

Hong Kong's Cruel Poverty

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Hong Kong has been hit by a unique form of poverty in this century. Unlike the rest of the world's advanced economies, its inadequate social services and unaffordable housing cannot be blamed on budget or fiscal shortfalls caused by international financial crises, economic recession or populist politics. Instead, they are the outcome of a budget austerity deliberately chosen and dogmatically pursued by Hong Kong's rulers in this century.*

This article starts with the 'politics' of poverty in Hong Kong. It tracks the ruling élite's almost paranoiac opposition to government involvement in 'welfare'. The analysis then reviews the costs inflicted on the community by the austerity measures applied to the health, education and welfare services. It also traces how growing numbers are being left with homes unfit for human habitation after the dismantling of the public housing programme at the start of this century. Finally, it discusses whether a growing Mainland commitment to social justice will prove a force for change in Hong Kong.

The 'Politics' of Poverty

In 2014, a protracted protest campaign began in Hong Kong that proved very different from the street clashes and confrontations that are a current feature of the political environment in so many countries. Hong Kong's demonstrations and sit-ins had nothing to do with social issues. Their discontent was with the 2017 elections for chief executive and the Central People's Government's decision

* For sources and additional statistics, see Leo F. Goodstadt, *Poverty in the Midst of Affluence: How Hong Kong Mismanaged its Prosperity*, 2nd ed., (Hong Kong: Hong Kong University Press, 2014).

to allow universal suffrage subject to its prior approval of the candidates.

Mainland and Hong Kong officials, however, took a different view of the protesters: they were seeking political reforms that would inevitably lead to more welfare spending at the business community's expense. The current Chief Executive, Leung Chun-ying, expressed this apprehension in plain terms. Vetting prospective candidates was necessary, he argued, in order to 'insulate candidates from popular pressure to create a welfare state'. Elections without such controls meant, he said, that the political system would be dominated by 'the half of the people in Hong Kong who earn less than US\$1,800 a month'.¹

No such 'populist' tendency has been a serious item on the political agenda since the rise of political parties and the introduction of direct elections to the legislature. On the contrary, the community decided in the 1980s that its survival depended on a political struggle for its 'core values'. Agitation against inadequate public housing and social services has been marginalised ever since. On Mainland issues, by contrast, vigorous political response has followed anything which the people of Hong Kong feared might undermine their unique way of life. Thus, when discussing the 2014 protests, Leung faced no political sanctions for insisting that the proper way 'to address economic inequality' was 'to follow more business-friendly policies'.²

The Ruling Mentality

The low political priority for social issues and the absence of a powerful 'welfare' lobby has meant that there has been little to deter chief executives from ignoring the plight of the poor. They relentlessly reduced government responsibility for health, education and social welfare while increasing the fees and costs for their users, even for the most vulnerable and distressed groups in society. This austerity campaign was imposed on the community in defiance of

¹ Keith Bradsher and Chris Buckley, 'Hong Kong Leader Reaffirms Unbending Stance on Elections', *New York Times*, 20 October 2014. Chief Executive Leung Chun-ying's remarks were made in an interview with selected foreign journalists.

² Bradsher and Buckley, *New York Times*, 20 October 2014.

economic, financial and fiscal realities. Despite the financial crises and economic recessions that struck both the Asian and the global economies, Hong Kong's GDP grew by an annual 3.4 per cent in real terms between 1997 and 2014.³ Yet, the numbers classified officially as living in poverty remained at an intractable million (15 per cent of the population) from 2005 to 2012.⁴

Tung Chee-hwa

Hong Kong's first Chief Executive, Tung Chee-hwa, came into office convinced that the public sector needed extensive downsizing, privatisation and outsourcing. He used the 1997-98 Asian financial crisis to justify wholesale budget austerity. His biggest challenge, he explained, 'was make our people accept the inevitability of the need for the adjustment, however painful it might be'.⁵

Tung admitted subsequently that he could have easily maintained the pre-1997 levels of economic growth. But deliberate deflation would prove 'ultimately healthier', he believed, although this 'route... will perhaps take longer, involve more hard work, and certainly more learning, one that perhaps imparts more pain'.⁶ The pain proved severe. 'Evaporation of wealth', he said later, was matched only by the 1929 'Great Crash' in the United States. 'Almost 90 per cent of our working families' had been hit by 'job losses and reduced income' by 2003, he confessed, with a 70 per cent slump in property values (leaving 100,000 households with negative equity).⁷

³ Leung Chun-ying, Chief Executive, Government Information Services (*GIS* hereafter), 1 July 2014.

