judgment that a social worker must exercise (Sheppard, 1995). Jones and Joss (1995) differentiate various models of professionalism, according to their distinctive professional role of uncertainty, knowledge, values, relations with clients, self-image and method of professional development. Each models of professionalism is underpinned by a different set of assumptions about the nature of professional work. These assumptions also have implications for the way in which professional competence is defined and developed. According to their books, social workers fit into the models of Reflective Practitioner⁶, which essentially take a holistic approach in generating a solution to an uncertain world.

However, opponents perceive that professionalization in social work leads to the withdrawal from the long-standing commitment to promote of human welfare through

⁶ Reflective practitioner is a holistic model in which occupational competence cannot be distinguished in principle from competence in the knowledge base, values, attitudes and philosophy of the occupation. In this situation, it is not only concerned with the outcomes of professional practice but the cognitive process by which these are developed and demonstrated. It means that all participants bring their own background, values and culture to the specific context of professional practice and deal with problems through a process of negotiating shared meaning. The model is therefore grounded in experiential learning theory. Please see Yellooly and Henkel (1995, p. 27-31) for details.

social actions. Professionalization means an increased focus on the development of psychotherapy, person-to-person casework method (Etzonti, 1969, p.161-163). As Wilensky and Lebeaux (1958) said,

A professional absorbed in the technical side of his work, aiming at full use of his skills and training, preoccupied with that competent, efficient performance of which his professional colleagues would approve – this person does not have the time, energy, or inclination necessary for social reform, for dedicated attention to the broader public purpose.

Others consider professionalization as a power building process, aiming at safeguard a high reward from the profession's service, through the control of the number of graduates from training program so as to ensure the scarcity of the supply of labor and knowledge. Such approach is refuted by some social workers as it violates the basic value of social work to respect individuals and to serve the disadvantaged (Law, 1989).

The debate on whether social work should be professionalized has been the fundamental issue in the social work literature.⁷ In spite of this endless debate, there seems little doubt that professionalizing tendencies have emerged in the recent history of social work. It is because standardized formal training in universities, seeking training to get credentials, and control over occupational entry are advanced in social work (Lipsky, p.201; Greenwood, 1957; Lymbery, 2000).

In short, although there are disagreements for social work to assume a full-fledged profession status and the fact that there is heated debate on whether social work should be professionalized, social work does process some major attributes that

⁷ Please see Wilensky and Lebeaux (1965), The New York Time (1967) and Law (1989) for references.

qualify them as a profession. In the following section we shall discuss these major attributes.

4. Social Workers as Professionals – Some Important Characteristics

A. Professional Goals and Values

Although there is by no means one consistent goal and value base shared by all professions, all professions must have some shared rules and meanings, which may constitute an ethical code or informal culture (Jones & Joss, 1995, p.20).

Since its beginning over a century ago, social work practice has emphasized meeting human needs and developing human potential. Social justice and equality act as strong motivation and justification for social work action. Therefore, social workers have dual commitment to the individual and to society. Particularly, they seek to influence individual behavior and social policies for the betterment of the people they serve. This professional goal constitutes certain basic values of social work, which are to promote the welfare of ordinary citizens as well as their clients by mediating between people and their environment to the society, empowering them to act on their own behalves and enabling them to function, participate and develop in society (Clark, 1999). Social Workers also advocate the use of social action and conflict in pursuit of social change and reform so as to fight for equality and social justice(Wong, 1993a).

Various social work organizations in the world share the same professional values, for instance, with regard to the statement from *International Federation of Social Workers (IFSW)*⁸, the values of social work are based on the appreciation for the equality, worth, and dignity of all people. Professional values are also combined to form the profession's codes of ethics, which guide their daily activities and resolve their work conflict.

⁸ See <http://www.ifsw.org/Publications/4.6e.pub.html> and <http://www.ifsw.org/Publications/4.4.pub.html> for details

B. Professional Knowledge

The nature and application of knowledge also act as the key dimension of professional works. In practice, skills and knowledge are supported by a systematic body of theory, which is derived from a range of systematic research.

Social work bases its methodology on a systemic body of evidence-based knowledge derived from research and practice evaluation, including local and indigenous knowledge specific to its social and political context. It also recognizes the complexity of interactions between human beings and their environment and the capacity of people both to be affected by and to alter the multiple influences on them. Thus social workers draw on theories of human development, behavior, social relations and social systems to analyze complex social situations and to develop individualized response to clients or to facilitate organizational and social changes. And owing to the uncertain working environments faced by social work profession, knowledge is not used according to procedures and requirements. Rather, it will be modified by interactions with clients. They will employ the all-relevant knowledge including the clients' to develop the most appropriate solutions to client and social needs. Therefore, practice theory is strongly developed and based on process and interpersonal theories-in-use (Jones and Joss, 1995, p.21, 26-27).

To advance professional development and knowledge advancement, social workers are expected to take responsibility for upgrading and strengthening their professional skills and knowledge, through a process of experimental learning from doing. Therefore, observation, reflection, experiment and conceptualization are important to social workers in their daily practice in response to client and community needs.⁹

⁹ The discussion is based on the statement of International Federation of Social Workers and Hong Kong Social Workers Registration Board. See <http://ifsw.org/Publications/4.6e.pub.html> and

C. Professional Autonomy

It is agreed that the ability to deal with uncertainty is associated with professional work. Social work is seldom routine and involves working with people of all whom are unique. In complex situations, they are never amenable to produce standardized or prescribed responses. Instead, they are expected to absorb and synthesize the information necessary to understand the situation when faced with differentiated clients and the complex forces at work in the community (Fabricant, 1985). They should also share certain basic theories of human development and behavior and social systems to understand as much as possible about the entire human being and the whole community so as to analyze difficult situations, and to promote individual and social changes.

In work practice, social workers should collect pertinent data as a first step to understand individual or collective behavior. The importance of collecting relevant information is to further enrich and redefine the individual worker's understanding of the whole person or community. After data collection, social workers are responsible for diagnosing those forces that interfere with the individual's or the community's functioning or potential. The diagnosis rests on more than one model of practice and different circumstances of individuals and communities. It is this distinctive ability in diagnosis that distinguishes social work from other occupations. Professional social workers recognize the importance of differences between specific individuals or particular communities and thereby engage in differential social treatment. (Fabricant, 1985) In such circumstances, social workers should employ a holistic approach in considering the internal and external circumstances of clients and communities, intervening with subtler set of skills and producing an individualized solution and

advice to the particular clients and groups according to their professional judgment.

In a nutshell, the maintenance of all-relevant knowledge regarding human beings and social systems, the exercise of professional judgment and discretion are the fundamental aspect of professional practice and they are widely accepted by most analysts to be the essential commonality between professions groups.

II. The New Public Management Reform and its Impact on the Welfare State and Voluntary Organizations

1. The New Public Management Reforms in Western Welfare State

The 1980s and the early 1990s witnessed a transformation in the social welfare sector of many advanced liberal democratic countries. In this transformation, the previous traditional, rigid, cumbersome and bureaucratic form of public administration that has prevailed in most of government until the late 1970s is now changed to a market-based, flexible and innovative form of public management. This new form of management is not only a matter of change in management style, but also a change in the role of government, the relationship between the government and voluntary sector and between the government and social workers. Henceforth, the adoption of the new public management means the emergence of a new paradigm in the social welfare sector.

The new public management reforms gained its importance in the western liberal democracies during the late 1970s mainly due to the crisis of the Keynesian welfare state (KWS). The KWS is often regarded as the post-WII consensus in the welfare liberal democracies as state is expected to actively involve in social and economic matters, such as securing full employment, mass consumption and promoting minimum social service provision, with an aim to secure political and social rights and ensure political stability and legitimacy (Midgley 1997, p.137).

In the 1970s, a prolonged period economic recession resulting from global

energy crisis triggered an unfavorable social and economic condition. A high level of unemployment, inflation and poverty were evident elsewhere. Meanwhile, the continued expansion of the public sector, welfare programs and rising welfare expenditure draw welfare states into deep budgetary crisis, and henceforth abandon its monopolistic role in welfare provision (Midgley, 1997, p. 139). In this situation, the long-standing pledge of the welfare state was to promote social and political rights, collective consumption and full employment was broken.

At the same time, the rise of New Right economics ideology provided a strong attack on the welfare state. They blamed for the rising public spending and the budgetary crisis on the generous welfare provision which discourage individuals to work and the heavy taxation that dampened business investment and entrepreneurship. For example, J. K Galbraith, a U.S economist criticizes this situation as the poor don't work because they get too much, while the rich are unwilling to work since they get too little money (Clarke, Langan and Williams, 2001, p.74-75). Critiques also argue that public bureaucracy is inefficient and low in productivity. There are also continued public resentment to the social service professions in public service provision (Flynn, 1999, p.20; Lawler, 2000, p.35; Lymbery, 2000, p. 127). In short, public sector provision of social services is condemned for "standardized and insensitive" "stifling innovation, denying choice and voraciously and insatiably consuming people's money" (Taylor, 1996, p.149-151).

Theoretically, this New Right managerial thinking is grounded in the public choice theory and the belief in the efficient market. The public choice theory advocates the supremacy of market mechanism over the state and the use of incentive system to motivate self-interested individuals to speed up productivity. The latter emphasizes business values such as efficiency, effectiveness, productivity and entrepreneurship (Verheijen, 1998). Relying on these theoretical ground, the New Right, therefore,

advocates the application of market techniques and principles to the welfare sector, claiming that it would respect individual liberty and through competition, safeguard the efficient use of resources and hence contain the public spending on welfare (Pierson, 2001). Therefore, under New Right politicians, such as Margaret Thatcher in Britain and Ronald Reagan in United States, quasi-markets were created in the welfare sector wherever possible through contracting out and competitive tending. The creation of quasi-markets means the imposition of provider competition through internal markets. The governments still finance the public services delivery but public services could no longer monopolize provision and had to respond to consumer need. It is argued that consumer would experience with more choice and better values for money and providers would be forced to improve efficiency and quality in the environment of competition (Flynn, 1999,; Le Grand, 1990 and Ferlie, 1996). Those new managerial measures contain a key feature, which is to separate financing and service provision in welfare delivery. Government does not take the major role in service provision. Rather, voluntary organizations and private agencies assume the role of service providers. Moreover, the public funding is no longer to be allocated through central planning or through funding formula. Instead, public funding is given to service providers through devices such as contracts and competitive bidding (Ferlie, Ashburner etc, 1996, p.57). Financial authority are also devolved to those public agents acting on behalf of government, allowing them to having greater autonomy and flexibility in handling resource and personnel management. Therefore, performance-related pay, short-term contracts and pay bargaining are likely to be practiced in the quasi-market conditions. In order to ensure public spending is used effectively, the government also adopts the output-oriented management model, instead of input control mechanism, to monitor the performance and regulate the activities of services agencies (Bailey, 1995). In sum, the government tends to make use of quasi-markets and hence an incentive system to make

public and voluntary organizations maximize their productivity and efficiency in the deployment of public funds and to hold them accountable for the services they produced.

The Health Care reform in Britain provides a typical example of how government makes use of “ market force ” in supplying welfare services. Firstly, competitive tendering was applied in National Health Service (NHS) and local authority health services since 1980s, such that cleaning work and catering in NHS were required to put out to private sector and voluntary organizations for tendering. The 1990 National Health Service (NHS) and Community Care Act also transformed health service organizations into sets of purchasers and providers of services, whereby healthcare providing organizations like hospitals, ambulance services and so forth were demanded to price their services. Then purchasers are encouraged to shop around for the cheaper forms of treatment, and providers can compete for their customers. Service departments also create new relationship with those departments they serve through charging for services and negotiating a service agreement contract with them (Clarke, Langan and Williams, 2001, p. 87). Therefore, both purchasers and providers operated as trading entities within internal quasi-markets of the NHS. Apart from the creation of quasi-market, the British government also increases their levels of funding to voluntary organizations in service provision and extensively introduce compulsory competitive tendering, contracting out in some public social services.

In sum, liberal democratic states are looking for new ways to deal with rising social demands and limited public resources. The managerial practices, such as flexible funding, output-performance measurement models, and the creation of internal market at the time rightly serve the need of the New Right to cope with the inefficient welfare sector and the continued expansion of welfare spending. Moreover, under the new managerialism, management ethos such as productivity, efficiency and entrepreneurship,

replaces political values of social and economic rights and is considered an indispensable element for the state to restore its global competitiveness, financial capacity and most importantly national strength (Clarke and Newman, 1997; Chau and Wong, 2000; Lee, 2000).

2. The impact of the New Managerial Reforms on the Welfare State and Voluntary Organizations

The new managerialism has significant impact on the welfare state. It leads to the development of a new welfare regime, or what is called a new “welfare pluralism”. Under “welfare pluralism”, welfare services are dismantled, and become “much more complex but dispersed social services” (Clarke, Langan and Williams, 2001, p. 87). Subsequently, “a mixed economy of welfare with expanded roles for the private, voluntary and informal sectors” is resulted (Clarke and Newman, 1997, p.25). However, the state has not lost its power to control service prices and standards while the central role for the state in the direct provision of services now shifts to private and voluntary sector. Instead, the state retains its dominant power in directing and controlling the mixed economy of welfare. It is because governments exercise control on voluntary organizations and the private sector through “regulation” and “inspection” in which the latter are subjected to result-oriented performance control by the state which focuses mainly on performance, achievements, cost-effectiveness, value for money and productivity (Clarke, Langan and Williams, 2001, p. 88).

The development of these performance management techniques truly reflects the primary objective of the state to extend central government control over operational matters of organizations that are given decentralized authority to vire moneys between different budget headings, to develop its own personnel structure and strategic plan for future development through funding contracts. Hoggett (1996) considers this

governance strategy featured by the combination of regulation and autonomy as “freedom within boundaries”, where performance indicators set up part of the boundaries within which organizations are permitted to have freedom to manage. By doing so, the government can ensure that while organizations perform decentralized management, their activities are placed under scrutiny. Cater (1989) points out that this type of “remote control” indicates the government intention to retreat from its traditional role as a service provider towards a service purchaser, whose key function is to finance the public services, to monitor and evaluate the work done by service agencies. As a result, the government becomes a “backseat driver” in the welfare delivery system (馮可立, 1996; Carter, 1989). It means that the only responsibility of the government is to finance and ensure public services are delivered. In this sense, the government is more likely to adopt cost-conscious approach in managing welfare sector, focusing more on cost-effective management of resources rather than the actual need of the citizen (Johnson, 1989).

The impact of this new public management reforms on the voluntary sector is also significant. One of the major changes is the voluntary organizations increasingly take over the traditional state role of public service provision as services are increasingly contracted out by the state to the voluntary organizations (Taylor, 1992, p.156). Another change is to move the voluntary sector toward greater integration into the private, market economy. Devices like contracting and competitive tendering compel voluntary organizations to work in a competitive environment. They have to start operating like private business, such as involving in more for-profit activities and cutback management, in order to safeguard their survival in times of keen market competition for government contract funding (Salamon, 1995; Taylor, 1992, p. 159).

The introduction of contract funding model and result-based evaluation system on the voluntary sector also means that the government would subsidy organizations

according to their output and performance instead of input. Voluntary agencies therefore no longer enjoy stable subvention from government. Flexible subvention may create an impetus for top management of organizations to behave in cost-effective manner. Organizations will become more and more sensitive financially and are likely to adopt a conservative approach in administrating their expenditures. (Lawler, 2000; Kelly, 1991) Personnel expenditure reduction, services rationing as well as quality and quantity control management are commonly utilized by voluntary agencies to minimize operational cost especially in a period of financial constraints (Klinger, etc, 1998; Smith and Lipsky, 1993).

The loss of autonomy and independence due to the increased voluntary organizations reliance on government funding is also one of the major concerns of scholars. While the state provides them with a more stable source of funding through contracts or state grants, voluntary organizations have to compromise their organizational goals and service missions to the requirements of the state. This means that they have to sacrifice their autonomy, organization values and service priorities in exchange for the government funding support (Wolch, 1990; Smith and Lipsky, 1993 and Johnson, 1989). For instance, Jennifer Wolch (1990) use the concept of the "Shadow State" to refer to those voluntary organizations, that are increasingly reliance on governmental financial support and tend to be incorporated to the political regime, and are subordinated to the state administrative oversight and regulatory control. In effect, the independence of voluntary organizations and its ability to be critical of government policy is greatly undermined.

Similar argument also goes to the work of Smith and Lipsky (1993) who voice out their concerns over the transformation of the voluntary service sector and nonprofit providers in the era of contracting regime. They argue the contracting out or privatization do provide opportunity for the growth of NGOs, allowing them to produce

services in increased quantity and quality, but subsequently, voluntary sector may need to compromise their special values and original missions in the process of responding to the state contracting requirements and expectations. It is because the state is usually reluctant to fund groups whose activities contrasts sharply with governmental goals and policy. Therefore, in order to seek state grants and contracts, organizations as well as its service staff have to fulfill state funding program at the expense of their own goals.

Besides, there are worries that a more open market in social service delivery may jeopardize the special qualities of innovation, advocacy, flexibility and responsiveness associated with voluntary organizations. The introduction of competition may pull voluntary organizations into the culture of the for-profit sector, and move them towards income generating, mainstream service provision and targeting those with money. It is obviously opposed to their independence, mission and objective that to help the most needy (Taylor, 1992, p. 157; Haque, 2001). The contract funding system also threatens the diversity of the voluntary sector. Many small, community based voluntary organizations which rely on grant aids may be unable and unwilling to compete for contracts because they may find it difficulty to meet the requirements for better efficiency and greater accountability, adherence to service terms and performance indicators (Kramer, 1990, p.9; Taylor, 1992, p. 160).

To conclude, the new managerialism has strengthened the state power on the one hand and reduced the independence and autonomy of voluntary organizations on the other hand. It is because the new relationship between the state and third sector is now maintained through hand-off and arm-length control by “devolved budget”, “regulation”, “inspection”, “evaluation system” and “performance indicators” in which the latter are subjected to stricter state output control and funding requirements in social services delivery (Clarke, Langan and Williams, 2001, p. 88; Clarke and Newman, 1997). Therefore, under the new managerial framework, voluntary

organizations and service providers are not only under close government supervision, but also become the agent of government, or “ new street level bureaucracies ”¹⁰, who are incorporated in the state-contracting regime and represent the state to carry out direct social services (Smith and Lipsky, 1993).

While new public management reforms have transformed the state and third sector relationship, pushed voluntary organizations into the culture of profit making, more oriented to market and cutback management, the professional social workers employed in voluntary organizations are also affected under the new managerial reforms. In what follows, I would like to discuss how this new managerial reform measure affects social workers as professionals. The discussion contained herewith has incorporated the findings of western studies on the impact of NPM reforms on professional service providers and the current comments and debate on the welfare sector reforms.

III. The Impact of The New Managerial Reforms on Social Workers

1. Budget Holder – A New Role in Managing Resources

While the new managerial techniques have forced voluntary agencies to adopt market principles and cutback management in the provision of social services, the introduction of these new managerial techniques also implies a new organization management style that emphasizes unit performance, price and quantity control. This management style in turn will make front-line social workers more sensitive to their performance and the resource implications of their decisions made to fulfill client needs (Kelly, 1991; Flynn, 1994).

Under flexible funding model and devolved budget management, social work

¹⁰ “New Street Bureaucracies” refers to voluntary service agencies and private sector that represent the state to deliver social services, and decide the allocation of resources and definite welfare demands in the political process. Please see Smith and Lipsky (1993) for details.

professionals are even given responsibility to their own budgets. According to Davies and Kirkpatrick (1995), the philosophy behind this is to integrate cost and quality concerns, and in doing so, to make professional social work staff more accountable for budgets. The upshot may be more and more social workers provide services based on cost – benefit analysis rather than on client needs. Stoesz (1986) argued that in such circumstances, social work profession could lose its sensitivity to issues of social justice, since they are less likely to be concerned about the most vulnerable, oppressed and exploited people and groups who have limited resources. Rather, they are more concerned to follow instructions, to complete procedures and most importantly to manage inadequate budgets. In fact, in many agencies, social workers have been retitled as “managers” to indicate that their focus is no longer on providing services to clients but rather on the allocation and gate keeping of scarce resources (區初輝, 1999, 星島日報, 2000; Jones, 1999).

