

THE HONG KONG COUNCIL OF SOCIAL SERVICE

Views on “Implementation of efficiency savings in the welfare sector”

- Submission to Panel on Welfare Services

Past and current budget cut exercises

- 1 The issue should not be termed as “efficiency savings” since it is in fact a budget cut exercise in the welfare sector rather than just concentrating on “efficiency savings”.
- 2 The recurrent provision for subventions to non-Government organizations (NGOs) in 2003-04 is \$7.2 billion, which pays for over 90% of direct welfare services provided to those in need in the society. Well before any proposed budget cut from 2004-05 onwards, **NGOs have already been undergoing different reductions in subvention allocation since 2000, which amount to more than 20% of their recurrent resources from the Government.** (Please refer to the attached Annex for details.)
- 3 As announced, there will be a target of 10% cut from 2004-05 to 2008-09 for the Health, Welfare and Food Bureau. For 2004-05, a cut of 3% will be applied to recurrent provisions for welfare services under the Social Welfare Department, including a cut of 2.5% will be applied across-the-board to subvention allocations to NGOs.
- 4 **The proposed 2.5% cut in 2004-05 for NGOs indeed means much more than just 2.5% actual cut** because it is calculated before the deduction of 2003-04 efficiency savings of 1.8% and the civil service pay cut of 3% effective January 2004 and January 2005 respectively. The actual amount of subvention reduced is over \$160 million, which is equivalent to the Community Chest’s total annual general allocation to its member agencies in 2003/04. In addition, subvention for 5 Single Parents’ Centres and 4 Post-migration Centres will be terminated as of April 2004. Thus, the actual cut for NGOs will be well above 2.5%.

Impact on services

- 5 It is therefore evident that NGOs will be having less and less resources in the coming years. The proposed 10% cut will **inevitably affect the vulnerable groups in society and the level of social services.** Take the severely disabled on waiting list as an example, at present they already have to wait for 5 years for residential services. With the cut in subvention and the minimal provision in new services, they definitely have to wait for a much longer period.

- 6 In addition to the continuous reduction in subvention since 2000, NGOs have also been undertaking all kinds of **services integration and re-engineering as well as competitive bidding**. With all these measures, agencies are in fact **“doing more but with more stringent resources”**. Some service users have already expressed discontent over the shrinking and redeployment of resources from existing services.

Pressure on staff

- 7 In times of economic difficulties, different kinds of social problems have increased because people are faced with severe stress and hardship. Suicide, family violence, school violence and divorce rates are at the highest. Due to inadequate resources, the workloads of staff have increased tremendously, including much overtime work, resulting in mental stress. Some staff have expressed that they are **stretched to the ‘breaking-point’**.
- 8 Some recent researches have reviewed that many social workers are working under immense pressure and that cases of work injuries increased by 109% in the past five years for the sector.

Agencies’ responses and difficulties

- 9 When agencies accepted the lump sum grant (LSG) mode in early 2000, agencies had agreed to the recurrent subvention being capped at benchmark level calculated at mid-point of personal emolument, and committed to follow civil service pay adjustment. However, with all the yearly additional efficiency savings exercises after the inception of LSG and scarce provisions for new services, the conditions when agencies agreed to the LSG arrangement have changed. **The planning of agencies along the conditions of LSG and the re-engineering efforts are greatly undermined.**
- 10 Many agencies could hardly find any more alternatives to meet additional subvention cut other than **further reducing staff number, salary and service level**. Such measures would inevitably **affect service quality and quantity as well as staff morale**. Indeed, the salary of new recruits of agencies has already been de-linked from the Master Pay Scale and they are employed as contract staff with lower employment terms.
- 11 For agencies also receiving Community Chest allocation, their problems are further aggravated by the fact that there have already been reductions in the Community Chest funding by one-third in 2003-05 and they have to face the change in the allocation mode in the coming years.

12 Indeed, many agencies have already tried their best to increase revenue by conducting different fundraising initiatives. However, the competition is extremely keen especially other sectors need to raise funds for their causes too. As agencies do need to inject resources and manpower in fundraising, it is not easy for NGOs to totally rely on fundraising to 'compensate' the cut in subvention.

Sector's position and requests

13 As regards the anticipated 10% cut in 2004-09, our views are:

- (i) The **overall 10% cut is not acceptable** in consideration of the various cuts in subvention allocation since 2000. A further 10% would affect service quality and quantity as well as depriving people in need of help.
- (ii) For the proposed 2.5% cut passing onto NGOs by SWD in 2004/05, the sector agrees to explore means to meet the target. But for those agencies with genuine difficulties, SWD has to provide assistance to them in meeting the cut.
- (iii) At the same time, the Government has to consider the sector's **"0-0-X" proposal starting from 2005-06**. With such a measure, **no further cut would be imposed on the sector in 2005-07** since agencies have to handle the reduction of Chest allocation and the termination of the Tide-over Grant (TOG) under the LSG arrangement.* For the years 2007-09, the figure "X" would be considered with reference to the economic situation then.
- (iv) **The Government has to work with the sector to plan for the "0-0-X" proposal within 6 months**, in particular the situation in 2006-07 when TOG would be terminated already.
- (v) The existing subvention system has to be reviewed as a whole and the social needs and resources allocation have to be further discussed.
- (vi) The Government should provide a facilitative environment and propose concrete measures in mobilizing the society in assisting the vulnerable groups.

* However, it should be noted that if service rationalization is done in 2005-06 & 2006-07 and achieve any savings, such savings would in fact be contributing to the "cut".

March 1, 2004

ANNEX

Budget cut measures on the welfare sector since 2000

Implemented/ Decided

2000 – 03	Enhanced Productivity Programme	Implemented	- 5.0%]	
2001 – 02	Salary Adjustment (Apr 01)	Implemented	+ 2.4%]	
2002 – 03	Salary Adjustment (Oct 02)	Implemented	- 3.0%]	
2003 – 04	Efficiency Savings	Implemented	- 1.8%]	Accumulated total cut around 21.4%
	Salary Adjustment (Jan 04)	Implemented	- 3.0%]	
2004 – 05	Salary Adjustment (Jan 05)	Decided	- 3.0%]	
2006 – 07	Lump Sum Grant Measure	Decided	- 6.5%]	
2007 – 09	Lump Sum Grant Measure	Decided	- 1.5%]	

Under planning

2004 – 05	Cost cutting	Under planning	- 3.0%]	Government proposed to further cut by 10%
2005 – 09	Cost cutting	Under planning	- 7.0%]	
Total cut around :			<u>- 31.4%</u>		