⁴ Economic Analysis and Business Facilitation Unit, 'Legislative Council Subcommittee to Study the Subject of Combating Poverty. Indicators of Poverty — An update for 2005' (CB(2) 2727/05-06(03), July 2006), 'Annex 2: Indicators of Poverty — An update for 2005', p. 3; 'CE chairs first Commission on Poverty Summit', *GIS*, 28 September 2013. The government claimed that the number of poor declined in 2013, to a total of 970,000, 14.5 per cent of the population. ('Poverty rate reaches record low', *GIS*, 29 November 2014.) The data on which this calculation was based were not published with this official statement.

⁵ Tung, *GIS*, 22 July 1999.

⁶ Tung Chee-hwa, Chief Executive, *GIS*, 10 August 2000.

⁷ Tung, *GIS*, 17 October 2003, 29 May 2004; Joseph Yam, Chief Executive Hong Kong Monetary Authority, *GIS*, 14 October 2003.

Donald Tsang Yam-kuen

Tung's Financial Secretary and future successor, Donald Tsang Yam-kuen, proved a faithful disciple, ready to wield the axe of austerity and to manage with enthusiasm the retreat from commitments to the social services and to public housing. 'The hard truth is', he insisted, that 'there is no easy path, no ... way to have profligate spending, and sharply lower taxes and a reassuring surplus and the respect of the international financial community'.⁸ There had been no political lobbying for any such proposals.

Tsang argued that those in need should solve their own problems. The government, he said, 'must never try to assist the poor using its own resources, for this is doomed to failure ... just like pouring sand into the sea to reclaim land'. Nor must the government ever contemplate 'increasing tax revenue for the specific purpose of assisting the poor'.⁹ Tsang argued that poverty was inevitable and largely incurable. The new poor were a typical feature of international financial centres.¹⁰ 'In a free, open and mature capitalist economy, the wealth gap can hardly be eradicated', he insisted.¹¹

Leung Chun-ying

The next Chief Executive, Leung Chun-ying, projected a confusing image. He lamented in 2013, for example, how in this 'generally affluent society', many 'live a hand-to-mouth existence'. But he was reluctant to pay for a solution. It would not be 'a viable option', he said, to have more welfare if it involved 'heavy taxation'.¹²

It fell to his Financial Secretary, John Tsang Chun-wah, to explain the consequences for the deprived and the disabled of

⁸ Donald Tsang Yam-kuen, Financial Secretary, *GIS*, 12 February 1998.

⁹ Donald Tsang, Chief Executive, *Hong Kong Hansard (HH hereafter)*, 27 June 2005, p. 8944.

¹⁰ Donald Tsang, *HH*, 12 January 2006, p. 3881.

¹¹ Donald Tsang, *HH*, 12 October 2011, p. 29.

¹² Leung, *HH*, 16 January 2013, p. 4922.

putting business first. Hong Kong was already spending too much on welfare, Tsang stated. He argued in 2014 that unless cuts were made now, a 'structural deficit' would be unavoidable within 15 years.¹³ This assertion was astonishing given the extraordinary financial resources at the government's disposal. These were sufficient to allow all government programmes to continue uninterrupted for 22 months even if it received no taxes, fees, charges or other revenues.

Austerity's Victims

Health services

The physical pain as well as the social distress caused by the prolonged austerity drive has been scandalous. The Hospital Authority Ordinance states 'that no person should be prevented, through lack of means, from obtaining adequate medical treatment'.¹⁴ This law has not been honoured, and adequate treatment has been denied throughout this century to larger numbers than can be fully recounted here.