Since profit making activities and investment are also popular among service agencies under the new managerial era, knowledge around fund raising, financial management and contract negotiations thereby seems necessary for social workers. However, all these skills are not central to social work (Flynn, 1999; Causer & Exworthy, 1999; Jones, 1999). It can be inferred that in the near future, training concerning budget management may take precedence over professional social work education and training. The acquisition of managerial skills would become increasingly important for both the exercise of social work roles and for long-term career progression (Causer and Exworthy, 1999). In the end, the functions of social work are becoming more business-like and opportunities to exercise professional judgment concerning client needs or to develop specific skills are becoming limited.

2. Greater Managerial Control over Professional Practice – Loss of Workplace Discretion

The new managerialism also affects the traditional social work practices. With an attempt to ensure effective deployment of resources, governments normally exercises control over providers' expenditure and the content, quantity and quality of services through budget negotiations and contract specifications (Flynn, 1999; Jones, 1999, p.32-33). It can be expected that voluntary organizations that are required to conform to boarder government goals and resources constraints will in turn exercise managerial control and monitoring over their own professional staff.

However, scholars assert that increased managerial control will inevitably makes previously "indeterminate" professional work more explicit, since organizations, public officials, governmental auditors and even independent consulting firms will take a critical role in reviewing and assessing the professional social work judgments over their treatment options. The creation of performance indicators and evaluation system not only exposes professional social work to massive bureaucratized rules and procedures, it also allows management to scrutinize the cost of their working practices. Management is able to legitimate their increasingly bureaucratic forms of monitoring and control if they find practices delivered by social workers are wasteful, inefficient and cost-ineffective (Kirkpatrick & Davis, 1995). According to Hoggett (1991), the unintended consequences of bureaucratic control are: " greater formalization of tasks and routines; specialization of roles and increased hierarchy; more standardization and simplification of tasks; and clearer objective and target setting. All this implies " greater managerial power to define the content and the operational goals of professional work" (Kirkpatrick and Davis, 1995, p. 93).

Deploying a similar line of argument, Fabricant (1985) stated that the narrow and more routinized definitions of practice that are imposed on social workers rapidly

erode the discretion of social workers, which are fundamental to the development of social work practice. Commentators even claim that the reduction of social work into more discrete and mechanistic areas of activity may lead to a work environment that increasingly resembles a factory (Fabricant, 1985 & Karger, 1981).

Indeed, recent empirical research on social work suggests that there is a significant association between low autonomy in job their and high worker's burnout (Arches, 1991, Poulin & Walter, 1993, Lecroy & Rank, 1986). Guterman & Bargal (1996) even discover that social workers with limited power on job appear to have greater emotional exhaustion and lower feelings of service effectiveness and finally a stronger tendency to leave their job in the future. A local survey conducted by Task Force Against The LSG system (捍衛社會福利大聯盟) concerning the impact of LSG reform on frontline social workers also reveals the similar findings, ie more than 80% of social workers agrees that the LSG system has directly posed a threat on their work autonomy which ultimately affect the quality of services provided to the public¹¹.

3. Erosion of Traditional Social Work Values

Under the new managerial funding framework, social workers may have to abandon some of the fundamental characteristics of as social work. One of the great strengths of social work is its critical stance toward the government and the market, and hence its innovative input in policy. As organizations become more engaged in competitive market activities, it is likely that social workers and their managers will lose both the time and the incentive for advocacy work. This is so because advocacy can often lead to poor relationship with the state, and worse still it consume the time and energy of agency staff. Non-profit managers and social work staff focusing on

¹¹ Please see 星島日報 for details

attracting clients to their agencies may therefore be inclined to downplay their advocacy role or dissipate agency energies in “do-good” causes that do little for the bottom – line (Salamon, 1995; Coward and Epstein, 1965, 蘇文欣, 1997).

Apart from the erosion of the advocacy role, the traditional commitment of social workers is also undermined. While competitive bidding system forces voluntary organizations to cut down on cost to secure contracts and to meet efficiency targets, social workers are likely to involve in cream skimming and preferential selection (that is, providers have incentives to select the most valuable or least costly clients in order to meet disproportionate shares of contract funding) while providing social services. Voluntary organizations and social workers are also forced to participate in fundraising business such as offering for-profit services. This implies not only that the minority and poor groups who cannot afford to pay will be ignored and marginalized, but also front-line social workers have to distort their professional mission of helping the most needy as they increasingly engage in gate-keeping resources activities (捍衛社會福利大聯盟, 1999; Health and Welfare Bureau, 2000).

4. Reduction in the Professional Role of Social Workers

The new managerial reforms pose a tremendous threat to the professional growth of social workers. The new managerialism redefines the nature and the meaning of social work practices. The budget and managerial control on social work activities also sharply limit the work discretion of social workers.

Confronted with organizational financial stringency, social workers may even be demanded to play a primary role in making money and gate-keeping resources to meet service priorities. Since social workers are increasingly engaging in resources management, their professional judgment concerning client need and appropriate responses to the needy are therefore weakened. In this instance, we may argue that in

the era of managerialism, social workers are forced to shift their commitment from providing service according to client needs as professionally defined to managerially defined needs which emphasize mostly on cost-effective or revenue-maximizing.

In fact, a number of commentators have voiced out their concern that the new public management may involve deskilling and the deprofessionalization of social workers. Hugman (1994), for example, argues the new managerialism acts a driving force to move away professionally defined responses to need towards managerialist response dominated by resource management and rationing, and thereby demonstrates a deprofessionalizing trend of social work. This perspective is supported by Lymbery (1998), who suggests the process of de-professionalization of social work stems from the dominance of technical considerations in the practice of social workers, particularly their ability to manage inadequate budgets, to operate detailed rules and procedures. She insists that the more a social workers' practice is directly controlled by managerialist measures, the less feasible it is for that worker to claim a professional status. Lawler (2000) in his study indicates that the reduction of professional role in social work is not the only consequence of the new managerialism.. There is a general trend to deprofessionalize certain elements of services. As more and more unqualified staff are employed to render social services under the watchful eye of professional social workers, the demand of professional staff are reduced.

To conclude, new public management reforms represent considerable challenges to professional social work activities. The organizational resources constraints not only lead to the demoralization of existing social work staff, but also undermine the advocacy role of social workers. Additionally, government-funding requirements, such as cost-justifications and demonstrations of good performance, shift the attention of the agency towards concerns about costs and the efficient internal allocation of resources. In effect, nonprofit agencies and their social work staff may move gradually away from

their fundamental concern about the individual client to efficient utilization of resources.

5. Professional Social Workers As Agents of the State

Yet the effect of the new managerial reform is more than transforming the work practice and the special character of social workers. According to Kirkpatrick and Lucio (1995b, 1995c), in the British experience, the new public management reform with its greater emphasis on quality control and value for money, emerged as a crucial part of the Conservative governments' incremental strategy of reforming the management and organization of public services, thereby reducing the state's role in the direct public service provision and at the same time asserting greater managerial control over various social organizations and cutting the cost of public service. Henceforth, the new managerial reform is not merely a set of management techniques and principles to bring about internal organizational change. On the contrary, it is intensely political and has been used as legitimating device to exert new forms of management control over the activities of professionals and street-level staff. The underlying objective is to make public managers more aware of their budgets, and organizational performance, and as a result turns professionals into service agents and budget holders in managing and allocating scarce resources.

Some scholars also find that the talk of making public service more responsive, and "closer to the customer need" is actually nothing but a tactic to obscure the important issue of resources rather than to achieve the deeper objective of empowering citizens and improve the effective and efficiency of social service delivery. (Johnson, 1998) The government's ultimate motive is to shift responsibility to direct service providers and turn the public attention away from resource issues. In other words, the public will blame the inadequacy of social service on service purchasers and providers who manage resources, but not the government who allocate inadequate resources. In

the name of public criticism, the government may exert stronger discipline on service units to achieve cost-effective management.

This perspective is consistent with the current literature produced by Kirkpatrick and Lucio (1995d), who pinpoint that the languages of service user satisfaction and value for money are manipulated as a smoke screen to conceal the effects of tremendous pressures on resources. They indicate that the British Citizen's Charter provides a typical example of how the central government diverts the public's interest away from the major political issues of resources towards service providers. Most importantly, it tries to reduce the interface between the individual and state to the interface between customers and service providers, thus depoliticizing expectations and compelling service providers to produce high-quality services with limited resources. Similar argument was also illustrated in the work of Smith and Lipsky (1993), who note that reform measures such as contracting out would "diffuse responsibility for public services, fragments the public service system and obscures the role of government policy in the delivery of public services by nonprofit agencies". The risk and responsibility of service provision are then passed to private agencies, which subsequently serve as a buffer between the citizen and the state. Given this, we can imagine that government can easily escape from public criticism although public officials themselves are the culprit of public problems and misjudgment by the private agencies.

Adopting the micro level analysis, Smith and Lipsky (1993) point out that service providers who work in nonprofit agencies interact directly with clients and are also agents of government to absorb public criticism. It is because these front-line service providers now represent the state to bring the welfare state policy into practice. Relevant point is also expressed by the local professionals, Wong and Chiu (2000) and 捍衛社會福利大聯盟 (1999), both suggesting while the creation of flexible funding

appears to provide voluntary organizations and social workers with greater autonomy in resources deployment, the new system in reality transforms broad political conflict on resources, between the government and the organizations to conflicts between the organizations and the front-line social workers, and in the end the latter becomes a buffer against public blame on service problems.

Based on the above argument, in face of government fiscal constraints, the introduction of new managerial techniques which advocate flexible decentralized management and the tighter quality and quantity control, represents a subtle attempt of the government to pass difficult rationing decisions down to the front line, making public managers and also various public service producers accountability for “value for money” and effective management (Hoggett, 1996; Lipsky, 1980).

As a whole, we can see that the new managerial reforms which privilege the values of productivity, economy, effectiveness and entrepreneurship offers the government an opportunity to de-emphasize the political issue of inadequate resources. The introduction of competitive bidding and output-oriented management that privileges the use of devolved budgets, performance indicators, objectives and evaluation mechanism in social service units not only alerts the general public about the quality and quantity of services, but also makes the subvented organizations more aware of the resources implications about service delivery. As a consequence, the former government responsibility of determining the service priorities and resources allocation are passed down to the front-line agencies. In the meantime, front-line service providers assume the new role as agents of the state to determine resources allocation. In an era of retrenchment, front-line social work staff is bound to become cost-conscious and finally become agents of cutback management (周永新, 1987, p.22 趙維生, 1985, p.32).

IV. Conclusion

Based the above discussions, the new public management reforms have introduced managerial values to the social work profession and led to changes to their job, daily practice and professional role. For example, social workers have become budget holders, more resource-driven, rule-bound, and subjected to budgetary and managerial constraints, and less concerned about their professional goals. Secondly, it reshapes the relationship between social workers and the state. Social workers, increasingly reliant on governmental financial support in service provision, are absorbed into the political regime, and subjected to state regulatory control. In effect, they assume not only the role of direct service providers, but also the state agents in managing resources allocation and cutback in the period of financial stringency. Indeed, all these changes, as mentioned in the discussion, have posed a threat to social work autonomy, knowledge and service goals and values, all of which are the main attributes characterizing social workers as professionals.

Therefore, based on the above discussions, I shall examine the impact of LSG system on social workers as professionals in the following perspectives: (1) how the LSG system alters the work conditions of social workers; (2) the conflict between managerial and professional values; (3) the new relationship with the state, especially the new political role of social workers; (4) the impact of all these on the professional goals, values, autonomy, and knowledge of social workers.

Chapter Three

The Historical and Politico-Economic Contexts of the Development of the Social Work Profession in Hong Kong and the Significance of the Lump Sum Grant System

This chapter gives an overview of the historical and politico-economic contexts of development of the social work profession in Hong Kong. Hopefully, this review will shed light on the significance of the LSG system and its impact on the social work profession. The first section will examine the historical development of the social work profession in relation to the development of the residual welfare state and the voluntary sector in Hong Kong. The second section discusses the politico-economic context of the state's adoption of the LSG system. The third section elaborates on the details of the LSG system, its impact on voluntary organizations that are funded by the system and its implications for the social work profession.

I. The Social Work Profession, the Voluntary Sector and the Residual Welfare State in Hong Kong: A Historical Overview

1. 1842 – 1945: The Voluntary Sector as a Major Source of Relief for The Needy

Before the Second World War, Hong Kong was no more than a free port. The colonial government at that time, as described by Scott (1989), was “a ‘minimal state’ with functions limited to a level compatible with the maintenance of society”. Social welfare services in this regard were mainly provided by religious bodies and only existed to meet the urgent needs of society. This limited state involvement in welfare provision was largely the consequence of British policy of making each colonial government self-sufficient. Colonial government, in order to save public expenditure, was usually reluctant to invest much in social welfare. Hence, there were no large-scale

social reforms in the nineteenth century. Traditional Chinese thought, which stresses the obligation of the Chinese family to look after their own young and weak members, also helps to explain why government contributed little to redress the grievances of the underprivileged (Tang, 1998; 周永新, 1987).

Faced with the government's indifference with regard to social services, a group of wealthy Chinese businessmen who were influenced by the Chinese teaching on doing charity work took up the responsibility for providing services urgently needed by the community. The formation of Tung Wah Hospital in 1872 and the Po Leung Kok in 1882 provided typical examples of the early efforts of local Chinese to solve the serious social problems of poverty, prostitution, child abandonment and kidnapping. It is estimated that before the Second World War, there were more than 20 voluntary agencies, established by either local Chinese elites or Christian missionaries, serving the primary function of relieving the distress of the most needy (周永新, 1988). However, those organizations provided services simply out of charity and their religious beliefs. No long-term service plan or vision existed in the provision of welfare. Nevertheless, voluntary agencies in this period tackled early social problems and offered timely and tangible relief to the poor (Cheung & Chui, 1996; Jones, 1981).

2. 1946–1966: The Voluntary Sector as the Major Social Service Provider

Immediately after the Second World War (SWW), a war-torn Hong Kong faced an immediate and pressing problem in the form of a massive influx of refugees from China. The population reached an estimated 650,000 during the war and climbed to approximately two million towards the end of the 1950s.. The sudden increase in population brought many unforeseeable social problems such as shortage of housing and medical facilities, unemployment and juvenile delinquency, abandoned babies, orphans and young beggars (HKCSS, 1987, p.14, 33). To cope with this crisis, the

colonial government started to carry out basic relief work for those in the greatest distress. At the same time, since these social problems had completely used up the already limited manpower available for social services, the colonial Government felt the urgent need for trained social workers. In 1950 they requested the University of Hong Kong to offer some courses in social studies (HKCSS, 1987, p. 35; Law, 1996; Wong, 1989, 31-32). Regrettably, the enrollment for these programs was pretty low.¹² Critics also argued that the programs fell far short of what was needed to produce full-fledged social workers, and hence the majority of graduates regarded themselves as “case workers” rather than “social workers” (HKCSS, 1987, p. 35-37). In addition to this, the government invited Dr. Dileen Younghusband, a social work expert, to recommend a project to train social workers in 1960 (HKCSS, 1987, p.33; Wong, 1989, p. 32).

Nevertheless, the role of the colonial state in welfare service delivery was minimal. It was not until 1948 that the Social Welfare Office was set up under the Secretariat of Chinese Affairs to handle the social needs of stricken immigrants and local residents.¹³ Yet assistance from the government was still very marginal in this period (HKCSS, 1987, p.16). The early welfare work conducted by the government seemed to concentrate on medical and housing services, and the responsibility it assumed for direct social welfare remained minimal (Tang, 1998, p. 53). This minimalist official attitude toward social welfare can be seen in its first White Paper, *Aims and Policy of Social Welfare*, published in 1965. The emphasis of the colonial government was on “encouraging and developing those services that most directly

¹² The imputed reason was that the prospects and the remuneration for its graduates as social workers were not as attractive as other professions. Please see Law (1996) and Wong, 1989, p.32-32) for details.

¹³ In 1958, the Social Welfare Department (SWD) of the Hong Kong Government, replacing the formerly established Social Welfare Office under the Secretariat for Chinese Affairs, was formed to deal with the immense social needs and problems.

contribute to the economic well-being of the community” “ Social welfare measures which individuals may need on account of poverty, delinquency, infirmity are regarded as personal matters which ought to be dealt with by the family ” (Hong Kong Government, 1965). These statements are a clear reflection of the level of commitment of the colonial government to social welfare at that time, the fact that it saw its role as limited to the provision of basic necessities such as food and water. The care of an individual in distress was still regarded as the responsibility of the traditional Chinese family unit¹⁴.

In the absence of Government support, religious bodies and voluntary agencies with overseas links had increased sharply. They substituted for the state in assuming responsibility for the majority of charitable and relief functions for improving the living conditions of the poor and the unfortunate. By 1951, there were about 78 voluntary organizations conducting relief work in Hong Kong (HKCSS, 1987, p.16). With funding largely received from overseas church bodies and donations, these voluntary agencies were independent of the state, and hence retained a substantial degree of autonomy in rendering services with reference to their respective goals and objectives.

Besides the mushrooming growth of voluntary welfare organizations, the main feature of this period was the establishment of the Hong Kong Council of Social Service (HKCSS) in 1947. Its major function was to co-ordinate the work of various voluntary agencies so as to prevent duplication of efforts. The Council also devoted much effort to setting up a Central Records Office in 1957 to record the details of all service recipients and so to deter the dishonest from taking advantages of the goodwill

¹⁴ There were several reasons for this minimal social policy. Firstly, the colonial government always recognized the enlarged population as mobile and transient. They thus felt it unwise to deliver services for refugees who were using the colony as a temporary shelter. Secondly, the government was afraid that the better welfare services provided, the more refugees would come flocking to Hong Kong, which would pose a great drain on government resources. Please refer to Tang (1998) and Hodge (1981) for references.

of others by obtaining excessive services from different agencies (HKCSS, 1987, p.14-15). As well as providing material relief in form of foodstuff, clothing and medicine, the HKCSS during this period also led an initiative to encourage people to independence and self-respect. For instance, the interest free-loan and saving scheme, as well as Welfare Handcraft Shops, were formed by the Council to help people to earn a living with their skills. In addition to dealing with the immediate needs of the deprived, the HKCSS, together with its members, began to place more emphasis on special welfare needs. The late 1950s therefore witnessed the widespread expansion of rehabilitation services and services for the disabled and mental defectives (HKCSS, 1987, p.26).

At that time, the HKCSS also endeavored to develop professional social work training. For example, in June 1959, thanks to a donation from Britain's World Refugee Year committee, the HKCSS was able to establish the first bursary for social worker training. As social services grew in complexity the HKCSS also attached much importance to systematic research and the planning. To better coordinate welfare work, the Council also hired its first trained social worker from overseas as its full-time director and subsequently appointed a full time research officer to take charge of research in the social welfare sector (HKCSS, 1987, p.26-27, 33).

Meanwhile, in 1949, a social worker's organization, named the Hong Kong Social Work Association (HKSWA), was set up by a number of educated western social workers¹⁵ for the purpose of exchanging experiences in social welfare practice. The formation of a social work organization carried a rich contextual meaning in that it was the first step toward building up the professional status of social workers¹⁶ (Law, 1996;

¹⁵ At first, it welcomed as members all those who engaged in social welfare activities. After its charter revision in 1964, the association only accepted members who got the recognized professional training certificates.

¹⁶ After the formation of the Hong Kong Social Work Association (HKSWA), there was a mushrooming of social associations in the late 1960s and 1970s. They included the Association of

Lee & Cheung, 1989).

In sum, the government attitude towards social welfare in the post war years was no more than reactive and remedial in nature, and service provision was mainly in form of short-term help. While the state was both reluctant and financially unable to invest in welfare development, social services provision in this period relied heavily on international welfare organizations and a few Chinese neighborhood associations, whose purpose was to meet the material needs of the less fortunate. These organizations, led by the HKCSS, began by providing services on a crisis – response basis and later, in the 1960s, played an important role in meeting the complex social needs in Hong Kong. They have also taken up a dominant position in providing social services and developing professional social work training and research.

