INFORMATION PAPER ON BUDGET-RELATED ISSUES

Prepared by Equal Opportunities Commission

Introduction

In the 2002/03 Budget, the Government laid down a target of containing public expenditure at or below 20% of GDP by 2006/07, the EOC considers the following issues to be pertinent in the current debate on containing public expenditure.

EOC Values

2. The pertinent issues raised in this information paper are directly linked to the values espoused by the EOC. In the past few years, the EOC has consistently delivered three messages on equal opportunities to the community:

For the individual	–	Right to development, which is an important extension to the right to life and survival.
For the business	–	Social accountability means marketability. This means equal opportunities and good practices help to sell products and services.
For the community	–	Enhancement of human capital sustains development and alleviates poverty. This in turn reduces reliance on social security, enhances social cohesion and lead to sustainable development.

3. An equal opportunities framework built on these values is one that is designed to alleviate poverty and promote social cohesion by advancing human potential and the equitable treatment of the individual. It enables an individual to maximize his/her own abilities and thus achieve greater self-sufficiency. This in turn leads to lesser dependency on social security and reduces the strain on the public purse. Anti-poverty measures are directly pegged on the capacity of the individual to develop.

4. An equal opportunities framework also helps to ensure the development of social cohesion through equitable distribution of resources to different sections in the community. The international covenant obligations, such as those under the International Covenant on Economic, Social and Cultural Rights, are designed to ensure that the rights of the individual to development and to an equitable share of the community resources are respected.

Social Policy

5. The 2002 and 2003 Policy Address and the 2002/03 Budget have not revealed any government policies that guided the proposal to reduce public expenditure. It remains unclear whether this is a preventive or remedial measure. The Government has yet to explain whether cuts will be made across the board or to be determined by expenditure priorities, or provide any rationale for setting the cap on public spending.

6. The policy base that is lacking at present should be developed as a matter of urgency. This policy should be aimed at protecting and, when possible, increasing cost-effective programmes for human development and reducing poverty. It should set out key distributional objectives of public spending and how these objectives would best be met within budget constraints; and includes the assessment method to be used to assess the impact of reduced public spending on social services and social security in the period leading to 2006/07.

7. The community and, in particular, disadvantaged groups, should be engaged in the Government's economic and social policymaking process. Participation improves the content of policies through better information about the needs and the preferences of the community. It can also lead to more equitable distribution of resources by involving the community in decisions on resource allocation.

8. For the purpose of greater self-development and as a measure to alleviate poverty, a fundamental axiom of social policy is the development of individuals. However, the Government does not appear to have adopted any assessment models to ascertain the nature and the extent of deprivation, or the short- and long-term cost and impact of deprivation. There is also a lack of public discussions on the types of government policy required to address social deprivation and enhance social cohesion. The Government should be developing clear policy in this area and ensuring its effective implementation through coordination and cohesion between government departments/bureaux and across social programmes.

Disaggregated Data

9. Effective social policies in general require better information systems. The EOC believes the disaggregated data published by the Government to date are insufficient to enable the Government to ascertain the full impact of each social programme on sub-groups. This in turn will mean the Government will have difficulty assessing the impact of the reduction in public expenditure under each programme. Yet this information is vital for determining expenditure priorities and the allocation of resources.

> ***Example***: sex-disaggregated data and gender analysis are essential for evaluating the status and the contributions of women. While there has been an increase in the availability of sex-disaggregated data since the first publication of *Women and Men in Hong Kong: Key Statistics* in 2001 by Census, these data are not collected consistently across government departments. There is also generally no gender analysis of statistics and cross-analysis of departmental statistics is often absent. For example, health data on women are seldom accompanied with explanation of the socio-economic factors that affect women's health.

Example: there are no comprehensive data on all disabilities in Hong Kong but these data are useful for examining all disabilities and their origins; assessing and monitoring disability prevalence; analysing the variables on illness, which include the use of medical services; and analysing life and health insurance coverage. These data are not only important for health care but also other purposes, such as insurance. At present, the lack of concrete actuarial data on some disabilities results in rejection of applications to purchase insurance products. This has cost implication for public health care in that individuals who have no insurance coverage and cannot afford private health care will be left with only the choice of public health care.

Standard of Measure: Poverty Line

10. In addition to the lack of disaggregated data, there is also no official poverty line in Hong Kong. It is therefore unclear whether the Government's reduction in public spending still provide for a minimum standard of living for vulnerable and disadvantaged groups? If yes, what is this minimum standard?

11. As a standard of measure, the Government should consider constructing a poverty line for Hong Kong. This can be used for assessing Hong Kong's progress in poverty alleviation and evaluating specific policies or programmes.

12. Poverty line can be defined either in absolute or relative terms. Most international organisations define the poverty line in an absolute way as the level of income necessary for people to buy the goods necessary to their survival, e.g. the '1 dollar a day' line used extensively in studies of poverty around the world.

13. Poverty line in relative terms is defined as some proportion of the mean or the median incomes. Relative poverty is often found to be related to or synonymous with inequality, i.e. poverty arises when an individual cannot afford doing, or 'functioning' in the words of Sen,[1] as most people do in the society in which s/he lives. Relative poverty describes a social phenomenon that is similar to the modern concept of 'social exclusion'.

14. In the context of Hong Kong and its current socio-economic status, a poverty line in relative terms would be more appropriate. With this construct, the Government can develop a 'poverty profile' of the population and its sub-groups (e.g. by gender, disability, age, ethnic group) to enable the government to assess the effects of its social policies and anti-poverty measures and compare progress made over time. A poverty profile and regular assessments can contribute to efficiency gains, as the Government can direct its resources more accurately. For example, if social exclusion is found to be excessive for some sub-groups, then redistribution policies are called for.

[1] Professor Amartya Sen, 1998 Nobel Laureate for Economics.

Investments in human capital

15. East Asia's growth and poverty-reduction record in the past demonstrated the importance of improvements in human capital, basic health and education services, and labour is one of the essential ingredients of broad-based growth. In economically advanced territories, such as Hong Kong, continued investments in human capital are even more important now than in the past as Hong Kong evolves into a knowledge-based society, and the government's role in ensuring equitable access to education services is ever more critical today.

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