- 2001: the government announced that charges would be introduced for vital medication needed by children with growth retardation and for breast cancer, hepatitis, leukaemia and multiple sclerosis.¹⁵
- 2003: the Hospital Authority warned that because of cuts in funding and staff, patients suffered longer waiting times and poorer services.¹⁶
- 2005: the Hospital Authority revealed that because of budget restrictions, treatment was reserved for 'more urgent conditions' and 'quality started to be compromised'.¹⁷

¹³ John Tsang Chun-wah, Financial Secretary, *HH*, 26 February 2014, p. 8311.

¹⁴ Hospital Authority Ordinance (cap. 113), s. 4(d).

¹⁵ Dr Yeoh Eng-kiong, Secretary for Health and Welfare, *HH*, 9 May 2001, p. 5179.

¹⁶ Hospital Authority, *Hospital Authority Annual Plan 2003-2004* (Hong Kong: Hospital Authority, 2003), pp. 34, 35, 53.

¹⁷ Hospital Authority, *Hospital Authority Annual Plan 2005-06*, p. 15.

- 2007: the Hospital Authority stated that a shortage of funds meant ‘limiting or refusing introduction of new technologies and pharmaceuticals, and delaying the replacement of equipment’.¹⁸
- 2008: the Hospital Authority admitted that waiting times had got worse throughout the decade in all specialties, particularly surgical.¹⁹
- 2010: The medical profession complained that to save money, the Hospital Authority was using outdated versions of anti-psychotic drugs despite their distressing side effects. In addition, the 187,000 patients with mental illnesses faced increasing delays in access to services.²⁰

Change for the better will be slow and arduous because of the shortage of both facilities and staff created by past austerity drives. The Hospital Authority plans, for example, that by 2021, the number of hospital beds will be increased by almost 10 per cent, just enough to bring the total back to the 2000 level.²¹

Education for the Élite First

The damage done to children by under-financed education services did not spare even the youngest and the most vulnerable. If children with disabilities do not join special pre-school programmes, their chances of progressing successfully through the education system are greatly reduced. As the economy expanded and the official reserves increased between 2008 and 2012, the numbers

¹⁸ Hospital Authority, *Hospital Authority Annual Plan 2007-08* (Hong Kong: Hospital Authority, 2007), p. 7.

¹⁹ Hospital Authority, *Hospital Authority Annual Plan 2008-09* (Hong Kong: Hospital Authority, 2008), p. 11.

²⁰ Hong Kong College of Psychiatrists in Hospital Authority, ‘Mental Health Service Plan for Adults 2010-2015’, pp. 30, 69. URL: http://www21.ha.org.hk/files/PDF/mental%20health%20platform/MentalHealthServicePlan_Pamphlet_ENG_Final.pdf; Dr Ko Wing-man, Secretary for Food and Health, *HH*, 19 December 2012.

²¹ Dr Leung Pak-yin, Hospital Authority Chief Executive, *GIS*, 15 May 2013; Hospital Authority, *Hospital Authority Annual Plan 2013-14: Keeping Healthcare in Sync*, ‘Appendix 1 – Key Service Statistics’, p. 96.

applying for admission to these programmes rose, but average waiting-times increased by almost 50 per cent. (See Table 1)

Table 1: The queues get longer: children with disabilities aged 2 to 6 in need of early intervention through pre-school rehabilitation services, 2008–12²²

Year	Total number of children with relevant disabilities	Percentage of total on waiting list	Average waiting time (months)
2008	5,200	36	9.8
2009	5,049	33	10.3
2010	5,602	39	10.6
2011	6,157	43	12.3
2012	6,472	44	14.4

At the secondary school level, élitism became blatant. From 1991, secondary schools were encouraged to opt for DSS ('direct subsidy school') status, which gave them the right to levy substantial fees while retaining their government subsidies. In 2001, the scheme was extended to the primary sector. The result was 'back door' privatisation of most of Hong Kong's best schools. The better-off family was happy to pay substantial fees, because these financed better teachers, more facilities and better equipment than the non-DSS sector which had to rely entirely on government funding.

²² The specific services were Special Child Care Centres and Integrated Programme in Kindergarten-cum-Child Care Centres. The table is calculated from Matthew Cheung Kin-chung, Secretary for Labour and Welfare, *HH*, 7 November 2012, Annex, p. 1510.