3. 1967-1977: The Voluntary Sector and Social Workers as Partners of the State

In contrast to the early post war residual policy on social welfare provision, the government in the 1970s began to shoulder ultimate responsibility for providing social welfare services (Chow, 1998; Jones, 1981). The sudden governmental participation in welfare provision was a result of the 1960 – 67 riots that fundamentally challenged the legitimacy of the colonial government. The incidents, in which many youngsters participated as a means to vent their anger and frustration at inadequate welfare support, drew the government's attention to the poor social conditions and the importance of

Assistant Social Work Officers, Government Social Welfare Officers Association, Hong Kong Social Workers General Union and Social Work Assistant Branch, Hong Kong Chinese Civil Servant's Association. All were formed principally to struggle for the rights of social workers, whether employed in government or the voluntary sector. Their main goals were equal work, equal pay and good promotion prospects. The development of these social work associations ultimately brought about the mushrooming of employees' unions in various non-profit organizations in the early 1980s. Some examples were the Staff Association of the Hong Kong Federation of Youth Groups, Hong Kong Caritas Employees Union and The Hong Kong Salvation Army Employees Association. The major purpose of their formation was to cohere a group of social workers, and moreover to protect their rights. (李啓宇, 1989)

welfare planning in response to the changing social needs of the population (Tang, 1998; HKCSS, 1987, 48). Thus the 1970s was the most exciting period for the development of social security and social services in Hong Kong. The cash public assistance scheme was first introduced in 1971 to guarantee a basic living for every local resident. The old age and disability allowances were later put into effect. A wide range of new social services including school social work services, outreach youth services, family education services, offenders rehabilitation services, elderly services and so on were then widely developed. Apart from innovating new service areas, the government also concentrated on building up supportive facilities for future social service development. These included the professional training of social workers, and research and forward welfare planning (HKCSS, 1978, p. 44–46; Tang, 1998, p.62; Jones, 1981).

For example, the establishment of the Social Work Department in the Chinese University of Hong Kong in 1967 was seen as the beginning of recognized social work education at University level in the territory. Later, the three-post-secondary colleges, namely the Baptist College, City Polytechnic College and Hong Kong Polytechnic College¹⁷ started to offer sub-degree social work diploma programs for students.

Professional knowledge building in the area of social work was also fostered by increased emphasis on local research in the field of elderly services, family and childcare, and youth and mental health services¹⁸ (Chau, 1997, p.5-9). The proliferation of social work studies not only contributed to the rapid development of local social work theories, but also induced an increased use of local and western social work theories in coping with the diversified local public demand¹⁹. As Ng has rightly

¹⁷ At present, all three colleges have been upgraded into universities and have opened up both undergraduate degree programs and diploma programs in social work. Please see Law (1996)

¹⁸ In the past, social work training and education were heavily reliant on western models since most social work scholars were educated overseas. (Law, 1996; Chau, 1997)

¹⁹ For example, in family and childcare services, theories of family therapy such as Minuchin's structured approach, have been used by social workers to deal with family and marital work. The Systematic Training For Effective Parenting (STEP) and "Rational-Emotive Therapy" have also

commented, the postgraduate social work training and the increased number of social work doctorates in Hong Kong has played an important part in facilitating research and knowledge development in social work (吳夢珍, 1989).

With the gradual development of social work degree training, the government introduced a policy to restrict admission to the Assistant Social Welfare Officers (Currently called Assistant Social Work Officer) cadre to degree holders with acceptable professional social work qualifications. In 1979, the SWD also released the Welfare Class Review and announced that the post of Social Work Assistant was being established to replace the Welfare Assistant for those with a post-secondary diploma in social work.²⁰ The establishment of entry requirements for specific social work ranks represented the first attempt by government to ensure the quality of social workers (Wong, 1989, p. 33; Law, 1996, p. 149-150; 吳夢珍, 1989, p.23).

The birth of the 1973 White Paper, *Social Welfare in Hong Kong: The Way Ahead*, and the following Five Year Plan and its annual reviews also highlighted the government's long term commitment to welfare. The significance of these documents was threefold. Firstly, it was the first time that the voluntary organizations were invited to enroll in the planning process for the future development of the social services. The "Partnership" between the voluntary sector and the government was thereby officially recognized. Secondly, in response to the expanded demand for services, the government started to subsidize voluntary organizations through discretionary grants for specified services. Thirdly, the government took a big step forward in the reform of the welfare planning system. For instance, a more integrated program plan was launched to include

been adopted by them to change parenting attitudes, knowledge and skills. Empowerment is also regarded as a guiding principle for many family programs. In elderly and youth services, "community care" policy has been used as a basic approach for designing services and community-based social support networks to enable the elderly to live in an environment familiar to them. Empowerment perspective is also used to deal with the old people's problems. In sum, social workers have deployed various theories in practice to make social work intervention more efficient and effective. Please refer to Chau (1997)

²⁰ A similar Welfare Class Review was later introduced in the voluntary sector and completed in 1984.

medical and health services with welfare activities so as to avoid duplication of departmental efforts in welfare provision (HKCSS, 1987, p. 44- 49).

Another major phenomenon at the beginning of the 1970s was the increased dependence of voluntary organizations on government's subvention on service delivery. Thanks to the economic success it has enjoyed since the late 1960s, Hong Kong has progressively moved away from its former status as a disaster relief area. Overseas funding and donations for voluntary organizations began to decline as resources were diverted to other, more needy Third World Countries. Financial problems were encountered by most voluntary organizations as a consequence. This financial shortage persisted despite the formation of the Community Chest in 1968 and the presence of the Lotteries Fund. At the result, these voluntary organizations had no choice but to sacrifice their autonomy in exchange for a stable source of funds from government to ensure their survival (HKCSS, 1987, p. 29, 31, 44, 47, 50, 52). While the partnership arrangement and state funding for welfare brought considerable advantages to NGOs, with new opportunities for social service provision and the prospect of new resources, conflicts continually arise between the government and voluntary agencies over the latter's unequal status and power in the planning of social policy and the innovation of services. The funding mechanism has also generated controversy between the two sectors in the ensuing years.

To conclude, the major turning point for social welfare service development was the 1967- 77 riots. During this period, the government gradually assumed a dominant role in the administration of welfare services. Social services became more diversified and welfare expenditure was also dramatically increased²¹ (Tang, 1998, p.62; Cheung & Chui, 1996). At the same time, the professional training of social workers and

²¹ According to government statistics, in 1974 - 75, social welfare spending was up to 212.5 million, 65% higher than the previous year. Please see Tang (1998) and Cheung and Chiu (1996) for references.

research activities in the area of social work underwent rapid development. Most importantly, the state's timely involvement in welfare through incorporating the strength of the foreign-based voluntary agencies in the funding regime was to ensure that the provision of social services was in line with post-war economic development. This was important for a state to restore its legitimacy after the 1966-67 riots.

4. 1978 - 1990: The Voluntary Sector and Social Workers as Quasi-State Agents

Social welfare development in Hong Kong became incremental after 1977, when the government did not conduct any comprehensive planning to meet the new demand for social services. Instead, social policy was improved with only minimal adjustments. This conservative approach in welfare spending was influenced by the belief that dramatic change in social betterment would increase the government's financial burden and hamper its low tax policy. Indeed, the latter was believed to be the key to the rapid growth of the economy. Therefore, under this incremental social policy, the Hong Kong government turned down all major plans for social service expansion. A remarkable example of this was the rejection of any proposal for social insurance and a central provident fund (Tang, 1998, p. 67, 79). This government approach of piecemeal social engineering was evident in its 1979 White Paper, *Social Welfare into the 1980s*, in which, while the government re-emphasized its "ultimate responsibility for ensuring a satisfactory standard and range of social welfare services" and commitment to services for the elderly and personal social work among the young people, it talked little about new services and comprehensive policy and direction in welfare development, and most importantly, the government reiterated its position on welfare by saying "Help is concentrated on those least able to help themselves" (Chow, 1998, p.166; Jones, 1981, p. xvi).

Meanwhile, NGOs relied more and more on public funds to support social

services. According to government statistics, the government subvention to voluntary agencies jumped sharply from 25.2 million in 1973- 74 to 100 million in 1978 – 79. The huge amounts of money being absorbed by welfare services prompted the government to rationalize welfare spending and strengthen the internal management structures of voluntary agencies (Jones, 1981, p. 25; HKCSS, 1987, p. 92, 95). In the 1979 White Paper, the government admitted that the present method of subventing social welfare through discretionary grants for specified services was no longer appropriate in all areas of service. Consequently, in 1982 a new subvention mode based on the categorization of services and standard unit cost was initiated to ensure better accountability on the part of voluntary organizations using public funds. In this funding scheme, social services would be classified, according to funding purpose, as Category I and Category II. Whereas the former would receive 100% subvention from government, the latter would only be supported by discretionary funding (HKCSS, 1987, p.53; Jones, 1981, p.25-27, 湛保庶, 1987, p. 14).

This funding model assured the amount of government subvention for certain units and provided NGOs with the flexibility to mobilize their own funds, mainly obtained from the Community Chest, and so to provide a higher standard services or innovate new project areas (HKCSS, 1987, p.28, 106 –107; Jones, 1981, p. 27). On the other hand, the trade off for such advantages was stronger government control over voluntary sector inputs, in the personnel system, facilities and other charges, and hence a loss of autonomy and independence over their budgets and program development (HKCSS, 1987, p. 53; Jones, 1987, p. 27). Service agencies and social workers had to work according to the government's funding guidelines if they were to obtain state fund. As a result, voluntary agencies and their social work staff were implicitly turned into quasi-agents who simply complied with the government's demands.

In fact, the relative generosity of the government in financing social services

provision was largely due to the rapid economic and industrial growth of Hong Kong, which created an affluent society with a considerable financial base to invest in social welfare. Most importantly, as mentioned above, the government attempted to legitimize its colonial rule by the satisfactory provision of public services. The state funded community building projects²² created in the 1970s were an important element in this. The colonial government wanted to carry out community building from the top-down, enticing political support through promoting social inclusion.

At the same time as the government sought to consolidate public support by community building from the top down, the voluntary sector and social workers preferred to empower the residents from the bottom-up. In the period from the 1960s to the late 1970s, social inequality in terms of uneven income distribution had been significant (Wong, 1993). Though there was rapid economic growth resulting from industrialization, social problems in public health, housing, education, crime, etc were serious in the Hong Kong (Cheung & Chi, 1998). In this period, calling for greater equality and justice and a fairer distribution of social resources through the provision of various social services became the chief concern of social workers. Since politically

²² The community projects, namely Neighborhood Level Community Development Projects (NLCDPs), which were accepted as a subventable program in 1978, were aimed at promoting social inclusion and community building through self-help, organizing residents, cultivating local leadership and community problem-solving. In the beginning, social workers could continue their social reform actions in confronting the colonial establishment with its unequal distribution of resources despite social workers' reliance on the state funding of community projects. This was because, in the eyes of the colonial government, their actions did not pose any real threat to the capitalist system of Hong Kong. Moreover, the state funding of community projects was serviced as a cushion between the grassroots and the colonial government, which lacked a popular mandate. However, by 1994 NLCDPs had gradually been phased out largely due to the recent use of militant protest actions involving violence by community workers. (The violent actions included the protest actions against the double-rent policy for wealthy public housing tenants in 1993, the eradication of dangerous rooftop structures, and the disruption during the governor's visit to a temporary housing area in 1994.) In order to seek continuous support from the government, the major financial supporter of the community development programs, starting from the late 1980s the focus of the NLCDP shifted to community care, that is, to provide social services and mobilize community resources to alleviate the problems of individuals and families. In doing so, the NLCDP has weakened its social work role as advocate and organizer of residents, and communicator of grassroots complaints to the government (Leung, 1996, 131-135). Because of this change, social workers are more likely to focus on casework practice, which is to empower individuals, families and clientele groups to confront their own problems.

there was no representative of public opinion in governmental decision-making processes, confrontational tactics such as demonstrations, press conferences, sit-ins and petitions were commonly used by a few NGOs and community social workers to enable the grassroots to articulate their interests and to pressure the government into making concession to their demands (Chiu & Wong, 1998, p279; Lutz, 1987; Leung, 1996; 許賢發, 1989; Chow, 1998; Wong, 1993, p.253). They are interested in community development from the bottom up and empowering the grassroots to strive for their rights. Collective actions against the colonial government were continually being organized. The two most remarkable examples of their radical actions are the Yaumatei Boat dwellers incident and the Kowloon Tasi squatter incident (Lutz, 1987). Adopting controversial tactics in the course of promoting community welfare, some radical community social workers were branded as “trouble-markers” and “pressure groups” (HKCSS, 1987, p.81; Chow, 1998, p.163, 鍾敬民, 1987).

These radical social actions not only led to improvements in people’s living environment, they also prompted democratic practices and a democratic conscience among the people involved. This paved the way for the active participation of grass-roots leaders in politics in the 1980s when the representative government was opened up at the district level²³ (HKCSS, 1987, p.83-84, Chow, 1998, p.163).

The opening up of the political system in the 1980s also offered social workers the opportunity to move away from social advocacy through social action to direct political activities. Although the active involvement of social workers in political activities and elections aroused concerns about possible conflicts of interest between political ambition and professional responsibility, (Wong, 1990; Lau and Leung, 1986; Wong and Chiu, 1998 281,288-289), the increasing number of social workers becoming

²³ The political elections at that time were the direct elections and indirect elections in the three-tier political structure, namely the District Boards, Urban and Regional Councils and the Legislative Council.

politicians and the influence they exerted on the formulation of social policies further alerted the general public to the fact that active democratic participation could result in better social welfare (Chow, 1998). From that time, as well as justice and equality, the notions of democratic participation and citizenship was deeply implanted into the mind of the public, especially the welfare recipients such as the poor, the lower class, the disabled and minority ethnic groups. They consequently were empowered to voice their grievances and fight for their rights through organizing petitions and participating in elections.

Following their fervent political participation in popular elections, more and more social workers realized the problems of accountability and role diffusion that arise when social workers turn into politicians. Some began to return to the grassroots and placed more emphasis on dealing with the personal and interpersonal problems confronting individuals than on reform-oriented work geared toward structural solutions. The greater dependence on governmental funding for service expansion also discouraged the majority of social workers from fighting for grassroots welfare rights as this might have caused embarrassment to their employing organizations and the government. Therefore, by the 1980s social workers increasingly take up a direct remedial service role as enabler and mediator in empowering individuals, families and clientele groups to confront their own problems (Wong, 1990; Leung, 131-135).

5. 1990s – Present: NGOs and Social Workers In the New Managerial Era

In the 1990s, the Government's conservative attitude towards social welfare remained unchanged. In the 1991 White Paper, *Social Welfare into the 1990s and Beyond*, the government expressed the following reservations toward social policy:

“ While there will always be room for greater contribution from public funds, it is not desirable to move towards providing a western-style welfare state ... It is also

accepted that increased public contribution should allow government for expansion and improvement of services rather than to justify a reduction in Government's commitment of resources" " ...the family will continue to be the primary providers of care and welfare in our society ... " (Hong Kong Government, 1991, p.13).

It is clear that the government would have liked to maintain the status quo on welfare provision. In addition to directly running the social security schemes and probation services, it attempted to concentrate on improvement of existing services rendered by NGOs (Tang, 1998, p.69, 77). The government also showed its limited interest in new services experiments and innovation, and at the same time the family unit is still considered the fundamental backup of the less privileged (Tang, 1998, p.69, 77-78, 106).

The 1990s was also an exciting period for the growth of the social work profession. For a long time, there had been a demand for the formation of a registration system for trained social workers. In 1990, the registration system for social workers was introduced. Its objectives are to promote self-regulation in the professional practice of social welfare personnel and to ensure the better protection of client's rights and interests. In 1997, it became a statutory social welfare personnel registration system. As at 2003, there are over 10700 qualified social workers registered as members (Law, 1989 & 1996). The board also issued principles of practice that spell out the basic values and beliefs of social workers and their relation to clients, colleagues, their agency, the profession and society. They provide social workers with practical guidance in respect of their professional conduct and promote self-regulation among social work themselves (Social Workers Registration Board, 2003). In 2000, the Registration Board also began to serve as an accreditation body examining the local social work training programs and graduates who have received their training overseas.

In short, the formation of the Social Work Registration Board and the principle

of work practices signify that social work in Hong Kong is moving along the road of professionalization. All these developments symbolize the new reality, that social workers are professional groups in Hong Kong. The government also began to consider the implementation of new managerial reforms in the early 1990s which, as will be further discussed, would later have a significant impact on the social work profession.

6. Summary

Summing up welfare development over recent decades, three important issues can be recognized. Firstly, it has never been the government's objective to regard social welfare as an unconditional social right and an entitlement of citizenship. Nor is the system designed to promote social justice and equality. Rather, the welfare system is a last resort for the people when they can no longer sustain themselves. With minimal state involvement in promoting welfare rights, the voluntary sector and social workers played an important role in promoting the notions of justice and the meaning of citizenship. Therefore, during the period from 1960 to the late 1970s, social workers were advocates seeking to empower the residents and confront the colonial establishment for the betterment of the poor and the lower socio-economic classes. Only after the development of limited representative government and the state sponsorship of social work, did they begin to switch to the role of enabler and mediator for the direct provision of social services.

Secondly, economic progress always stands out as the major factor affecting the government's policy on social welfare. For instance, the huge and rising expenditure on social welfare in the 1970s was in line with the fast economic growth achieved in that decade, which provided the Hong Kong government with a stable source of income to invest in welfare development projects (周永新, 1987, p. 11; 趙維生, 1985, p. 24 – 29; Tang, 1998, p. 81, 83, 85). At that time, scholars argued that the government did not

have any long-term plan and commitment on welfare. The social welfare system is still residual in essence (周永新, 1985; Tang, 1998, p.81). Although the 1970s witnessed relative improvement in state welfare service provision, it was considered a subtle attempt by the state to deflect the public focus from the unrepresentative nature of colonial rule and hence to restore its legitimacy after the 1967-77 riots.

Thirdly, while the partnership between the government and NGOs in service provision represents an advantage and a spur to the rapid development of NGOs and social work profession, there has been constant conflict between the two sectors. The subvention model is also a major focus of dispute. In exchange for more stable state funding of service provision and development, voluntary agencies and their social work staff have sacrificed their independence and their pioneering role in exploring new services. In effect, they have to work according to government funding guidelines and ultimately they are turned into the quasi- agents in service provision.

II. The Politico-Economic Contexts of the Adoption of the LSG System

As indicated, there was a constant conflict between the government and NGOs over the funding model. In the 1990s, the dispute intensified when the government attempted to transform the standard cost funding system to the LSG subvention system.

Influenced by the unstable economic situation created by the 1997 issue, the rising expectations of the public for the better use of tax money and the global trend toward social welfare reforms (Tang, 1998), the Hong Kong government stepped up its efforts to revise the welfare subvention system in order to ensure value for money from its expenditure on the voluntary sector. In the 1990 White Paper, the government asserted,

“ ... When delivering public services, there is an on-going need to ensure

that value for money is attained, particularly since a very high proportion of recurrent costs is met by taxpayers. It is therefore incumbent upon service providers to ensure that services are provided as cost-effectively as possible” “ ... Government focuses its control on the measurement of output and performance, while maintaining overall financial monitoring ” (Hong Kong Government, 1991, p.12, 36). At the same time, the government also showed its intention to reform the current subvention system with “a new and flexible system”, combined with “a value for money evaluation process”.

In short, while voluntary agencies are in a constant search for more adequate resources for new service needs, the government’s top priorities are to maintain existing services and to ensure the effective use of resources.

In 1994, the government appointed consultants to review the subvention system, with the aim of changing it from input to output control and devising new monitoring mechanisms to enhance public accountability and cost-effectiveness in the delivery of welfare services. In April 1999, the Service Performance Monitoring System (SPMS) was launched in phases throughout the welfare sector, while the new subvention mode was implemented in December 2000. However, this LSG subvention package stirred up a lot of discussion among NGOs and professional social workers. Doubt is being expressed as to whether the subvention, calculated on the mid-point salaries of pay scales of the staff, can cover the costs of long-term service staff. By and large, it is perceived as a cost-containment policy rather than an innovative measure to improve the flexibility of NGOs.

What are the major factors prompting the government to introduce the LSG funding mode into NGOs? What is the distinctive contextual background shaping the reform? We seek to answer these questions in the following.

1. Inherent limitations of the Modified Standard Cost Subvention Mechanism

In the past, subvention to NGOs was paid under the four principal subvention modes, namely the lump sum grant, the unit rate subsidy, the modified standard cost, and the model cost system (discussed in Chapter One). Among these, the modified standard cost system has been recognized as the preferred subvention mode of the Hong Kong government, and more than half of the subvented social welfare units have been funded under this mode (Coopers & Lybrand, 1995). Simply put, it is an input based subvention system under which NGOs are repaid for the actual costs which they incur. Subvented units, once funded, are nearly assured of receiving the same level of funding in real terms as long as services are provided. This funding measure definitely brought NGOs security and predictability to develop and expand their service areas. And since all the NGO staff are paid according to the civil service pay scale, a harmonious and uncomplicated staff relationship has been maintained. With the relatively stable personnel system, a high quality of staff as well as services can be assured to the public (羅致光, 2000).

This subvention system also allows NGOs in Hong Kong to operate within a relatively simple administrative structure. This is due to the fact that most service and staff standards are clearly specified by the SWD and are basically the same across organizations. The demands on the NGOs' administration are thus reduced. This enables NGOs to concentrate their efforts on welfare planning and service provision (Au, 1997; 羅致光, 2000). Thus, the modified standard cost subvention system has induced a relatively stable funding environment over the past decade, enabling social welfare agencies to develop their services rapidly in Hong Kong.

Despite its advantages, a number of commentators have pointed out the underlying weaknesses of the modified unit cost funding system (石施群英, 2000; 羅致光, 2000a, 2000b; HKCSS, 1996, Position paper). Firstly, this subvention system

with its emphasis on input control is administratively cumbersome to operate, and therefore creates inflexibility in the NGOs' deployment of resources. The stringent control demanded in this system can be seen in the application process for conditional grants, virement of funds among subventible items and clawing back of subvention surpluses, to list but a few examples. These complicated application procedures and payment systems neither provide NGOs with incentives for efficiency nor encourage economical resource deployment. Secondly, there are also inherent problems in defining and measuring results in terms of linking the outcomes of service objectives with resource inputs. It therefore fails to meet the requirements of public accountability and cost-effectiveness in the delivery of welfare services. Finally, the comparatively stable administrative structure created by the unit cost-funding mode inhibits the ability of NGOs to strengthen their personnel and budget management, and hence generates inflexibility in responding to changing community needs.

The standard cost subvention system, although it has many good points, has created a number of problems related to the social welfare agencies' internal and external management. Added to that, the government and the subvented agencies have long been calling for a review of the subvention system to change its bureaucratic and inflexible machinery. Inspired by the unfavorable socio-economic situation in Hong Kong since the mid-1980s, the Hong Kong government was pressured into taking the calls for welfare subvention reform seriously.

2. Budgetary Constraints – LSG System As A Reaction to the State Financial Crisis

The early 1970s marked the beginning of the government's involvement in the provision of social welfare. Since then, government spending on welfare services has risen sharply. For example, in 1990, its spending on welfare amounted to 5811 million,

5741 millions more than in 1970. (Table 1) The sizeable increase in welfare spending was largely sustained by fast economic growth in Hong Kong. However, in the late 1980s, Hong Kong was undergoing substantial social changes, such as an aging population, declining fertility rate, the emergence of nuclear family and family problems, and the rapid influx of mainland immigrants, which seriously added to the burden of government in social services provision.

In the 1990s, these problems were more pronounced. According to government statistics, the natural rate of increase declined from 7 to 3 per 1000 people over the decade. The problem of aging population has also continued. The proportion of people aged 65 and over rose from 8 percent in 1989 to 11 percent in 1999, while the proportion of people aged under 15 fell from 22 percent in 1989 to 17 percent in 1999 (Hong Kong Government, 1999, 香港年報). At the same time, the traditional large families were replaced by nuclear families. Family size is getting smaller and smaller. The problems of divorce, cohabitation and single- parenthood are also emerging. All of this creates more societal needs for family and youth services. Added to the large influx of mainland immigrants who have right of abode in Hong Kong, especially after 1997, the government has had to shoulder greater responsibility for welfare.

Furthermore, people in Hong Kong are now more inclined to the idea that the government should have the important role in securing the welfare of the people. Studies conducted in the last ten years have clearly indicated that the attitude of the public towards responsibility for welfare has changed. They no longer regard it as the duty of family systems, but see it as the shared responsibility of both government and family members (Chow, 1995). The increased public expectations have driven the Hong Kong government to involve itself in the provision of wider and better services.

Because of this growing public demand for welfare, the government's expenditure on welfare has jumped dramatically since the 1990s. In 1991, the Hong Kong

government allocated 6.2 billion of its public spending for social welfare. The amount rose to 14.5 billion in 1995, witnessing a 115 percent growth in money terms over five years (Table 2) (Chiu, 1996, p.435). Regarding the amount of subvention given to the NGOs, it also presents a rising trend (Table 3).

Table 1

Social Welfare Spending As A Proportion of Total Public Spending in Hong Kong

1965-1992

Year	Social Welfare (in HK \$ Million)	Percent of Total Public Spending
1965	19	1.07
1966	19	1.05
1967	21	1.19
1968	29	1.55
1969	34	1.67
1970	37	1.51
1971	55	1.89
1972	83	1.93
1973	144	2.78
1974	263	4.20
1975	352	5.83
1976	359	5.44
1977	393	4.37
1978	534	4.81
1979	682	4.92
1980	868	3.68

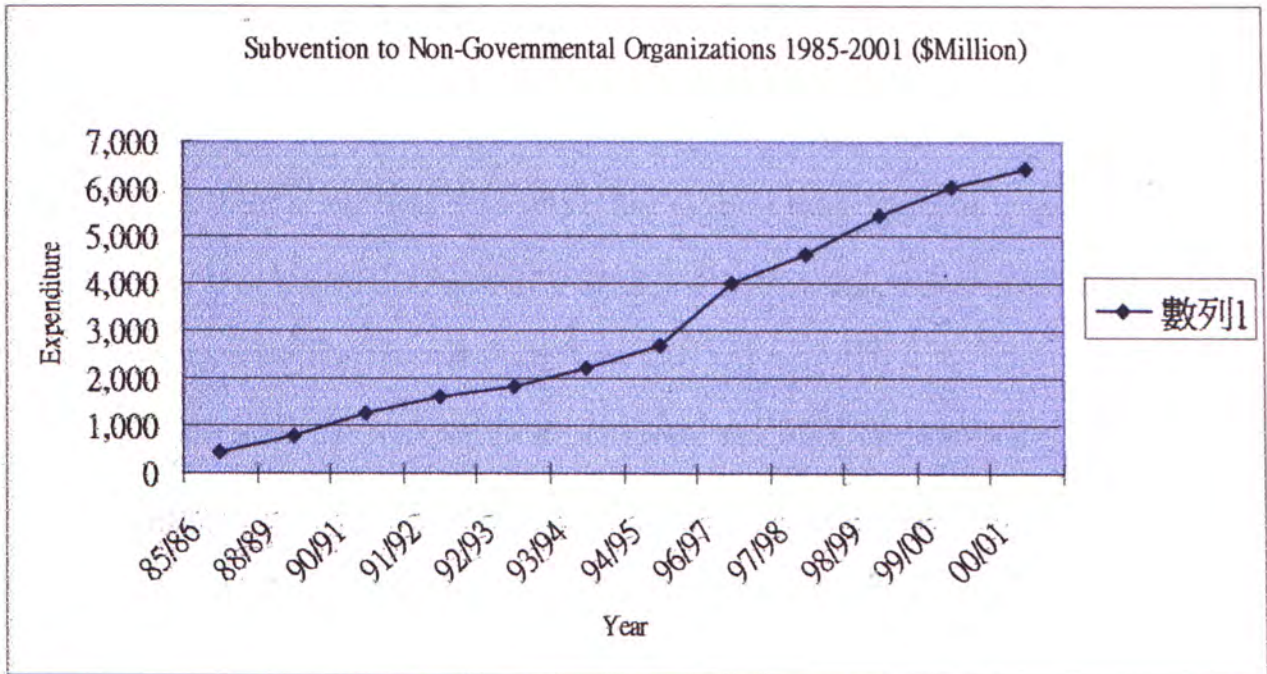
1981	1180	4.25
1982	1582	4.82
1983	1869	5.60
1984	2149	5.98
1985	2385	6.01
1986	2610	6.53
1987	2962	6.73
1988	3804	5.87
1989	4894	6.22
1990	5811	6.10
1991	6913	6.38
1992	8007	6.29

Source: Tang (1998, p.74)

Table 2 Welfare Expenditure From 1991 – 1996

Year	Welfare Expenditure (M)	Total Public Expenditure (M)	Welfare Expenditures as % of GDP
1991-1992	6187.7	108012	5.8
1992-1993	7214.7	123490	6
1993-1994	9013	155207	5.9
1994-1995	10790	165950	6.6
1995-1996	14558	195245	7.4

Source: (Chiu, 1995).

Table 3

Source: Hong Kong Annual Digest of Statistics (1985-2001)

The government's spending on welfare was on the rise in the period in which the high rate of economic growth had passed. The newly emerged industrialized countries and the "open-door" policy of China in the mid-1980s had posed a great challenge to Hong Kong as an export-oriented manufacturing center. Many local factories were reallocated to those areas with a large supply of cheap labors. In effect, Hong Kong's economy was gradually restructuring toward a service - oriented economy and the high rate economic growth disappeared. The bleak economic prospect means that resources available for new or improved services will be very limited. Unluckily, these limitations were further complicated by a range of programs for infrastructure expansion since 1990s, which demanded a large amount of government

expenditure (Lee and Leung, 1995).

The significant growth of public expenditure in the depressed economy made it difficult for the Hong Kong government to maintain its traditional prudent fiscal policy - balanced budget with limited debt. Most importantly, it goes against the central principle laid down in the Basic Law 1991, that requires Hong Kong to adopt a low taxation policy, to maintain a balanced budget and keep social welfare expenditure growth within the limits of revenue (Basic Law, 1991).

In early 1989, in response to the constitutional fiscal constraints and rising public expenditure, the Finance Branch released the Public Sector Reform document which included proposals for a change of the government's attitude and approach to public spending with the aim of achieving more for less expenditure, in other words, a more effective and efficient service to the public. Subsequently, the Efficiency Unit was set up in 1992 to realize many of the reform ideas set out in the document. Two years following the publication of the Public Sector Reform report, the Director of Social Welfare invited Coopers and Lybrand to suggest how the following changes might be made to the existing social welfare subvention system. (1) To introduce a formal funding and service agreement which clearly specifies the services to be provided. (2) To revise the subvention process based on the allocation of a fixed funding grant (3) To set up a new performance monitoring system which makes clear specifications as to outputs, quality and inputs.²⁴ This consultation paper attracted a great deal of criticism from voluntary sector and was eventually taken off the main political agenda. Until the financial year 1997 – 1998, the social welfare subvention system was actively reviewed by the SWD (SWD, 1999, p.16). In 1999, the Service Performance Monitoring System (SPMS) was carried out progressively throughout the welfare sector. Afterwards, the

²⁴ Please see Coopers and Lybrand (1995), Review of the Social Welfare Subvention System Report of the Investigatory Phase of the Review, for details.

LSG was brought into effect in 2000.

The welfare subvention system review in 1998 was facilitated by the 1997 Asian Financial Crisis, which occurred soon after the handover and drove Hong Kong into economic depression. House and stock prices fell by nearly 50 percent (Ho, 1999). The economic bubble burst. Many people, including the unskilled, middle-aged and even the skilled were dismissed by organizations seeking to reduce costs. The unemployment rate reached a record high level (Table 4). As the lives of Hong Kong people become harder and harder, better and more social protection is urgently needed. From 1994-1995 to 1998-99, the Hong Kong government continued to increase recurrent spending in social welfare by 103 percent. In 1999-2000, welfare spending accounted for 14.1 percent of total recurrent public spending, which is 5.4 percent higher than 1994-1995 (Table 5) (Leung, 1999).

Within the climate of budget deficits and a bleak economy, the government has paid special attention to this rising demand for welfare. For example, in the 1999-2000 Budget speech, the former Financial Secretary Donald Tsang stressed that it was the government's duty to conform to the principle of prudent financial management policy as stipulated in the Basic Law, which requires the government to 'follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product' (Tsang, 1999, p. 14). The government "could not afford much longer the doubt – digit growth in welfare spending each year" (Tsang, 1999, 16). Subsequently, the Director of the Social Welfare Department made the similar remarks on numerous occasions to the NGOs, saying that welfare spending should be utilized with greater efficiency and should strictly follow the principle of keeping expenditure within the limits of revenues, the government could not allow welfare spending to increase sharply each year (梁建邦, 1999; 林鄭月

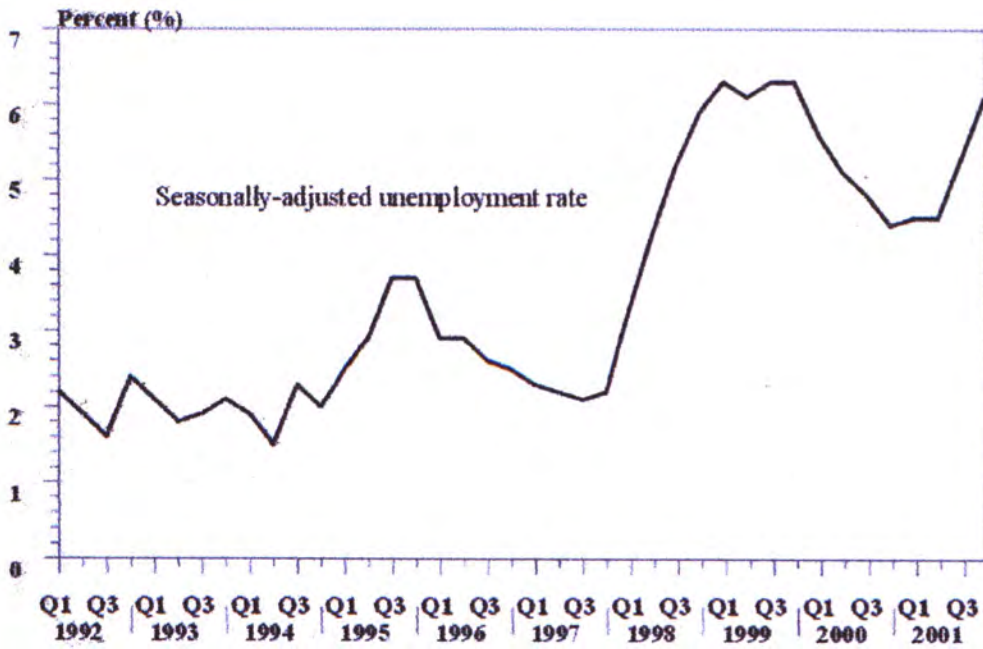
娥, 2000, p.2).

In view of the constrained financial situation, the government of Hong Kong has no option but to introduce new managerial measures such as the Enhanced Productivity Program²⁵(EPP), SPMP, and LSG subvention reform to the welfare sector, with an aim of maximizing the productivity of welfare agencies and containing the drastic welfare expenditure.

It can be inferred that after the welfare expansion in the 1970s to 1980s following on the economic boom, welfare spending in the 1990s was constrained by the budgetary crisis, largely stemming from the Asian Financial Crisis. Therefore, the adoption of new managerial funding reform in the NGO sector has further reinforced the Hong Kong government's tendency to treat social welfare policy as of residual value, ie when government revenue declines because of an economic downturn, spending on welfare will fall to the minimal level.

²⁵ The Chief Executive announced in his 1998 Policy Address the launch of the Enhanced Productivity Program (EPP) to improve productivity and efficiency in the delivery of services. Under the program, all the government departments and the subvented sector are required to achieve 5% cumulative productive gains of their baseline operating expenditure by 2002-2003. In practice, each department and NGO has to achieve productivity gains either by increasing outputs or terminating those services of lowest priority the demand for which has been dropping. Savings from these productivity gains will allow the government to finance new or improved services for the benefit of the community. (Health and Welfare Bureau, 1999d) The EPP is therefore a financial discipline that requires public services to be delivered in the most cost-effective manner. Since the announcement of the EPP in 1998 the SWD has been actively discussing with the subvented NGOs how best to work out strategies to accomplish these productivity gains.

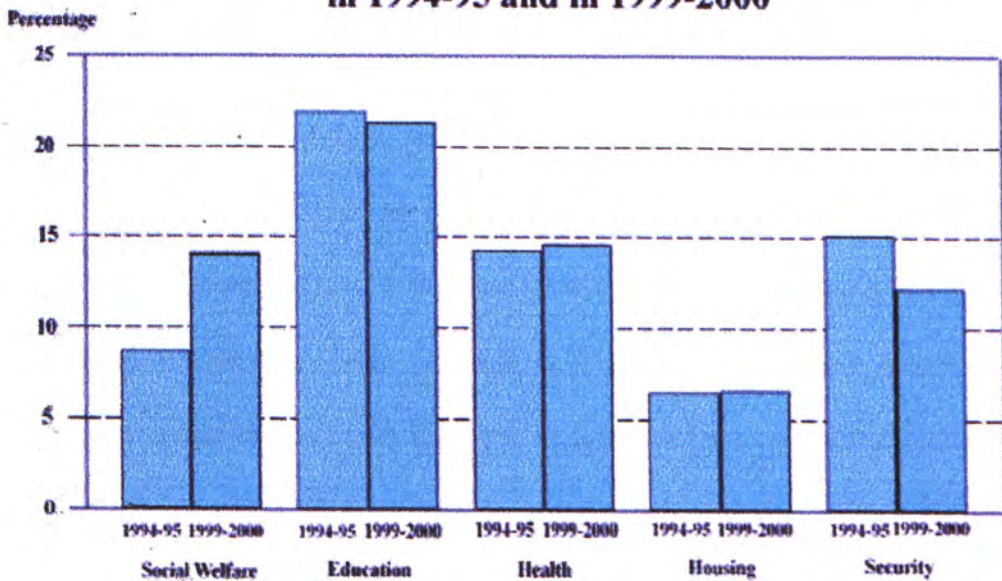
Table 4



Source: Leung (2002)

Table 5

Major Policy Areas' Share of Total Recurrent Public Expenditure in 1994-95 and in 1999-2000



Source: Leung (1999)

3. Legitimacy Crisis in Post Colonial Hong Kong

Economic success was always the pragmatic basis of the colonial government's legitimacy. For instance, in the 1970s and 1980s, the colonial rule was largely legitimized by continuous economic growth and the desirable provision of social services. However, since 1989, a stagnant economy and rising public expenditure resulted from the increasing public expectations of government and the rapid social changes. The deeply conservative fiscal and economic policies of the colonial period were thus no longer compatible with socio-economic development. The increasing popular demand for democratic processes, participation and accountability meant that the basis of state legitimacy was under scrutiny.

At that time, democratic reform was regarded as the most suitable solution to these problems. Yet the Basic Law only provided for political and administrative reforms such as democratization and ministerialization in the near future. This means that the people of Hong Kong cannot yet take part in decision-making processes to deal with the political question of distributive and social justice. Under a chief executive who is not directly elected, and with mounting pressure for more substantial policy input in time of poor economic performance, the remaining alternative for the colonial government was to launch public management reforms to improve policy and administrative performance, and so restore public confidence and hence the government's own legitimacy (Lee, 1998; Lee, 1999). Therefore, in Hong Kong since the 1980s, the government has been adopting new public management reforms like outsourcing, corporatization, and a trading fund to improve its service effectiveness. In 1995, the *Serving the Community programs* were also promoted to transform the service culture in the sector to make it more open, accountable and customer friendly.