DSS schools were supposed to organise scholarships and fee-remission schemes to ensure that talented pupils from low-income families would not be completely excluded. An official investigation in 2010 discovered that a high proportion of DSS schools ignored this obligation (which the government made little effort to enforce).²³

Superior schools for children of better-off families have been followed by a similar advantage at the post-secondary level. Table 2 shows that in 1991 before DSS got underway, the chances of getting into university were very similar for rich and poor. By 2011, however, almost half the children from top income families were at university compared with only 13 per cent of poor families. While three-quarters of well-off youngsters remained in the education system after secondary school, less than half of the poor could continue their education.

Table 2: Education: the inter-generation gap widens: proportion of young people (aged 19 and 20) in post-secondary education by degree/non-degree courses, 1991-2011²⁴

Year	1991		2011	
	CSSA level household incomes	Top 10% household incomes	CSSA level household incomes	Top 10% household incomes
University degree courses	8%	9%	13%	48%

²³ Audit Commission, Report No. 55, 'Chapter 1. Education Bureau: Governance and administration of Direct Subsidy Scheme Schools' (25 October 2010), pp. 16-8, 23-6; *Report No. 55, 'Chapter 1. Education Bureau: Administration of the Direct Subsidy Scheme'* (25 October 2010), pp. 16-20, 26-7, 33-6, 41-4, 48.

²⁴ Professor Chou Kee-lee, 'HKIED Study: Disparity in Higher Education Attainment Is Widening between Rich and Poor', Hong Kong Institute of Education (31 January 2013). URL: www.ied.edu.hk/media/news.php?id=20130131

This gap had widened considerably since 1991, this table shows. To make matters worse, the non-degree courses were self-financed, and as a University Grants Committee study revealed in 2010, the qualifications in many cases commanded no credibility with employers.²⁵ Inter-generational poverty has become a bigger threat than ever before in Hong Kong's history because of the adoption of business-based education models.

Welfare Fared Worst

The social services were a special target for austerity attacks by the business-first lobby and their government supporters. There was a shameless attempt to demonise in particular the elderly and the unemployed who applied for Comprehensive Social Security Assistance (CSSA). The allegation was made repeatedly that CSSA encouraged families to disregard their 'Confucian' duties towards aged relatives and that its benefits were an incentive for the workshy to abandon their jobs. State generosity, it was claimed, created a dependency mentality which would ruin the economy.

The official statistics prove unequivocally that no dependency culture exists. The proportion of the elderly receiving CSSA has stayed consistently below 17 per cent, while the proportion of the unemployed receiving CSSA has never reached 25 per cent. Indeed, the mystery is how an overwhelming majority of the elderly and the unemployed survive without CSSA in Hong Kong, where proposals for compulsory retirement schemes and social and medical insurance have been rejected repeatedly by the government-business alliance since 1967.

What adds to the disgrace of defaming CSSA beneficiaries is that the scheme's costs are manifestly affordable and kept to a level sufficiently meagre to discourage any but the truly indigent, as Table 3 illustrates.

Table 3: Affordable welfare: CSSA recipients, payments and government revenue, 2001-11

²⁵ University Grants Committee, *Aspirations for the Higher Education System in Hong Kong: Report of the University Grants Committee* (Hong Kong, 2010), pp. 29-31.

Year	Total CSSA Recipients ²⁶	CSSA Recipients /Total Population (percent)	CSSA Expenditure/ Total Government Revenue (percent)	Average monthly CSSA payment per recipient	Average employee's monthly earnings
2001	398,000	5.9	8.2	HK\$3,000	HK\$10,000
2006	522,000	7.6	6.1	HK\$2,800	HK\$10,000
2011	443,000	6.2	3.6	HK\$3,700	HK\$11,300

Perhaps the cruellest social welfare scandal are the waiting times endured by individuals who need residential care. The community was shocked in 2012 to learn that 4,590 elderly men and women had died on average in each of the previous five years while waiting for a place in a residential home.²⁷ The death toll has continued to rise and had reached an annual 5,700 by 2014.²⁸

An even more vulnerable group are those with severe mental and physical disabilities. These have faced heartbreaking delays in obtaining the residential care without which they are condemned to a painful existence. The numbers involved are relatively small. Why there should be any significant delay in accommodating them is incomprehensible for a city as prosperous as Hong Kong.