In the post – colonial era, the new public management reforms continue, serving as a special policy tool to strengthen state legitimacy. Immediately after the handover,

the numerous administrative and political failures such as the bird's flu crisis, the new Hong Kong International Airport blunder and Asian Financial turmoil, exposed the inability of the civil servants when it came to crisis management. Further, the incompetence displayed by the SAR government in trying to cope with the socio-economic challenges mainly initiated by the Asian financial crisis also provoked widespread public discontent. According to the survey results of the Hong Kong Transition Project, the level of public satisfaction with the government's performance dropped from 66% in June 1997 to 37% in June 1998. In October 1998, the score dropped to 42% (Hong Kong Transition Report, 1998). In these circumstances, the post-colonial government again turned to the new public management reforms, which had been carried out in the late 1980s, to consolidate the state's authority to deal with urgent public demands and new socio-economic challenges (Lee, 2000). Target-based Management (TBM)²⁶ and the Enhanced Productivity Program (EPP) were the two major management devices adopted by the SAR government to strengthen the top-down control of civil servants and the productivity of the government departments. As for the welfare sector, the Service Performance Monitoring System (SMPS) was launched. The LSG subvention package was also held out for public discussion in the financial year 1997-1998 and implemented in 2000 in the new managerial atmosphere.

4. Summary

As described in the earlier chapter, the new public management reforms in the West were carried out in the context of western welfare states confronted with huge financial deficits and debts. With its meager welfare expenditure, normally around 6%

²⁶ Target-based Management is used by the Hong Kong government to deliver its promises to the community by defining clear targets for managing Government-wide at policy and operational levels. Please see <http://www.info.gov.hk/eu/eng/aeups/apm/tbm/tbmcnl.htm>.

to 7% of total spending, and its huge foreign exchange reserves²⁷ and no foreign and public debts, Hong Kong cannot in any sense be treated as a western-type welfare state. Neither is the managerial reform being implemented solely in the context of economic crisis.²⁸ As Lee suggested (Lee, 1998, 1999, 2000) and as we mentioned in a previous section, the managerial reform (the public sector reform) which occurred in the early 1990s is basically a reaction to the governance crisis, triggered by inherent institutional constraints and in view of the provision of the Basic Law which rules out opportunities for democratic reform and the use of fiscal reserves to deal with legitimacy crises and a range of other socio-economic problems encountered by the state.

Entering the post-colonial era, the public sector reforms emphasizing values such as productivity, efficiency and economy, have continuously carried the special function of being a substitute for a political reform to enhance the state's legitimacy and capacity (Lee, 1998, 2000). Among these reform initiatives, subvention reform is one of major the targeted areas.

The impact of the 1997 Asian financial turmoil and the ensuing economic downturn, rapid social changes have provoked a series of social problems, which pose a substantial pressure on government welfare expenditure²⁹. While state spending on welfare increased sharply in the 1970s and 1980s in line with economic growth, the financial crisis in the post colonial era made Hong Kong financially unable to sustain continued growth in welfare spending and to meet the unlimited demand for welfare services.

²⁷ On 31 March 1998, the Hong Kong Government had a fiscal reserve of more than 453 billion Hong Kong dollars. On 31 March 1999, it had a fiscal reserve of 444 billion Hong Kong dollars. In 2000, 2001 and 2002, it had a reserve of 438, 440 and 443 billion Hong Kong dollars respectively.

²⁸ Relevant discussion can be seen in Cheung (1996), Chau and Wong (2000) and Lee (1998, 1999).

²⁹ In 1999-2000, the government spent exactly 14.1% of its total spending on social welfare, which is a continuation of the double-digit growth in welfare expenditure which had already been the trend in 1997. The percentages of total government expenditure taken up by welfare in 1996/1997, 1997/1998, 1998/1999 and 1999/2000 are 10.8%, 11.8%, 13.3% and 14.1% respectively. Note: 14.1 % in 1999/2000 is an estimated amount. Source: 2000-2001 Budget Speech (Tsang, 2000).

Moreover, under the financial framework specified in the Basic Law, the SAR government is prohibited from spending indiscriminately on welfare, even though social welfare is considered indispensable for the very deprived (Tsang, 2000). However, faced with the economic depression, deteriorating living standards, a number of social problems and an undemocratic political system, the SAR government has to respond swiftly and positively to stabilize the society, otherwise the public will lose confidence in government and this may ultimately weaken state legitimacy. The SAR government is confronted with two conflicting goals: on one hand there is the need for meeting the increased demand of the public for welfare; on the other, there is the need to contain public expenditure in the pursuit of a balanced budget as required by the Basic Law. To resolve the dilemma, the new managerial measures adopted in the colonial era continue to be applied in the welfare sector after the handover.

Through the adoption of an output oriented LSG subvention system and competitive tendering³⁰ in the NGO sector, the SAR government aims to maximize the utilization of resources, and hence contain the drastic growth of welfare expenditure. Moreover, it aims to safeguard the quality and quantity of services provided so as to meet the pressing and evolving community needs. Pragmatically, the government wants, through a result-oriented LSG subvention system, which emphasizes cost analysis, results and performance, to remedy the weaknesses of the previous funding system and to enforce staff accountability in the NGOs. In this way it seeks to consolidate the state's control over the NGOs' budgets and service provision. In sum, the LSG subvention system assists the state to restore its financial capacity, its competitiveness and most importantly, its legitimacy.

³⁰ In the Financial Secretary's Budget Speech for 1999/2000, contracting out of welfare services was proposed as an alternative mode of delivering public services to achieve best value for money. In 1999, the SWD had piloted the use of competitive bidding for meal services and home care. Currently, the SWD plans to extend competitive bidding to day care services; residential care services for the elderly and child care centers. (Health and Welfare Bureau, 1999a)

Chapter Four

The Lump Sum Grant System and Its Impact on Social Workers

Having explored the contextual background giving rise to the LSG subvention system and its significance on NGOs and social work staff, in this chapter we will elaborate on the characteristics and essential features of the LSG system, and incorporate the findings of in-depth interviews to analyze how the LSG system has affected social workers, including their conditions of work, nature of practice, and hence professional discretion, autonomy, knowledge advancement and values.

I. Background Information

There are altogether sixteen interviewees. Three of them are Social Welfare Officers (SWO) who take up most of the unit management work and seldom participate in direct service delivery. The rest are Assistant Social Welfare Workers (ASWO) who engage in frontline work and/or administrative work. The 16 interviewees come from 11 organizations and specialize in different kinds of social service provision, namely, elderly services (2), family services (3), rehabilitative services (1), youth services (7, including 3 outreaching social workers, 4 school social workers and 1 youth program developer) and community work (2)³¹. Their organizations joint the LSG subvention system in 2002 – 2003, and most of their funding comes from government subvention. (Please see Appendix 2 for NGOs information)

³¹ The number in the brackets indicates the number of interviewees working in the respective service areas

II. Flexibility as a State Strategy of Cost-Containment: Its Impact on Work Conditions

1. The LSG Funding Model

The new funding system takes the form of a Lump Sum Grant (LSG), which is based on the total of Salaries, Salary – related Allowances, Provident Fund, Other Charges and Recognized Fee Income of an organization. It is used to substitute the current Model System and Modified System. Under the LSG system, agencies receive lump-sum appropriations without any itemization, and grants can be freely managed and used by agencies with regard to their financial and human resources structure. Importantly, no clawback of unused funds will take place.

The Benchmark for the LSG of each NGO is determined on the basis of the mid-point salaries of the pay scales of the staff. A Snapshot of the staff strength of each NGO is taken and the salary subvention for the official year under the subvention rules is projected. The snapshot is then compared to the Benchmark. NGOs with a Snapshot above the Benchmark will receive the Snapshot only. Their Snapshot will then gradually decrease in steps of 2% per year to meet the Benchmark. NGOs with a Snapshot below the Benchmark will be given the Benchmark in one step. In both cases, there will be no top-up and no clawback, in accordance with the LSG manual. Salary – related allowance and other charges are calculated on the existing formula or the amount recognized for 1999-2000. The Provident fund for current staff will be allocated to NGOs on an actual basis according to the updated position and projected total PF requirements as part of the monthly subvention.

In response to the NGOs' concern that the lump sum grant might not provide adequate funds to meet the salary creep and the provident fund for existing staff, the SWD introduced a Tide Over Grant (TOG) to NGOs in the first three years starting from the year on which the NGOs opt to join LSG. NGOs who can demonstrate that the

projected salary of their serving staff exceeds the salary portion of the LSG in respect of the same group of staff, can apply for a one-off grant from the SWD. The total TOG equals the increments of all existing staff added together on a cumulative basis starting from the year when the NGOs begin to be eligible for the TOG.

Note that the departure of existing staff's and its consequential impact on the NGO's finances will not be taken into account in calculating the TOG. Neither will the level of reserves accumulated by the NGO.

2. The Advantages of Flexibility

NGOs, under the LSG system, as mentioned earlier, are firstly provided with greater power in determining their own staffing structure and remuneration provided that specified quality and professional standards are met. Secondly, NGOs are allowed to keep unspent LSG in a NGO Reserve Fund for meeting future liabilities. A maximum of 25% of operating expenditure on the subvented service of that official year is permitted to be kept in reserve. Any sum above this cap may only be retained with the Department's approval, otherwise the entire amount must be refunded to the Government. Finally, NGOs are permitted to retain all donations and income other than recognized fee income that is included in the calculation of the LSG. Therefore, NGOs can retain in full the income they earn from other miscellaneous services incidental to the operation of the subvented service. In this regard, running a gift shop or providing photocopying services in a separate account are allowed.

The LSG system gives agencies flexibility in the deployment of resources through the decentralization of budgeting. Under the LSG system, the top management bodies of agencies are free to spend their funds as they choose. For example, if they need to employ an extra person, they can do it; if they need extra equipment, they can buy it. All in all, this flexible funding measure removes the red tape and cumbersome rules

associated with the previous input-oriented funding system.

The delegation of budgeting and personnel authority to the lowest administrative levels also lessens the constraints imposed by centralized bureaucratic power and makes the agencies, which “ closer to the problems ”, more responsive to the results. The assumption behind this measure is that in giving the management body and front- line social services providers greater authority and responsibility in resource management, you encourage them to be more sensitive to the resource implications of their decisions and more conservative in preparing their budgets. Moreover, they will invest more of their creative energy in controlling their own work, and will consequently hold themselves accountable for the services they produce (Osborne & Gaebler, 1992; Kelly, 1991, Hoggett, 1996). In other words, NGOs and their staff tend to take an active role in managing their resources under the decentralized budget management framework.

Among the sixteen respondents, the majority of them welcomed the flexibility provided by the LSG. They admitted that this new funding model could remove the red tapes and cumbersome rules associated with the previous input-oriented funding system and provide NGOs with greater flexibility in managing resources, in terms of both the establishment structure and other expenditure items. Miss Young, who worked in a center in charge of a family unit, made the following comments:

Under the old system (Standard Unit Cost System), we were not allowed to deploy the unused funds to buy computers. Therefore, we had no options but to ask if other departments had some old model computers that we can borrow. But now, we only need to permission from the senior management to buy computers with unused program fees. In the past, there was no point in asking the senior management for extra resources if the program fees were beyond the budget. On the other hand, we

had to account for any unused program budget.

Mr. Ngan, a superintendent of an elderly center, also expressed similar views:

Previously, we could not employ a staff without a qualified certificate even though he was good and worth hiring. For instance, according to the Standard Unit Cost funding system, we were not allowed to hire registered nurses in home for elderly. However, you know, it was very difficult for us to hire EN (enrolled nurse) post who are required by the old funding contract. If you really want to hire registered nurses, you have to send an application form to SWD to explain why you have to do so. It normally takes at least 3 months for application process. As the process was too time-consuming, the candidate usually got another job by the time it was approved. Therefore, the old system cannot response to emergency situations swiftly.... LSG, however, can provide us this kind of flexibility.

3. Inadequate Funding and the Resulting Inflexibility in the Deployment of Resources

According to social work associations and scholars, the LSG is merely a cost-containment policy used to curb the territory's drastic expenditure on welfare. They argue that the formula for determining the lump sum funding for individual NGOs on the basis of mid-point salaries of all posts recognized for subvention in the current system, and a 6.8% of mid-point salaries for employers' provident fund contributions are unreasonable and inadequate if NGOs are to meet salary creep and Provident Fund commitments to existing staff. While the Tide Over Grant is given, staff associations consider its length of provision to be too short to assist NGOs to realize their contractual commitment to staff employed before the implementation of a new

subvention system. Worse still, some NGOs whose subventions are now higher than the benchmark will have great financial difficulties 5 years after they opt for the LSG, since their subvention will have to move down by 2 % each year until it reaches the benchmark, and by that time the TOG grant will already have finished (Health and Welfare Bureau, 2000b; 羅致光, (羅致光, 2000a, 2001). To conclude, organizations with low turnover rate but fast service growth rate may run the highest risk of getting into debt, as they have to be sustain the salary creep and the provident fund contributions for all existing staff.

While organizations now receiving a subvention higher than the benchmark are bound to suffer greatly from the LSG, other small organizations are worried about their long-term financial sustainability since subvention will be capped at a mid-point ceiling (HKSWA, 2000). The sector therefore argues that the LSG funding principles have not taken account of the diversified financial needs of subvented organizations and units and concludes that it is only a cost-cutting measure aimed at putting the lid on social welfare spending at its current funded level (捍衛社會福利大聯盟, 2000b; 社協, 1999; Au, 1997). Owing to the problematic funding formula and an inadequate TOG, it can be predicted that NGOs will encounter financial problem when their TOGs are entirely used up. In the face of future financial cutbacks, NGOs must become rigorous in their analysis when preparing their budgets. In tough budgetary times, they may sacrifice the benefit of clients and adopt more cost-cutting measures and profit-making services to secure their revenue.

Within the context of FSA, NGOs are given flexibility to deploy their LSG with regard to their staff expenses and other items of expenditure. The SWD argues that this new system is better as it relaxes the bureaucratic personnel structure and staff salaries as required by government, thereby enabling NGOs to transfer their funds effectively in response to the changing environment and community needs (SWD,

2000). However, as is rightly observed by the voluntary sector, social welfare is a human service, and personal emoluments (PE) make up of over 85% of total organization costs. In this sense flexibility in resource management seems unlikely especially when NGOs are bound to meet their contractual commitments to the existing staff. (HKCSS, 1996, 馮可立, 1996) Moreover, critics argue that the formula for calculating the staff salaries at which the benchmark of each NGO is determined, the mid-point salary of the pay scales of existing staff, is very unreasonable. This is because the government does not take staff salary creep into consideration. Nor is the real situation that most NGOs have senior staff on or near the maximum point of their respective salary scales (羅致光, 2000a ; HKSWA, 2000). One consequence is that NGOs will run the risk of going into debt, particularly given the low rate of wastage and resignation within the NGO at the moment (Wong & Chiu, 2000). In this situation, LSG funding provides little flexibility to NGOs in the deployment of funds. In a cutback situation, NGOs may make use of their flexibility in terms of staff to relieve their financial burdens. Measures such as freezes on hiring and promotions, cutbacks in hours worked, reductions in benefits, and replacement of permanent professional social workers with part-time or temporary workers, senior workers with junior ones may be introduced to cut down on personnel expenses.

As indicated above, the LSG funding system has more to do with cost-cutting measures than with the introduction of flexibility into the welfare sector in the deployment of resources. As the sector argues, the so-called “ flexibility ” would only be achieved when an organization experiences both low service growth rate and high turnover rate. In view of the rapid service growth rate and the heavy burden of personnel contracts in almost all NGOs, the above situation will never be realized. It follows that, on the implementation of the LSG, NGOs will be less likely to enjoy flexibility in resource management and more likely to plunge into a financial crisis. In

the interviews, the respondents were critical of the problematic design of the LSG system that was believed to run counter to the original intent of providing for flexibility. According to most respondents, the most controversial part of the LSG falls on its formula for calculating the lump sum grant for each NGO on the basis of the mid-point of the pay scale of the staff. They regarded it as a cost cutting measure that aimed at capping the subvention by a mid-point ceiling and was unlikely to be enough for NGOs to meet the salary creep and the provident fund contribution of all their permanent staff. As a result, NGOs will risk running into the red in view of low rate of turnover and wastage. In this sense, NGOs hardly have real flexibility in the deployment of fund in terms of personnel management. Mr. Ko, an ASWO working in a family center, had this to say:

The government does not consider the salary creep and provident fund contribution of all existing staff in an NGO,....unless there is a high turnover rate within the organization at the moment, the expenditure on staff salary and fringe benefits will not be reduced. On the contrary, its expenditure on staff will increase in proportion to staff seniority.....You know, personal emoluments forms over 90% of an NGO's total cost. Under such circumstances, if the lump sum grant does not increase annually, how do we have "flexibility"?

In response to the NGOs' concern about the inadequacy of funding to realize the contractual commitments to all existing staff, the government has promised to provide extra tide-over grants (TOG) to agencies that need extra cash. However, this grant will only last for three years and most interviewees pointed out that it was not enough to allay the fears of NGOs and social workers. For example, Miss Lam, working in an elderly center, reported that the duration of TOG provision is too short

for the agency to meet its contractual commitment of the staff employed. Her agency anticipated a deficit after 10 years under the new funding system. Another interviewee, Miss Tung, a family social worker, also disclosed that under the LSG system, her agency would record a deficit of more than 10 million under the LSG system.

In short, most interviewees indicated that under the new funding system, NGOs with heavy contractual burden were at the highest risk of getting into debt. They were also skeptical of the so-called “flexibility” proposed in the LSG. They argued that the provision for flexibility would be totally meaningless if the underlying objective of LSG system was to cut funding.

In the face of this anticipated budget shortfalls in years ahead, a large number of interviewees indicated that their respective agencies had already introduced a flexible employment strategy in meeting the future financial stringency. This normally includes freezes on hiring and promotions, reduction in benefits, increased use of contract staff and cutbacks on salary scales.

Apart from cutting down on personnel expenses, as reported by majority interviewees, some agencies also try to offer more profit-making services in order to secure their revenues. According to Mr. Ting, an outreaching social worker, his working organization would have an estimated deficit in ten years’ time under the new funding system. Since the current savings of his organization was inadequate to sustain future financial expenditure, his agency was now engaging in profit making services, and is prioritizing social services according to their ability in making profits. Services such as campsites, recreational and club facilities with lucrative business prospects were now given top priority. On the contrary, remedial services with no “business prospect” such as programs for unemployed people, single parents family and the elderly, were required to keep a balanced budget. He stated that in view of budget shortfalls, all organizations were working on every means to make money in order to strengthen its

financial sustainability.

Miss Tai, working in the same organization with Mr. Ting, also told us that they were pressured to economize:

The management body of our agency has reminded us several times in the meetings that we should try every means to economize cost, for instance, not to purchase unnecessary items, save up electricity expenses, try our best to seek outside funding....All in all, they require us to save up the daily operational and administrative expenses as much as possible.

In sum, from the interviewees' own experiences, the LSG system does not provide real flexibility for NGOs to deploy funds. Rather, it has created a financial problem to most subvented NGOs, who have to introduce a wide range of cost cutting and revenue-generating measures to survive the anticipated fiscal crisis. What is more, as will be discussed in the later section, the flexible managerial techniques, such as cost-cutting and profit-making activities induced by the LSG system, have adversely affected the daily practice of social workers and hence eroded their role as professionals.

4. The Impact on Work Conditions

Since salary usually comprises the bulk of an NGO's budget, then within the climate of budgetary constraints resulting from the LSG system, savings must be sought in the area of personnel. Agency supervisors may economize on staff expenses through replacing experienced staff with less expensive new recruits, employing contract staff instead of permanent staff or even reducing their manning scales and cutting down their fringe benefits. All these practices amount to a trend to deprofessionalize social work services, since contract staff, less experienced staff or even unqualified staff are more likely to be employed to carry out certain social work tasks under professional supervision. This would reduce the need to employ qualified social work staff at time of agency budget shortfall.

Moreover, the flexible employment practice will create an unstable workforce and unnecessary workplace tension and fear among social workers. Senior staff on and near their maximum points of their respective salaries will be quite anxious about being fired as they pose a heavy financial burden on their NGOs. Contract and temporary staff who receive lower pay and benefits also lack the protection of permanent employment. They are under the greatest threat of layoffs when agencies fall into budget crisis. Job insecurity and poor staff morale will be the eventual results (HKCSS, 1996).

Under the LSG system, the transferability entitlement of senior staff is eroded. In the past, there have long been arrangements for the transferability of recognized provident fund (PF) contributory years of service when staff changes between agencies. Their years of work experience in other agencies have also been fully recognized for the purpose of their salary scale in their new post. This "one – employer policy" has always been welcomed by the sector as it allows healthy and reasonable movement of social welfare personnel within the sector while ensuring staff of their salaries and

provident fund, thus enhancing staff morale, good performance and the possibility of a fluid workforce for continuous improvement of service quality. However, on the implementation of the LSG, existing staff changing jobs between subvented agencies is not protected. Their years of service will not be considered for the purpose of salaries and provident fund contributions. Evidence shows that a large proportion of organizations only contribute a 5% Provident Fund rate for newly recruited staff, which is 1.8% less than the rate suggested by the government (社協, 2000). At the same time, the TOG given to NGOs only protects the employment and salary levels of existing staff until they leave the NGO. This means that NGOs do not have adequate subvention to meet the current levels of pay and PF benefits of newly employed staff, particularly senior experienced staff.

The upshot will be twofold. Firstly, there may be a high rate of mobility of social work professionals moving to other government and private sector settings, for instance, engaging in elderly, youth or rehabilitation services, since NGOs are no longer attractive and stable workplaces for human service workers to realize their professional goals. The consequence will be the projected manpower shortfalls, which will in turn affect the direct services provided by NGOs (羅致光, 2000a). Another effect will be low mobility of the existing veteran staff among subvented agencies as their “transferability” entitlements are removed (HKCSS, 2000b, 2000c). This obviously hinders healthy and reasonable movement of social welfare personnel in the sector, leading to low staff morale. In the end, the professional growth of social workers is severely interrupted (社協, 2000).

The sector also feels that setting the Benchmark at mid-point salary level is simply a measure to set the maximum salaries of NGO staff at the mid-point of their individual salary scales and to ensure that their salary creep is contained. Job security and long-term career prospects are no longer ensured. In addition, allowing NGOs

flexibility to decide the pay scale, salaries and fringe benefits for their staff is unfair to new recruits, since it is less likely that they will be paid an equal amount for equal work and equal time as the existing staff. This, in the result, may hamper staff morale and the quality of services rendered to the public (HKCSS, 1999; Wong and Chiu, 2000, p.174, 蘇文欣, 1998a,1998b).

The welfare sector warns that all of these problems of job insecurity and staff morale not only create an unstable workforce and workplace tension, but also have a direct and negative impact on service quality. More importantly, they may hinder the enrichment of professional staff and erode their commitment in serving the community. They are unfavorable to the professionalization of social work. As shown below, these problems are fully illustrated in the accounts of our interviewees.

A. Job Insecurity and Its Adverse Impact on Professional Advancement

In implementing the new subvention system, the government does not honor the “no worse-off principle” for existing NGO staff, meaning that once they change jobs their seniority may not be recognized in the calculation of provident fund and salary points. Most interviewees disapproved of this arrangement, arguing that it did not ensure their job security when they moved to different NGOs or service areas for the advancement of their career. Mr. Ho, a school social worker, talked of how the new system had affected his job mobility:

Social workers take professional advancement seriously. They want to rotate among different social service areas and expose to new working environment. And that was rightly the reason why I switched from an outreaching social worker to a school social worker. In fact, I initially decided to work as a school social worker for five years. However, now I have been working as a school worker for seven

years.... Actually, I want to switch to family service. But as the policy changes, my agency does not make a promise to continue my contract if I decide to change the service field.

Mr. Ko was in a similar situation. He said that at present, he would not change his job or switch to another department without an important reason, lest he risked losing his provident fund contribution and the years of working experiences or achievements recognized by the Government. He even said that at present no permanent staff dare to switch jobs. Miss Tai also said:

Previously, when there were new postings at other organizations, staff can switch to those posts, together with its provident fund contribution, years of working experiences and salary. However, because of the deficiency of resources resulting from the implementation of LSG, the transferability of entitlement is longer protected by NGOs. Therefore, the salary scales of all new recruits, no matter freshmen or experienced staff, must start from the very beginning.

The stringent financial situation of NGOs also makes it difficult for social workers to advance their professional knowledge through mid-career training. Ms. Tai indicated,

In view of budget constraints, now my agency does not provide us sponsored study leave. In other words, it discourages us from studying. If the annual holidays are too short to meet the study need, the organization may suggest the staff to resign from the job. Under this situation, the staff dares not switch jobs and enroll in advanced classes. As a result, the relationship between staff and the NGO is affected.

Miss Tai also reiterated that in tough budgetary times, studying was really a luxury, as more people taking classes means fewer people working in the agency.

The funding policy and the budget restraints resulting from the LSG system compel NGOs to hire more contract staff to economize on staff expenses. The increased employment of contract staff has worried a number of respondents, as it results in an unstable working environment for the new recruits, that is detrimental to professional learning and the accumulation of work experiences of social workers.

A large number of interviewees regarded that contract staffs tended to be more hardworking, responsible and willing to learn than the permanent employees, despite their relatively low salary and fewer fringe benefits. Most of them attribute it to the job insecurity, as the employees (contract staff) may be discharged in the event of unsatisfactory performance, a change in managerial objectives, or simply budget problems. On the other hand, most respondents were skeptical about their real commitment on jobs, since they observed that the turnover rate of contract employees is relatively high when compared with permanent employees. The report from Mr. Ko can fully explain the situation:

...there is little tendency for NGOs to switch the contract staff to permanent positions. As they are not promised to switch to permanent posts, the newly employed degree holders who are employed in contract terms as SWA grade with lower salary than they deserved are more inclined to quit and apply for ASWO grade, even though its salary is depreciated by 30% under the EPP. I believe that under the LSG system, which authorize agencies to de-link from civil service pay scales, the mobility rate of contract staff will remain high. I have even heard that some contract staff would consider changing jobs if better offers are provided from

other agencies. Therefore, it is less likely for social work staff to give job satisfaction and career prospects in a high priority when making a decision of job change. Nowadays, what they concern most are the salary and grade offered...I believe that those newly employed will quit jobs in three years' time.

Mr. Ho, shared the same feeling with Mr. Ko. He indicated that contract employees were easily lured by the attractive remuneration package and permanent positions offered by other agencies. The high mobility of contract staff not only disturbs the continuity of services, but also reduces social workers' commitment to service-provision. He provided an example to illustrate the situation:

The working hours for midnight outreaching service teams are from ten o'clock at night to six o'clock in the morning. Due to the abnormal working hours, the turnover rate of the contract staff is very high this year. You know, eight or nine persons have taken up four of the posts in the midnight outreaching team in this year. I believe that it has something to do with contract employment. Permanent employees will not act like this since they enjoy a stable working environment and possess a strong sense of commitment to their jobs.

Miss Lin, a social worker on contract terms, shared her personal experience of the impact of the LSG system on professional growth:

I was employed on contract terms in a large organization immediately after graduation. At that time, I felt a strong sense of instability and vulnerability, as it seemed to me that I would be replaced at any time when the organization did not renew my contract next year. ...I received full pay for my job as a youth worker.

After seven months, I received my salary at 30% discount. The major reason for me to change to this job is that I am not sure whether the previous employer (an NGO) will renew my contract or not. ... Although the agency tried to renew my contract, I applied for another job. ... At that time, I know the voluntary sector is highly chaotic. Posts are not linked to the civil service pay scales. For example, program officers may be hired at \$12,000 or less.

Obliviously, the new funding policy and the increased use of contract employment as a result hamper the morale and the professional growth of social workers. All our interviewees expressed a strong sense of helplessness and frustration about the situation. Mr. Ho, when asked what the personally impact of the LSG system was, answered with a bitter smile: "The impact is that I will not change my job." All these may eventually affect the quality of the services provided to the clients.

B. Increased Workplace Tensions and Distrust Among Social Workers

Since personal emoluments (PE) forms over 95% of the total cost, NGOs must seek to reduce expenses on PE by various means such as layoffs, lowering the pay raise for the existing staff, and de-linking the salary with the civil servants.

The social workers we interviewed have not learnt of staff layoffs in their respective agencies. Their organizations were able to maintain the service terms with all the existing staff. On the other hand, salary cut and benefits reduction was imposed on all the newly employed social work staff. The difference in conditions of employment between permanent and contract employees worried a number of interviewees, who argued that the inequality would affect morale, professionalism and self-respect, which in turn would create workplace tension and distrust among social work employees. The comments of Miss Young were representative of how social workers felt about the

situation:

It is good to give NGOs greater flexibility. But if it aims at putting a ceiling on social service spending, I totally disagree with the LSG system. ... Social Work pay scales should not be de-linked from that of the civil service. Remuneration is a form of respect for professionals. If the staff performs poorly, there must be problems with the training agencies or the examination system; there is no point in reducing the salary of social work professionals.

In short, Miss Young regarded the de-linking of pay scales as disrespectful of the social work profession. Miss Lin perceived other personnel conflicts among colleagues:

There may also be conflicts and competition between contract and permanent staff over the problem of equal work but unequal pay. For example, contract staff usually work harder in order to strive for contract renewal. They always take the initiative to express their opinions and to organize programs...In the past, we very much appreciated the initiatives and hard work of staff. Now, we may think that they are doing all this for a purpose. Although no such situation has happened in my working environment yet, but if someone begins to think like that, the team morale will deteriorate. Moreover, doing more will mean a higher possibility of making mistakes. Contract staff may feel they are under close scrutiny due to their hard work. All in all, we are under pressure and feel exhausted while handling these complicated personnel matters.

According to the interviewees, although the situation of equal work and unequal

pay has not triggered a great deal of conflicts between the permanent and contract employees, it increased workforce tension and distrust. Clearly, such workplace tension is not conducive to staff morale and performance.

III. The Predominance of Managerial Values over Professional Values

The LSG system, based on the principles of the new managerialism, is characterized by strong emphasis on managerial values. First and foremost, accompanying a decentralized financial system is the extensive use of performance measurement as a method of control. Organizations have to articulate their missions and their core values, and measure their results (Osborne & Gaebler, 1992). In this regard, the improved Service Performance Monitoring System (SPMS) was initiated in 1999 and is progressively being implemented in phases. The SPMS is largely a monitoring device to scrutinize the service quantity produced by each service unit that is given full control over financial management. In practice, there are two measurement packages – Funding and Service Agreements (FSAs) and Service Quality Standards (SQS) (SWD, 2000). A FSA sets out the objectives and the nature of the service to be provided, the output indicators and funding arrangements; while a SQS sets out clearly the policies, procedures and practices which a service unit should adopt so as to deliver a quality service to its clients. The performance of subvented non-governmental organizations is then assessed based on the FSAs drawn up for each service unit and examined against a set of well-defined SQSs (Health and Welfare Bureau, 1999b). Agencies will be given the LSG as long as the required objectives, results, and outputs as well as standards are achieved (SWD, 2000). Under the LSG subvention system, individual service units also have to conduct an annual self-assessment and the SWD will conduct a performance audit of each NGO every three years.

Performance measurement systems similar to the SPMS are widely used in the new public management reforms adopted in the West. Their theoretical base is to be found in Positivism and Scientific Management, which believes that there is “one best way” to carry out any set of tasks and this can be determined by measurement of the tasks involved. The correct procedures to be followed in the process of inputs, throughputs, outputs and even outcomes, are written down in a set of well-defined quantifiable indicators and targets. It is believed that performance indicators and targets are a useful tool for an organization to measure the quantity, quality and cost of its products, and to reveal how effectively and efficiently the organization is meeting its objectives. In practice, a variety of monitoring and evaluation techniques including observation, reviews, audits and inspections are used to reinforce the application of indicators, ensuring that the operational procedures of an organization are moving in the right direction. The formation of a set of indicators, targets and goals, together with external evaluation techniques like reviews, audits and so forth, are combined to set up a comprehensive performance monitoring system (Gaster, 1995, p.114-124).

Performance measurement and monitoring has been the dominant method of supervising the activities of each service unit with decentralized authority since the early 1980s. Its widespread application is largely due to its usefulness in maintaining and strengthening centralized governmental control over organizations’ policies and activities when stringent financial controls are relaxed. Thanks to their use of targets and performance measurement systems to govern resource management, Pollitt (1994, p.80) saw them as representing a revival of the scientific management ideas of Frederick Taylor and even described this management philosophy as Neo-Taylorism³².

In sum, all sectors operating decentralized management have been associated by

³² This refers to a model of management primarily devoted to the rational analysis of organizational inputs and committed to the creation of efficiency and increased productivity as its over-riding objectives. See Pollitt (1994) for details.

the extended development of centralized performance management controls (Hoggett, 1996; Carter, 1989). The logic is straightforward: while managers are given responsibility for the administration of agency budgets, the central administration (government) must exercise control over agency activities through a range of techniques including performance reviews, audits, scrutinizes, and a set of quantified indicators that state clearly the form, quantity and quality of inputs and outcomes. The introduction of a lump sum grant, together with the performance monitoring system, genuinely reflects this phenomenon of simultaneous decentralized and centralized control in the social welfare sector. The flexible LSG model is functioned to discharge the rules and procedures in resource deployment, while the performance monitoring system, as an output-oriented management system, allows government to coordinate the activities of service units and their staff, which are permitted to adopt devolved forms of management.

The LSG system is also seen as a stepping-stone towards contract-based subvention (大聯盟, 1999; 張超雄, 1999). Under the old funding system, the government had a long-term financial commitment to NGOs. Once the NGO became a provider of a particular service in a particular region, theoretically, the government would continue to support its service provision financially. However, on the implementation of the new system, the funding from government became unpredictable and insecure, due to the fact that NGOs are only given subventions as long as they meet the policy objectives specified in the FSA and SQS. Although at this point there is no indication that the government will terminate the funding contract with those NGOs, which fail in the fulfillment of their contracts, the LSG system implies a new government funding policy covering the NGOs. Basically, it allows the government to retain an ultimate power to review the form of subvention payment and quality and quantity service standards at any time when she thinks the current payment and

subvention standards are outdated. In an extreme case, the government would stop funding NGOs if they were unable to fulfill the contract agreement. When the existing funding agreements with NGOs runs out, the government may even terminate its subvention with those organizations and introduce new service contracts to both private agencies and NGOs for competitive bidding. The LSG subvention system in this sense seems to pave the way for future competitive contract funding. The recent pilot use of competitive tendering for home care and meal services seems to reflect an intention on the part of the government to inject competition into the welfare sector. It is believed that in the near future all social services will be placed under competitive tendering (大聯盟, 1999).

The output-oriented and contract-based funding system destroys what was a relatively stable funding structure and creating an incentive for NGOs to economize on cost and compete for resources. Under the old system, NGOs are the major providers of the bulk of social services, while the government is the primary provider of welfare funding. In principle, once NGOs are funded, the government will continue to support them financially. Therefore, NGOs could enjoy a stable and secure funding from government for service delivery and expansion. This system is entirely changed by the LSG system. Firstly, as discussed, NGOs will suffer financial shortfalls because of the problematic formula by which lump sum is calculated, ie on the basis of mid-point salaries of the pay scales of the staff. Secondly, under the LSG funding system, the continuity and availability of funding is largely dependent on the performance of NGOs in response to the Funding and Service Agreement (FSA) and Service Quality Standards (SQS). Hence, the government's funding to NGOs is no longer secure and predictable. If NGOs are found unable to achieve the contract requirements in their provision of services, the government retains an ultimate power to terminate its subvention contracts with them. In a word, the LSG subvention system facilitates a new

contractual relationship between the government and NGOs, in which the former relinquishes its long-term funding promise to the latter. The uncertain funding environment will probably make NGOs and their staff more competitive and will lead them to play a more active role in providing their services for profit.

In addition, the LSG subvention system shifts the basis of the government's financial relationship with NGOs from an input-control to an outcome-monitoring basis. Under the old funding system, NGOs were under the government's control in their choices of inputs, in staffing structures, in levels of pay and staff qualifications. With the establishment of the LSG subvention system, however, NGOs are strictly controlled by an output monitoring system, ie SMPS, for efficiency, performance, service quality and quantity. This new funding control basically has two important implications. Firstly, it allows the government to centralize its power in the administration of NGOs through an output based monitoring system, in which budget authority is delegated to the bottom agencies. Secondly, it creates an incentive structure for the NGOs to compete for resources and to achieve more efficient and efficient service outcomes. In this situation, it can be inferred that NGOs and social workers will become exclusively resource-driven and, as a result, look more and more like private businesses.

The new managerial values are in conflict with the professional values of social workers. While new public management emphasizes values such as efficiency, effectiveness, economy and productivity, social work advocates values such as equality, justice, advocacy and philanthropy. When there is strong pressure on social workers to compete and to maximize revenue under the new managerial framework, they are likely to engage more in strategic planning for resource allocation and priority setting in order to comply with the goals of NPM. As NGOs are forced to make service more competitive, efficient, cost-effective and output driven, social workers are also

compelled to take up a managerial role in determining priority setting, gate-keeping and rationing resources. In a period of financial restraint, social workers are also “entrusted” with the task of economizing on cost by all possible means while rendering social services. For example, social workers may attempt to adopt program cutback, elimination and “cream-skimming” to meet the principle of cost-effectiveness or revenue maximizing, at the expense of the primary and secondary services needed by minority and less targeted groups. In these situations, social workers are inclined to put most of their efforts into meeting managerial goals, but to abandon their professional mission to respond to the real needs of their clients.

Moreover, under their stringent financial constraints, NGOs also lack resources and hence flexibility to innovate new services and to respond to emerging needs in accordance with their professional judgment and knowledge. The stricter control over the content, quantity and quality of service under the FSA also erodes the capacity and discretion of social work staff to provide the most appropriate response to clients with reference to their professional judgment, training and knowledge. In other words, social workers are not only deprived of autonomy in pioneering new services, but also autonomy in deciding the type, size and scope of services under their managerial control. Finally, the service quality and effectiveness as well as the service recipients will be affected by this reduction in autonomy.

In sum, there is conflict over the values and objectives between managerialism and professionalism. Social workers, in order to conform to the broader organization goals to produce effective services, to reduce cost, most importantly, to survive in times of budget shortfalls, have to place the needs of individuals second to the making of profit. They have become budget holders focusing mainly on budget and resource management under the flexible managerial framework. Their professional values and their goal of helping the most needy are stifled.

As shown in the interviews, such conflicts have profound impact on the professional role of social workers.

1. Social Workers as Budget Holders

The constant financial insecurity and the pressure to economize have prompted NGOs to engage in cutback management and actively develop for-profit services as a means to increase revenue. Under this new managerial framework, all interviewees told us that they increasingly assumed the important role in managing the budget and resources allocation. The following quotations are illustrations of these situations.

We have to prepare a balanced budget for each program provided to clients. ...as resources get less and less, we have to be more cautious in spending money. For example, in the past, service recipients could use our center facilities without charges. Now we consider charging them for the use of facilities. To make use of center space more effectively, we now hold for-profit classes in order to increase revenue. I believe this will not affect the relationship between clients and social workers, but only the services itself. (Mr. Wu, a youth worker)

In the past, when we prepared budget we only needed to take the expenses of the current year and those of the past year into account. At present, we have to prepare an extra item, which indicates the amount of savings the agency will have after some years when the TOG is over. This really poses tremendous pressure on me, as it (the amount) always reminds you how much money the agency will have remaining after the financial year of 2006/2007 and when the money will be competently used up. Initially, I am told that it (the amount of savings) only could last for one year. This financial year, they said it could last more than one year...