²⁶ Census and Statistics Department, 'Statistics on Comprehensive Social Security Assistance Scheme, 2001 to 2011', *Hong Kong Monthly Digest of Statistics September 2012*, 'Table 2: Number of CSSA Recipients by Age Group, 2001 to 2011', p. FB6. The other figures are taken from the relevant issues of the *Hong Kong Annual Digest of Statistics*.

²⁷ Cheung, *HH*, Annex, 25 April 2012, p. 8563.

²⁸ Audit Commission, Report No. 'Chapter 1. Labour and Welfare Bureau Social Welfare Department: Provision of long-term care services for the elderly', (30 October 2014), p. 22.

Table 4: Cruel delays: persons with severe disabilities awaiting admission to residential facilities by category and average waiting times, 2007-12 ²⁹

	Hostels for severely mentally disabled persons		Hostels for severely physically disabled persons		Care and attention homes for severely disabled persons	
	2007	2012	2007	2012	2007	2012
Year	2007	2012	2007	2012	2007	2012
Number on waiting list	1,761	2,173	356	433	316	428
Waiting time (months)	83	82	78	37	40	31

Housing Unfit for Human Habitation

The most conspicuous case of a social programme being dismantled solely to protect business interest is housing. The abdication of responsibility for ensuring that the community lives in homes which are healthy, safe and affordable was inspired by a desire to remove all competitive threats to a private property market riddled with monopoly practices.

Hong Kong entered this century with homes that were barely fit for modern living. The average space per person was 150 square

²⁹ Social Welfare Department, 'Legislative Council Panel on Welfare Services: Two New Integrated Rehabilitation Services Centres for Persons with Disabilities' (CB(2)254/07-08(04), November 2007), p. 2; Cheung, Secretary for Labour and Welfare, HH, 27 February 2013, pp. 7341-2.

feet.³⁰ Almost 250,000 lived in squatter huts.³¹ But standards were to fall still lower.

- In 2006, a United Nations report stated that the relative numbers living in slums was growing faster than in other advanced economies.³²
- In 2011, the official estimate was that in the private sector, 110,000 families lived in ‘homes that are neither healthy nor safe’.
- In 2013, Elsie Tu, a prominent critic of the British record declared that ‘the housing problem has now become as bad as or even worse’ than in the 1950s.

Without drastic government intervention, according to an official forecast, there would be a six-fold rise in the number of ‘dilapidated, over-crowded and neglected’ buildings with their ‘dreadful standards of accommodation’ by 2030.³³

Conditions in the public sector were far better (except in terms of densities). During the first decade of this century, however, the government discarded its traditional and highly successful public rental housing and home ownership programmes. This decision was endorsed by Donald Tsang when he was Financial Secretary and vigorously implemented as he ascended to the post of Chief Executive. He was frank about his pro-business concerns. The dominant role of the government in housing was ‘an unfortunate thing’, he stated as early as 1998. ‘In all (other) sectors of the

³⁰ MDR, ‘Survey of Housing Aspirations of Households (1999) Prepared for Planning Department. Executive Summary’ (Hong Kong: 1999), pp. 3-5.

³¹ Homes for Hong Kong People into the 21st Century (Hong Kong: SAR Government, 1998), p. 31.

³² UN-HABITAT, The State of the World’s Cities Report 2006/2007: 30 Years of Shaping the Habitat Agenda (London: Earthscan, 2006), ‘Table 1: Population of slum areas at mid-year, by region and country; 1990, 2001 and slum annual growth rate’, p 181-2; ‘Table 2: Slum population projections, 1990-2020’, p. 193.