(Mr. Wan, a community worker)

In fact, the budget is tough in every unit. At present, we can still manage the budget shortfalls. ... We try to cut down on expenses in every aspect. For instance, we rent coaches with no air-conditioning in winter, as it is much cheaper (than air-conditioned ones). In the past, we normally rented coaches for outdoor activities. Now we try to take public transport with the participants... We also try to use volunteers as course instructors so that we can economize on teacher's cost. (Mr. Pang, a community worker)

Previously, when you prepared a budget, the top management would normally give the exact amount that you need. Now, ... if you want four million dollars for a year's budget, you have to provide a sufficient justification for why you need such amount.... in those days we could buy two newspapers and a number of magazines, and pamphlets were sent by mails. Now, we can only afford one newspaper; pamphlets are sent either by fax or hand mail. ... my colleagues always contribute their own magazines to the center and bring some free newspapers collected at MTR for center use. All these are what we have done to deal with the budget constraints." (Mr. Pao, a team leader of an outreaching team)

In addition to greater responsibility in managing budget and resource allocation, social workers also take the primary role of making profits to meet the stringent financial situation. The case of Mr. Ko can best illustrate the situation:

After the implementation LSG, we offer more profit-making services and try to increase program fees.... We also set up some new committees responsible for

making money through, for example, fund-raising, provision of profitable seminars and training programs. Those committees are newly formed; members are our unit staff. ... Besides, we are also demanded by our unit supervisor to do jobs beyond our work boundaries. For instance, I am asked to provide profitable seminars for teachers on how to deal with family and child problems. ... Previously, we didn't take the initiative in promoting our family center, now we are doing it so as to earn a living!

A similar situation is reported by Mr. Chun, a youth social worker, whose duty is to develop youth programs for school students. He said that "programs development" has become more profit-oriented and business-like. "What we are doing now is "product development"; and we have a price list for all youth programs...My colleagues then 'sell' them to various schools. If they are interested they will buy our programs."

The majority of the interviewees also told me that they were increasingly taking part in drafting project proposals for the application of community grants and donations. Since their organizations were suffering from the shortage of resources, they had to be self-motivated in seeking greater outside support in order to maintain the same quantity and quality of services on the hand and to reduce the financial burden of the organization on the other hand.

In sum, the experience of the interviewees pointed to the fact that while NGOs are given flexibility to handle its budget, front-line social workers not only have experienced greater accountability for budget, organized more profit making services and adopted cost-saving principles in resource management, they are also expected to manage the agency's financial health in the long run under uncertain funding conditions. Their role has become increasingly managerial in nature and resource-driven. On the

other hand, it is doubtful that they will increase non-profitable services targeting the socially disadvantaged, such as the unemployed, the elderly or the disabled, when they shift much attention toward cost efficiency. Ultimately, the professional role of social workers to help the poor and the oppressed may be abandoned.

2. The Commercialization of Social Service

The majority of the interviewees pointed out that welfare delivery has become more and more resource-driven and look more and more like commercial enterprises out of unstable funding situation and a tighter monitoring system. The need to compete for more funding with their counterparts compelled NGOs and their agency staff to be more concerned with public image lest it would affect their prospect in contract renewal, the bidding of new service contracts and community grants. The account of a large number of interviewees reveals that that there is a growing trend for NGOs and its social work staff to adopt business promotion techniques to build up a good "brand name" for their "goods" and to compete for resources. Miss Young had this to say:

We need to promote our services and build up our public image through organizing fun fairs and exhibitions. Sometimes, we need to liaise with district councilors, publicize our services and let them reflect our performance to the government. By doing so, we hope the government will give us the top priority when it allocates resources and new service contracts.... Actually, we have been 'high profile' for the past 10 years. However, in those days, we really aimed at helping, educating and informing people about our services. For example, we held press conferences; publish reports and conduct researches to introduce our services.... Now, we do so mainly for the purpose of image building and community liaison.

Yet these business norms may shift the service goals of NGOs and subsequently force them to place the interest of the public after business interests. Aside from neglecting nonprofit services required by the needy, the commercialization of social service also leads to the conflict of interest and the erosion of trust and mutual help among NGOs. For example, Mr. Pao indicated that NGOs have become defensive and seldom shared their experiences of service delivery through local committee meetings. He attributed this phenomenon to the enterprising environment created by the new funding system, which drove them to compete for services and resources in social service provision.

3. Loss of Organizational Autonomy

Many interviewees pointed out that the LSG system had sharply limited their autonomy and creativity over program development and service options for users. In the context of fiscal constraints, NGOs tend to put much effort and resources to run the “core” services required by FSA so as to ensure government subvention. In effect, they are given less resource and deprived of opportunities to develop “peripheral” services in accordance with their professional judgment on emerging social needs. As Miss Lam recalled:

We didn't need to worry about funding in the past. Because of sufficient resources, we were able to produce 'value-added' services. For example, when we were school social workers, apart from the main duty of following cases, we were able to join with teachers and organize programs for school students. When we were youth workers, we were able to do more by developing some pioneering services, such as youth-suicidal counseling programs and youth leadership programs....In short, under a stable funding system, social workers could fully develop their potential

and creativity in meeting the actual service need... However, we cannot do so under resource constraints!

Miss Tai also shows a strong sense of helplessness when talking about how budget constraints limited her day-to-day autonomy in exercising professional judgment in the delivery of youth services. She said angrily,

When resources are scarce, you are not able to develop service that requires high production cost.... In the past, we were able to organize some outdoor sex education activities for young people. For instance, we organized trips to Thailand and raise young people's awareness about the problems of AIDS and young prostitutes in that country. Now we do not have resources to develop activities like that! Even though we have plenty of ideas, we are unable to explore new and essential services because of financial stringency. You know, counseling alone cannot move young people. Additional services are always needed to speed up their response to the treatment.

The reduction of workplace discretion due to fiscal constraints is also evident in the case of Mr. Ho. He stated:

Previously, we didn't worry about the funding. Resources were usually used according to the services essentiality. Now, owing to budget shortfalls, the organization will not provide us with any financial support for our proposed activities for the youth. It means unless we successfully bid a community grant, we cannot organize some 'peripheral' activities and services for young children.

Another interviewee, Miss Tung also testified that she was forced to reduce the scope of group activities organized for service recipients from 12 sessions to 4 sessions or less. She complained that at present social workers were held accountable not for their professional judgment and knowledge but for fulfilling the government's performance requirements.

Apart from budget shortfalls, some interviewees also mentioned that they were subordinated to the tight control of FSA, which sharply limited their work discretion and autonomy. They argued that since the nature, content and quantity of services were narrowly defined by FSA; there was less room for innovative practices and exploratory services in response to community needs. As a result, they were confined to meeting the short-term quantitative indicators required by the SWD. The account of Mr. Ho can illustrate the situation:

In the past, we usually provided services according to our professional assessment. We could provide services even they were 'small-scales'. (Services that yield little monetary return and benefit only a small number of people.) Now, we are doing more and more the repetitive routinized tasks and the room for opening up such "small-scale" activities is eroded....It is because under the influence of FSA, we need to be accountable to the government for the services that we produced. Unless there is an urgent need, we normally devote much time and efforts in achieving the "basic" quantity demands specified in FAS. As a result, it narrows the service gap for innovative practices....At this time, we will not take initiatives to explore new services targeted for minority needs and for preventative purpose. Instead, we only respond to remedial service needs and SWD requirements....Services such as educational activities which yield little returns, we probably will not develop.

Clearly, the his comment drives home the point that professional autonomy is greatly eroded by performance indicators, which narrowly defines quality through quantification of the contents and operational procedures of professional social work.

To conclude, the above accounts illustrate how financial constraints and quality assurance measures are in tension with professional autonomy. Social workers, confronted with strong financial pressure and the tight control of FSA, are deprived of the discretion and freedom to explore services in response to the real needs of clients. Instead, they increasingly subordinate their professional judgment and expert knowledge to the bureaucratized, routinized definition of need and service quality. In a situation of financial austerity, “peripheral” activities not recognized by SWD and secondary preventive services that require high investment cost are marginalized and even regarded as a luxury.

4. Decreased Responsiveness to Client Needs

While social workers are paying more attention to budget management, profit-making and measurable outcomes, their pioneering role in exploring new services and their advocacy role in promoting social justice and equality are undermined. Unfortunately, they seem unable to resist these new practices but would have to accept the changes passively under the new managerial environment. As a result, they feel that sometimes they are acting against rather than on behalf of their service recipient’s interests. The following quotes can explain the situation:

At present, we charges young people more for program activities. In the old days, an agency could subsidize young people so that they could pay less for the services. But now, because of lack of organizational and external financial subsidy, young people need to bear a heavier financial burden while participating in program

activities. For example, in the past, we charged them \$50, which included entrance, transport and photo taking fees and lunch expenses, for a trip to Ocean Park. Now we charge them \$20 only for Ocean Park entrance fee. Other expenses like consumption on transport, lunch and so forth are no longer subsidized by the organization. It means that they have to spend more on activities than before....I know they cannot afford the fee raise. They are students and their parents may be unemployed....But in order to cover the cost of services, we have to charge them. Sometimes, we do offer financial support to the most deprived. However, we cannot afford to do so all the time. Finally, they may be excluded from our services. (Miss Tai)

We did not pay much attention to recovering the cost of services in the past. Therefore program fees were quite low in those days. Now program fees are increased to as high as possible. In effect, some students are unable to afford the fee raise....Recently, I find that because of the rising program fees, the participation of young people in our activities is decreasing. I think that it excludes the minority groups and discourages them to try pioneering services. It is because most of them are poor and unable to spend a lot on social services....Some may even prefer to spend the money on family and school rather than on activities organized by voluntary agencies. (Mr. Ho)

Previously, the government usually provided financial subsidy to those new services developed by NGOs. Now, the government does not do so. Owing to the elimination of government subsidy, NGOs have to engage in profit making activities in order to support the development and maintenance of new services. Ultimately, it shifts the service mission and goal of social workers from

client-oriented needs to the calculation of cost and benefit. For example, without government subsidy, an NGO had to reprioritize the service target of a youth military training program from ordinary school students to mainly the middle class students who have a better purchasing power... In time of budget constraints, we have to accept this user charge principle in social service delivery. (Mr. Ting)

We can see that while social workers are increasingly driven by resource-based decisions in the delivery of services under the flexible funding system, they gradually abandon their service mission to promote welfare equality, justices and subsequently leave the needs of the poor and their difficult problems unattended. As a result, they are likely to put most of their efforts and time to serve middle-income groups, which have greater ability to pay for services. In the end, those who cannot afford the cost of services are penalized.

IV. Re-structuring the Relationship Between the Social Workers and the State

The decades between 1970 – 1990 were the golden period of welfare development in Hong Kong. The government sponsorship of NGOs contributed to the rapid growth of welfare services. The publication of the 1965 and 1973 White Papers also symbolized the partnership between the government and the voluntary sector in welfare delivery. The government became the primary source of revenue for voluntary organizations. The voluntary organizations correspondingly became the principal channel for the delivery of government-funded human services. Voluntary agencies were also regularly invited to become involved in the planning and decision-making process for future social service development (Wong & Chiu, 2000, p. 170-171; Lutz, 1987). The status of the two parties became roughly equal.

However, the partnership is not going smoothly. Their status has become unequal, leading to conflict over the planning of social policy. The funding mechanism is also an important source of dispute. The bureaucratic and inflexible Standard Unit Cost funding system made the government the big boss in the control of financial resources, leaving voluntary organizations and social workers with less room for advocacy and a limited role in pioneering new services (周永新, 1987; 許賢發, 1987). As a result, voluntary agencies and social work staff have become quasi- state agents, there simply to follow all the government's guidelines.

If these conflicts over power and funding mechanisms have long posed a threat to the partnership between the two sectors, the LSG subvention system totally changes the nature of the relationship between the government and NGOs to that of service purchaser and provider (馮可立, 1996; Wong and Chiu, 2000; 陳綿棠, 2000; 張超雄, 1996). Under the new subvention system, the government assumes a much higher status in the control of subvention, and in the content and quantity of service output. The Funding and Service Agreements (FSA) clearly specify the nature, objectives, funding arrangements and the performance standards of the services to be provided, while Service Quality Standards (SQS) delineate policies, procedures and practices, that a service unit is to comply with in the service delivery. These two sets of documents intentionally define the NGOs' respective responsibilities and commitments and the boundaries of flexibility in service delivery and, more importantly, allow the government to see that the resources allocated to NGOs are targeted at meeting the needs of the community in the most cost-effective manner. Clearly, the LSG subvention system makes the government fully the buyer of social services, so that government can exercise tighter control over the funding and performance of each service unit.

As for the NGOs, the new financial relationship with the government entirely erodes their potential and capability to respond quickly to community needs. With the

introduction of the LSG, the FSA and the system of quality standards, the performance of NGOs is closely related to the availability of funding and the service content is also tightly defined. All this means that NGOs and social workers have to devote much time and effort in competing for resources and achieving the “basic” quantity and quality requirements set by the government. As a result, sacrifice their creativity and initiative in the provision of social services is sacrificed (HKCSS, 1996; Wong & Chiu, 2000; 蘇文欣, 1998; 張超雄, 1999). Not surprisingly, the new relation between the government and NGOs now rests on contractual control, by which NGOs and social workers are pure providers of social services, hence state agents, while the government is the principal in social service delivery.

With a bleak economy and budget deficits, social workers are also turned into agents of cutback management. They are forced to manage the tensions between rising welfare demands and the drive to contain the drastic growth in public expenditure. As noted before, after the Asian Financial crisis, the resultant economic stagnation and public financial deficits have prompted the government to adopt various measures to cut back on public spending. Among these measures, the LSG subvention system is a major reform targeted at NGOs. Although the government insists that this funding change is designed to achieve a more efficient and flexible use of resources, critics consider the LSG as a de facto cap on government subvention to NGOs. Through the flexible funding and its techniques for managing results, measuring performance and enhancing efficiency, the government intends to safeguard value for money in public spending, hence keeping the welfare budgets under control. At the same time, the greater flexibility given to NGOs in terms of financial and personnel management under the LSG means that the NGO management bodies are “entrusted” to deal with resource cutbacks. In fact, this flexible management framework, in the context of budget shortfalls, turns front-line social workers into “political” agents for controlling

budgets, determining scarce resource allocation and service priorities in the face of the ‘tug of war’ between government’s desire to make drastic cuts in welfare spending and the public’s increasing welfare demands. Therefore, the role of social workers as state agents will be more prominent under the managerial subvention system.

1. The Purchaser-Provider Relationship: Social Workers as Agents Of the State

As mentioned, the introduction of the LSG system changes the previous relationship of “partnership” between the state and the voluntary sector to a new relationship of contractual control of the principal over the agents. Under the LSG system, NGOs not only risk the loss of funding contract due to ineffective management, but also suffered from stricter control through managerial techniques that emphasize cost-efficiency, effectiveness and productivity. NGOs and its social work staff are thus bound to work under the managerial framework constructed by government. In this sense, the flexible management model has consolidated the state control over NGOs and its staff, shifting them from quasi-state agents to “street-level bureaucrats” under the new state funding system (Lee, 2001, 2002).

A number of interviewees actually condemned the government for turning them into state agents, undermining their professional values and commitments. For example, Mr. Ngan repeated several time, that social workers have become merely agents of the government for social service implementation:

In the past, we did help the government to carry out social policy. However, at that time there were no such things as FSA and SQS to limit the flexibility in service provision. We were allowed to respond to service need while meeting the service objectives and completing the statistical report for the SWD. For instance, when we met the required intake of old people, we could provide “peripheral” services such as training and education programs to respond to client needs. These are

fundamental to our professional development. Now, we are only required to meet the admission statistics required and recognized by government, to emphasize cost-effectiveness and efficiency...Professional development seems unimportant nowadays. We are only the agents of government!

It is also reported that NGOs and its staff are requested by the government to provide services beyond the stipulation in FSA in order to maintain good terms with the government. One of our interviewees, Mr. Ho had this to say:

The availability of government funding hinges on the possibility of contract renewal. Therefore, we must maintain a good relationship with the government. Under the FSA system, government subvention is unable; the funding contract can be changed. For the purpose of survival and ensuring funding, we must remain good terms with the government. For instance, we need to provide volunteer services and explain some issues at the request of the SWD. You know, all these are not required by the FSA. In short, in ensuring the continuity of funding contracts, NGOs and social work staff are increasingly engaging in activities recognized and demanded by the SWD. Therefore, they are subjected to greater government control over the boundaries of flexibility and the type of service in welfare provision. In these senses, the new flexible funding system has shifted the cooperative relation between the government and NGOs to principal-agents relation. This new relationship also points to the fact that social workers are also agents of the government under the new managerial environment.

The interviews also reveal that social workers are implicitly acting as “political”

agents to deal with the twin constraints of budgetary restrictions and increased welfare demand confronted by the SAR government. For example, one of our interviewees, Mr. Ko unveils that despite the increased public demand on social services, the government does not supply them with sufficient personnel and resources input to cope with it under the LSG system. The result is that they have to rank service priorities to deal with service demands with limited budgets. He had this to say:

When caseload increases sharply with the constant subvention, we normally work nightly to meet client demand. Now, we also try to use the 'simple and brief' method to deal with client cases. For instance, we are inclined to close a case file if we find that the problem of a client is solved apparently.... We also handle emergency cases first. Large-scale program activities and group work are usually conducted when our caseload is light. If the caseload is too heavy, we will cutback on remedial and developmental group work services.... Confronted with the increased caseload, we indeed do not have the time and energy to develop services in accordance with our professional judgment.... We must balance the 'core' casework service required by SWD with those remedial and developmental services.

Miss. Tung also pinpointed that while they are required to meet service output, they are also required to provide the best services with limited cost. She pointed out that

We are required to provide services with 'limited costs, wonderful performance and good reputation'! In order to reduce cost and increase productivity, in some cases, we need to cut the volume of group work from six sessions to four sessions, sometimes even to two sessions. We do not attach too much importance to service quality and results, what we concern is whether we can

achieve service quantity required within resources constraints.

If we put the “new” managerial role of the social workers in the politico-economic context of Hong Kong, i.e. the drastic growth of welfare spending and public demand over social services, it is not difficult to understand that the political role of social workers is to resolve the state dilemma of fiscal constraints and rising welfare demand. The autonomy given to the top management of NGOs to economize cost and increase productivity under the flexible funding system means that social workers are also charged with the greater responsibility of deploying agency resources in the most effective and efficient manner.

Henceforth, through the decentralized funding policy and its measurement techniques, the government effectively passes down the difficult decision of distribution of resources to the bottom level, turning social workers and front-line social service providers into agents for determining the political issues of resources allocation and service rationing within budget constraints and increased community demands (Lee 2001). The greater managerial role of social workers for the administration of budget may easily turn them into the buffer that absorbs public criticisms on behalf of the government when they fail to maintain the quality and quantity of services with the limited funding resources. Most importantly, social workers may easily shift professionally defined responses to users’ need to managerial responses defined by resources management and cost-effective analysis. This may erode their professional goal of serving those in need and consequently turn them into the purely “ policy executive ” and “ agents of cutback management” for the government (Lee 2001).

2. Erosion of the Advocacy Role

The LSG funding system also further weakens the traditional advocacy role of social workers to empower the grassroots by the means of collective actions. Perhaps, the case of Mr. Wan, a community social worker, can best illustrate the extent to which the flexible LSG funding system discourages them from organizing advocacy activities in the pursuit of grassroots' rights and benefits, and exercising their ability to criticize government policy. He says that apart from engaging in remedial and direct social service provision, social workers also place much emphasis on community development at grassroots level, that is, raising the grassroots' consciousness about their own interests and rights through collective actions, such as community conference and petitions. However, since the adoption of LSG, he admitted that they were warned by both the management and the SWD not to take initiatives in assisting local residents to make complaints about government policies and take confrontational actions against the government. He analyzed that under the LSG funding framework, NGOs are subjected to state managerial control in exchange for the financial support and future service expansion. Therefore, if social workers acted against the government, NGOs might risk losing government subvention. Moreover, given an environment of declining resources, they must discipline the advocacy behavior of community workers in order to maintain a good relationship with government for ensuring the subvention.

Another community worker, Mr. Pang also disclosed that since SWD possessed increased resource management power under the LSG system, social workers had to be more careful than before while organizing confrontational actions and community conferences. They needed to use tactics to avoid SWD criticisms and complaints when organizing grassroots community work. For instance, when SWD complained about their organized action, they always stressed that the initiatives came from the grassroots and downplayed the significance and efforts of the social workers in community actions.

All in all, he said that they need to use “tactics” to deal with the SWD complaints and criticisms about their community work.

Another interviewee, Mr. Lam also clearly stated the reason why the advocacy role of social workers was threatened under the LSG system:

Under the situation of budget stringency, the advocacy role of social workers for the protection of social justice and equality is seriously undermined. Under this situation (budget shortfalls), only a few social workers are willing to act on behalf of service recipients to appeal for justice. It is because it will offend the government and subsequently the NGO will risk the loss of subvention and the opportunity of service expansion in the future. In short, the deepening dependence of many NGOs on state grant in the delivery of social services threatens the maintenance of independent organizational and social work missions of empowering the weak and their ability to be critical of government policy. Social workers, as the employees of NGOs, are also under pressure to please the government for organization survival. In effect, the advocacy and campaigning actions, which are the essential elements of collective actions organized by social workers since the 1970s in fighting for the rights of the minorities, are minimized and more carefully orchestrated in order to prevent the SWD criticisms and subvention reduction. Henceforth, I argue, the new LSG subvention system serves as the state’s subtle strategy to force NGOs and social work staff to retreat from the existing community projects and to work according to government policy and goals under the managerial funding framework. While social workers are increasingly discouraged from advocacy activities under the flexible funding model, they are likely to switch to the role of enabler and mediator in providing direct remedial social services, at the expense of participation in wider social action and policy making. Consequently, their traditional advocacy role of helping the politically powerless and socially deprived is weakened.

V. Conclusion

The findings from the in-depth interviews reveal that although the LSG system has removed the input-oriented funding mechanism, under a general situation of financial stringency of the government, the LSG system becomes an instrument for cost containment, with the result that NGOs are put in a situation of financial austerity. In order to survive the fiscal crisis, NGOs have introduced a range of cost-cutting and profit-making measures to safeguard revenues.

Under the new funding system, social workers have taken up a more active role in managing resources. The move towards managerial practices has adversely affected the daily practices and work conditions of social workers and hence their professional status and commitment on social work. The new system has placed NGOs and its staff under greater state control over its budget and service provision and undermined their pioneering role in exploring new services. Ultimately, the LSG subvention system affects social workers as professionals and subsequently turns them into state agents in implementing social policy.

As discussed, professionalism in social work entails the exercise of autonomy in decision making both in the assessment of need and in the allocation of resources. Their training, knowledge and experience also are supposed to equip them with the ability to make decisions and responses in relation to the complex needs of service users. In addition, social workers are expected to take initiative to upgrade their professional skills and knowledge through learning and job advancement. Meeting client needs, promoting social justice and equality also act as strong motivation and justification for their actions and most importantly constitute their basic professional values in social service provision.

However, under the LSG subvention system, professionalism is jeopardized by job insecurity. The increased replacement of veteran staff with less experienced contract

staff or even unqualified staff also implies a trend of deprofessionalization as less experienced staff are allowed to carry out social work tasks.

Besides, the interviewees also pinpointed that their job has become more resource driven, business-like, rule-bound and with more emphasis on maintaining the financial well-being of their organizations. Since social workers are increasingly engaging in resource management, their professional judgment and knowledge concerning client needs and appropriate response to the needy are weakened. It also violates the basic values of social work to response to clients, to respect individuals and to serve the most needy.

The above account also illustrates how professional autonomy is increasingly in tension with financial constraints and new procedures for ensuring formal accountability in the use of public fund. According to the majority of interviewees, with budgets circumscribed, the type of service a client received depended on the budget in the financial year rather than the application of social worker expertise and judgment to an individual's service requirement. The upshot is that social workers are likely to place more emphasis to meet state-defined services and standards in services provision rather than to create new services to respond to the actual client needs based on their professional knowledge and expert judgment. Besides, the tighter control over the type, content and quantity of services also leaves social workers with little room for innovative practices and opening up "peripheral activities" focused on small groups. Under the above circumstances, we argue the extent of professional autonomy and the use of knowledge in professional judgment is changing due to greater budget restraints and management control.

Moreover, under the flexible managerial framework, professional social workers not only assume the role of service providers to carry out state social policy, but also become state agents in managing the tensions between rising welfare demands and the

drastic growth of public expenditure. Through the flexibility given to NGOs, professional social workers are increasingly taking part in resources allocation and financial cutback management. They indeed function as an arm of the state to make the difficult political decision on resource allocation with the state financial stringency and increased social welfare demand. The flexible management framework also jeopardizes the basic values of social workers to empower the politically weak and their advocacy role in being critical towards government policy. All these imply that the state has in effect exerted new forms of managerial control over the activities of social work professionals and hence curb their autonomy.

In sum, LSG subvention has changed the work condition, nature of practices and the role of social workers and all of these changes present considerable challenges to professional values, autonomy and knowledge and judgment.

In fact, majority interviewees have shown their inability to resist those threats on professionalism brought about by the LSG system but to adapt themselves to the new managerial environment for the purpose of survival. As an interviewee summarized,

Now, the welfare regime is executive-led. The officials (the government) play an important role in defining the operational cost, content and quantity services. What we have to do is to achieve cost-effective management and meet state quantity demands. We now put little time to strive for welfare justice and grassroots' right.....Under the financial constraints, what we are concerned about is survival, to ensure "rise bowl" of each social worker. We are not looking for welfare right and the maintenance of professional mission! (Mr. Ting)

It seems evident that the LSG system has adversely affected the daily practices of social workers and hence their professional status and commitment on social work.

Chapter Five

Conclusion

Much of the impetus to write this thesis is to examine how the LSG subvention system, which was put in effect in December 2000, affects social workers as professionals. The author attempts to capture social worker's subjective experience on the LSG subvention system, on how it alters their nature of practice, professional roles, autonomy, values and goals in the delivery of social services and eventually how these affect them as professionals. The historical and politico-economic contexts of the reform are also investigated, with an aim to find out the political implication and significance of the reform. In what follows, I would like to summarize the findings of the whole thesis.

I. The Background and Significance of LSG System

Chapter Three argues that the Hong Kong government has long played a residual role in social welfare. Over the past decades, the government spending on social welfare remained at a low level and its growth was largely supported by continuous economic growth. It implies that once state spending on social services outstrips its financial and economic capability, the government will contain its spending on welfare. The introduction of LSG subvention system in the 1990s rightly reflects this residual approach to welfare.

Based on this historical context of Hong Kong, the author discovers that the adoption of the LSG system is not only motivated by the desire to give social service NGOs more flexibility in the deployment of resources, but to use it as a tool for cost containment in welfare programs. This need for cost containment is ultimately caused

by the unfavorable financial situation of the government and an incessant increase in welfare spending. This need is in turn caused by demographic changes and economic downturn, which make the Hong Kong government financially incapable of sustain the continued expansion on welfare spending. The Asian Financial Crisis simply deteriorated the public financial conditions and increase the demand for welfare, prompting the government to introduce a number of reforms measures to the welfare sector. Among them, the LSG subvention system is the major managerial measure to urge NGOs and its staff to maximize on the effective use of public funds.

II. The Impact of LSG system on Social Workers as Professionals

Chapter Four presents the findings of the in-depth interviews and reveals that although social workers welcomed the flexibility provided by the LSG, most of them expressed doubt on the so-called flexibility promised in the LSG system.

The subjective experience of social workers also reveals that the LSG system hinders the job mobility of senior social workers and produces an unstable working environment for the new recruits. The equal work and unequal pay problem increases workplace tension and creates distrust between the senior social work staff and contract social work staff. All these ultimately leads to low job morale, and poses a great threat on social workers' commitment to work, their self-respect and performance. The lack of job security and mobility also affects the knowledge advancement of both the permanent staff and new recruits.

The research also finds that managerial values have become predominant in the welfare sector and have transformed the practice of social work. For instance, social workers have experienced the need for greater accountability to the management body of NGOs in terms of budget and cutback management, and are more subjected to budgetary discipline and the discipline of performance standards. The incentive

structure created by the LSG system also fosters an enterprise culture in which NGOs and its staff have to take the initiative to compete for resources and community grants in a period of agency budget shortfalls. As reflected in the interviews, these new managerial practices are not conducive to professional autonomy. The managerial control and fiscal constraints shift the emphasis of social work from being responsive to clients' need to being attentive to resource allocation and effective management. It also constrains their autonomy to innovate services.

Moreover, the previous partnership between the government and NGOs has become that of service purchasers and service providers. The flexible funding system and the related managerial techniques enable the government to control the costs and performance of NGOs and the detailed activities of professional social work staff. In effect, NGOs and social workers are turned into state agents in social service provision. Social workers are also taking up the political role of dealing with the tensions arising from increasing social welfare demand and the drastic growth of public welfare spending. The consequence is that social workers are becoming the cutback agents, who assume the greater responsibility for controlling and allocating scarce resources so as to meet the state service priorities within budgetary constraints and accelerated welfare demand. In these senses, social workers are fully absorbed into political regime and hence forced to relinquish their traditional function of being the advocates of the underprivileged and critics of state policies. Therefore, their professional goals of helping the poor and empowering the political powerlessness are seriously undermined. The findings clearly unveil the conflict between managerial and professional values. In a period of the budget shortfalls, social workers are unable to resist the new managerial practices but to accept changes passively in order to ensure the survival of their organizations if not to keep their jobs. The consequence is that social workers may gradually abandon its commitment and values in the provision of social services.

III. Policy Recommendation

The Hong Kong government has all along emphasized that the new subvention system is proposed for the benefits of the subvented sector and social workers and it is not a cost-cutting measure. However, the findings from in-depth interviews with social workers reveal that the LSG system has created a financial problem to most subvented NGOs that made it difficult for them to meet its contractual commitments to the existing staff. The LSG system also poses a great threat on social workers as professionals since under the new managerial framework, social workers have to abandon their traditional values and become the arm of the state to manage resources cutback and to implement social policies. To remedy the defects caused by the LSG system, the following measures should be incorporated in the design and implementation plan of the new system:

1. Adequate Funding - The LSG system should take into account the diversified financial needs of subvented organizations and provide them with adequate funding so that they can meet the contractual commitment of their staff and have stable budget and resources to maintain and develop social services according to their service objectives.
2. Further Consultation - With a view to mediating and resolving the disputes between the government and social workers over the impact of LSG system on professionalism, the government should further discuss with NGOs and professional social workers to work out more reasonable and acceptable service standards and improvements of the LSG system. Moreover, the welfare sector should be invited to review and redefine the objectives, scope and priority of welfare services regularly so as to meet the changing community needs and further improve the quality of service to the public.

IV. Research Constraints and Outlook

1. **Representativeness** —Due to practical limitations, the interviewees are not selected by probability sampling. Instead, they are reached by the snowball method in which the researcher is limited to interviewing the few members of the target population that she could locate. Besides, all interviewees are volunteered to be interviewed and the self-selection process may bias the result. It means that the research findings cannot be generalized to whole social worker's population. However, this research represents the first attempt to explore the impact of the LSG subvention reform on social workers, and the findings may serve as the basis for further study.

Moreover, since the sixteen social workers interviewed came from diverse service backgrounds and organizations, given the limited sample size it is difficult to discover whether the LSG system might have different effect on social workers of different service types and organizational backgrounds. In future, it is better to control the service backgrounds and organizational types in order to generate more precise results and comparative data.

2. The interviews reveal that the characteristics (the size, income source, type and quality of management and service objective), historical background, and strategic responses of NGOs to the LSG system vary and that may have a differential impact on the professionalism of social workers. Thus, in future studies, the characteristics and the strategic responses of NGOs towards the LSG system should be an important focus of study in assessing the impact of the LSG system on social services.

3. Moreover, based on the accounts of the interviewees, apart from the LSG subvention reform, other managerial reform measures such as Enhanced Productivity Program (EPP) and competitive tendering also play an important role in reshaping their

work conditions, practices and hence their professional role. According to their account, the problems arising from EPP and competitive tendering have already consumed much of NGOs' resources, time and energy, and in the end cast a shadow over the implementation of LSG. Thereby, it is difficult to establish at this point that only the LSG subvention reform affects the social workers as professionals. Instead, LSG is one of the managerial measures that influences social work practice, autonomy and values. To better understand how the new managerial reforms impact the social workers as professionals, all new managerial measures applied in the voluntary sector should be studied. The interaction of each reform initiative and effects may generate comprehensive findings on how the new managerial reform affects social workers as professionals.

The End

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Appendix 1 Interviewees' Personal Profile

Interviewee (Nickname)	Working Experience	Service Areas(s)	Nature of Work
1. Miss Lam	22 years	Elderly Service	SWO, Center in Charge – responsible for administrating staff, managing unit budget and service development, sometimes taking up outdoor liaison job. Seldom involving in direct service provision
2. Mr. Chun	12 years	Youth Service	ASWO- responsible for administrative work, designing and developing pre-job training programs for school students. Sometimes, participating in direct youth services such offering talks or organizing programs to youth and children
3. Mr. Ko	13 years	Family Service	ASWO – assumes the direct service role, providing counseling services for all clients seeking for help. (Clients may be family members, young children, mental health patients, elderly people, etc.)
4. Mr. Wu	13 years	Youth Services (I.T Team)	ASWO – serving youth and children, particularly “ marginal youth” .Also, organizing seminars and educational programs for both school schools and youth at risk.
5. Mr. Wan	9 years	Community Work	ASWO, Center in Charge -- responsible for administrating staff and managing the unit budget. Also actively participating in direct service work such as organizing the residents, holding seminars, cultivating local leadership and engaging in community problem solving

6. Mr. Pang	9 years	Community Work	ASWO, Center in Charge – responsible for administrating the operation of the center, including budget control and staff administration. Also participating in direct service delivery, such as organizing residents, holding issue groups and dealing with cases.
7. Miss Young	22 years	Family Service	SWO, Center in Charge – taking up administrative work, for examples, staff management, unit budget control, service and programs planning. Also, responsible for developing family education programs for local residents. Sometimes, need to take up liaison work, building community network with district members
8. Miss Tung	15 years	Family Service	ASWO - assumes the direct service role, providing counseling services for all clients seeking for help.
9. Miss Tong	5 years	Rehabilitation Service	ASWO – Center in charge, responsible for staff management and unit budget control Also, providing direct counseling and group services to the retarded children and their parents.
10. Miss Lin	6 years	School Social Worker (I.T Team)	ASWO, a full time school social worker – mainly providing program activities and counseling services for school children, parents and teachers. Also dealing with administrative work in I.T team
11. Mr. Ho	13 years	School Social Worker (I.T Team)	ASWO, a full time school social worker –engaging in direct service delivery, providing program activities and counseling services to school students and parents. Also, organizing community activities and seminars for local residents

12. Mr. Ngan	20 years	Elderly Service	SWO, Superintendent – work as a service coordinator to direct the elderly service development. Also involving in administrative work such as staff supervision, management and budget control. Seldom involving in direct service provision
13. Miss Tai	9 years	Outreaching Social Worker	ASWO – assumes a direct service role, providing counseling services and program activities to problematic youth.
14. Mr. Ting	8 years	Outreaching Social Worker	ASWO – takes up a direct service role, providing counseling services and program activities to problematic youth
15. Mr. Pao	12 years	Outreaching Social Worker	ASWO, I.T team leader, responsible for administrating staff, managing unit budget and service development, sometimes taking up outdoor liaison job. Seldom involving in direct service provision
16. Miss Chow	6 years	School Social Worker	ASWO, responsible for providing counseling services and education programs for school students and parents

* SWO - Social Welfare Officer

ASWO – Assistant Social Welfare Officer

Appendix 2

	No. Of Interviewee Interviewed	Service Areas	No. Of Employee *	% Of Income Coming From Government Funding*
Non-Governmental Organization 1	1	Elderly and child Services (20 service units)	Over 500	60-70%
Non-Governmental Organization 2	1	Youth Service (50-60 service units)	400-700	60-70%
NGO 3	4	Multi Service Provision: Youth Service, Elderly Service, Outreaching Service, Community Service, etc	Over 4000	90%
NGO 4	1	Youth Service	100-200	80-90%
NGO 5	1	Multi-Service Provision: Elderly Service, Outreaching Team, Rehabilitative Service, Community Development	300-400	80-90%

NGO 6	1	Rehabilitative Service; Youth Service, Elderly Service and Community Service, etc	200-300	80-90%
NGO 7	1	Youth Service, Community Service, Family Service and Rehabilitative Service	200-300	90%
NGO 8	1	Multi-Service Provision: Elderly Service, Youth Service and Rehabilitative Service, etc	5000-6000	80-90%
NGO 9	3	Multi-Service Areas, Youth service, outreaching team, elderly service, etc	1200-1300	70-80%
NGO 10	1	Youth Service, Family and Child Service, Rehabilitative Service, Elderly Service	500 -700	60 %
NGO 11	1	Rehabilitative Service	500-600	80-90%

* The number and the percentage given in this table are the approximate amount

Appendix 3

Interview Questions¹

1. Why did you study social work?
2. Did you have any ideals when you first started being a social worker?
3. Were you able to realize your ideals so far?
4. What type of service area(s) have you engaged in?
5. Can you tell us more about your present job nature and practice?
6. Why did you choose your present service?
7. Do you value professional knowledge advancement? Why?
8. How would you describe the management culture of your agency?
9. Does your agency have high autonomy in management resources under the LSG system?
10. When did your agency join the LSG system?
11. How much subvention does your agency get from the government? Apart from government funding, do you have any other funding sources?
12. What are the differences between the LSG system and the Standard Cost Unit System? Which is better? Why?
13. How does your agency respond to the LSG system? Did they layoff staff, reduce staff benefits and salaries or increase the employment of contract staff?
14. Is there competition and mistrust between permanent staff and contract staff?
15. Do you agree that the LSG system can provide you and your agency with greater flexibility in managing resources and innovating new services? If yes, why? /If no, why?
16. Are you affected under the funding shortfalls and managerial control?
17. Does your agency maintain a sound budget under the LSG system? Does your agency need to seek outside funding under the LSG system? How do you maintain adequate revenue under the uncertainty of funding?
18. Does the cooperation relationship between NGOs change as the result of LSG?
19. Does the staff have good morale under the LSG system?
20. How would you describe the relationship among staff?
21. What is your overall evaluation of the LSG system?

¹ As the interviews were semi-structured, interview questions were not asked in order. Sometimes follow-up questions were made if it was necessary.

訪問題目

1. 為何選擇讀社工?
2. 當初做社工時，有沒有一些理想?
3. 理想能否實現?
4. 曾經從事何種類型的服務?
5. 請簡述現時的工作性質及內容？
6. 為什麼選擇從事現在的服務?
7. 你們重視專業知識的增進發展嗎?
8. 怎樣形容機構的管理文化？
9. 在新資助制度下，單位財政運作自主性高嗎？
10. 機構何時參加整筆過撥款計劃？
11. 政府提供了多少資助? 除了政府資助外，有沒有從其他的途徑得到資助?
12. 你認為舊有的撥款制度跟新的撥款制度有何分別? 那一制度較好? 為什麼?
13. 機構如何回應新撥款制度? 有沒有裁員，減薪，減福利，多請合約制員工?
14. 長期合約員工跟合約員在工作上有否互相競爭?
15. 政府認為整筆過撥款能給予機構更大的自由度，使其更有效的運用資源，令前線社工可開展一些有需要的服務，你同意嗎? 為什麼?
16. 在資源不足及新的監察措施下，你們的工作有受到影響嗎?
17. 機構財政狀況如何? 要向外爭取資源嗎? 在資源不足下，你們怎樣維持機構的資源充裕?
18. 在新資助制度下，機構間的合作關係有否改變?
19. 機構內的員工士氣怎樣?
20. 怎樣形員工之間的關係及合作的氣氛?
21. 怎樣評價整筆過撥款?

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