³³ Barry Cheung Chun-yuen, Urban Renewal Authority Chairman, *Urban Renewal Authority: New Strategy New Focus for Urban Renewal. Annual Report 2010-11*, pp. 5-6. See also Steering Committee on Review of the Urban Renewal Strategy, ‘Report on the Building Conditions Survey’ (SC Paper No.18/2009, 30 June 2009).

market we are totally free'.³⁴ Market forces had ceased to operate 'fairly and freely', he claimed in 2001, and the government was determined to reduce its 'intervention in the housing area, and to restore the proper role of the private residential property market'.³⁵

The government slashed the public housing programmes. The average annual supply of new flats dropped by 62 per cent in the period 1997-12. For the developers, the shrinking of the public sector created a new opportunity to boost prices and increase profits by cutting their output. Private sector supply dropped by 45 per cent, while prices increased by 56 per cent over this period.

The prospects of an early solution to the housing crisis are remote. In 2002, the government wound up its professional, technical and managerial teams, fully aware that, as a result, there could be no rapid resumption of the public housing programmes.³⁶ The government also sold off the public housing land bank, thus giving a guarantee to the private sector that, for many years, it would be safe from state competition.³⁷ The third Chief Executive, Leung Chun-ying, promised to provide Hong Kong with decent homes but he was quickly forced to admit that the supply of public housing would not be able to show substantial improvement until 2018 at 'the earliest'.³⁸

Conclusion: A Mainland Solution?

So far, China's leaders have consistently called on Hong Kong to focus all its attention on promoting business, even when it comes to political reform: 'The purpose of developing democracy is not

³⁴ Donald Tsang, *GIS*, 23 June 2 1998; Elsie Tu, 'Social injustice under British colonial rule', *China Daily* (Hong Kong edition), 2 December 2013.

³⁵ Donald Tsang, *HH*, 24 October 2001, pp. 809-10.

³⁶ Donald Tsang, 'Statement on Housing', 3 September 2001.

<http://www.info.gov.hk/gia/general/200109/03/0903236.htm>

³⁷ Dominic Wong Shing-wah, Secretary for Housing, 'LegCo Panel on Housing Minutes of meeting ... 17 October 2000' (CB(1) 121/00-01, 4 November 2000), p. 2; Panel on Housing, 'Updated background brief on land supply for housing (position as at 25 July 2011)' (CB(1) 2805/10-11(01), 25 July 2011).

³⁸ Chief Executive's Spokesman, *GIS*, 30 January 2013; Professor Anthony Cheung Bing-leung, Secretary for Transport and Housing, *GIS*, 3 April 2014.

in democracy itself, but to develop the economy'.³⁹ But the Mainland's own attitude towards economic growth as the overriding priority has altered considerably in recent years.

In 2014, Premier Li Keqiang said that 'poverty relief is like a thermometer that can measure social justice and people's well-being', and launched 'a war against poverty'.⁴⁰ The nation's 2011-15 Five-Year Plan had already discarded the 'business-first' development model and its 'GDP-obsessed mentality'. Instead, it set targets for rapid growth for disposable incomes (no less than an annual 7 per cent) and minimum wages ('at least 13 per cent' a year). In addition, the old-age pensions system would be extended to the entire rural population and to all 'non-working urban residents'.⁴¹

To date, Hong Kong's rulers have ignored this shift in the nation's priorities. However, over the years, chief executives have urged with increasing fervor the case for Hong Kong to integrate itself into the nation's development plans. Leung Chun-ying has stated that from 2016 and the new, 13th Five-Year Plan, Hong Kong will have to view itself 'as a part of the nation, the family and its polity'.⁴² If increased social spending, expanded social insurance and a better deal for the workforce do not threaten the Mainland's economic prospects, it will be difficult for the Hong Kong élite to argue that similar initiatives in Hong Kong will destroy its prosperity.

³⁹ State Councillor Tang Jiaxuan quoted in Albert Au-Yeung, 'Tung best choice in upholding stability', *China Daily*, 16 September 2003.

⁴⁰ Premier Li Keqiang, quoted in 'China to wage war against poverty: Premier', *New China News Agency*, 26 January 2014.

⁴¹ The quotations and statistics are from New China News Agency reporting Prime Minister Wen Jiabao, 27 February and 14 March 2011, 5 March and 11 September 2012; Yin Weimin, Labour Minister, 8 March 2011.

⁴² Leung, *GIS*, 6 December 2012 and 26 April 2013.