
INFORMATION NOTE

Impacts of the Lump Sum Grant Subvention System on the subvented welfare sector

1. Background

1.1 At the special meeting of the Panel on Welfare Services of the Legislative Council on 29 October 2007, the Panel requested the Research and Library Services Division (RLSD) to conduct a research on the impacts of the Lump Sum Grant Subvention System (LSGSS) on the subvented welfare sector. This information note provides a brief overview of the development of LSGSS and views of stakeholders and academics on its impacts¹.

2. Overview of the Lump Sum Grant Subvention System

Review of the social welfare subvention system

2.1 Prior to the introduction of LSGSS in 2001, the Government reimbursed the subvented non-governmental organizations (NGOs) for the actual costs incurred in delivering social welfare services. This subvention system imposed tight control on the staffing structure, levels of pay, staff qualifications, and individual items of expenditure for each type of social welfare services. This system was commented as "inflexible, complex and bureaucratic"² as cumbersome rules and procedures were in place to handle processes like vetting of staff qualifications and reimbursement of expenses. There was no incentive in the system to encourage more effective use of resources to achieve lower costs, better value for money or improved services to users³, as NGOs were not allowed to deploy resources flexibly to improve cost effectiveness, nor were they allowed to keep savings attained.

¹ This information note covers analysis of information including: (a) relevant meeting papers of the Panel; (b) research studies conducted by stakeholders; (c) information provided by the Labour and Welfare Bureau/Social Welfare Department; and (d) opinions expressed by academics in the field of social work and social administration and a member of the Lump Sum Grant Steering Committee.

² Health and Welfare Bureau (2000).

³ Ibid.

2.2 In 1995, the Government appointed a consultant to review the social welfare subvention system aiming at improving cost-effectiveness, flexibility, and public accountability of NGOs in the deployment of resources, as well as enhancing the quality and innovation of service delivery. The review was concluded in 1998 with recommendations to introduce a new Service Performance Monitoring System (SPMS) and a new subvention model.

The Service Performance Monitoring System

2.3 The proposal to implement SPMS received general support from the subvented welfare sector. SPMS is designed to monitor NGOs' services through the establishment of Funding and Service Agreements and Service Quality Standards (SQSs). Each subvented service unit operated by NGOs will have a Funding and Service Agreement with the Social Welfare Department (SWD) defining the social welfare services to be provided and the required performance standards⁴ in terms of quality, performance output as well as essential service requirements⁵. SQSs define the level of quality which the service units under the subvented NGOs are expected to attain⁶. SPMS was implemented by three phases between 1999-2000 and 2001-2002 and was improved in 2003 with enhanced service performance assessment methods.

2.4 To promote continuous quality improvement under SPMS, any service unit assessed to be non-conforming with the required performance standards is required to submit a service improvement plan to SWD within an agreed time frame. If the unit fails to improve after repeated efforts, SWD may withdraw its subvention.

The Lump Sum Grant subvention mode

2.5 In 1999, the Government consulted the subvented welfare sector on the proposal to introduce a new funding arrangement in the form of a Lump Sum Grant (LSG). After an extensive consultation with the subvented welfare sector, the LSG funding package was officially launched in January 2001.

⁴ Performance standards include output standards and outcome standards. Output standards are quantitative measures of the key activities related to the provision of a particular service, while outcome standards measure the effectiveness of the service.

⁵ Essential service requirements are requirements specifying basic features of the infrastructure for the provision of services, e.g. staff qualifications and availability of appropriate equipment.

⁶ Sixteen SQSs have been developed according to four principles: (a) clearly defining the purposes and objectives of the service and making its mode of delivery transparent to the public; (b) managing resources effectively with flexibility, innovation and continuous quality improvement; (c) identifying and responding to specific service users' needs; and (d) respecting the rights of service users.

2.6 Under the LSG funding arrangement, rents and rates are subvented on an actual reimbursement basis while salaries and personal emolument (PE) related allowances, and other charges⁷ such as utilities and administrative expenses are provided in a lump sum on an agency basis. NGOs have flexibility in deploying their LSG (excluding the provident fund contribution) for staff and other operating expenses within the context of their respective Funding and Service Agreements.

2.7 With the aim to standardize the funding level to NGOs operating the same type of service units, the Benchmark approach has been adopted by the Government for allocation of the PE portion of the subvention. The Benchmark for LSG of existing service units of an NGO is determined on the basis of the mid-point salaries of the civil servant master pay scales (MPS) as at 31 March 2000 of the recognized staff establishment of the NGO as at 1 April 2000 (Snapshot staff). The provident fund provision is calculated on an actual basis⁸ for the Snapshot staff and 6.8% of the mid-point salaries of the prevailing MPS for the new recruits.

2.8 NGOs with the actual PE commitment or the Snapshot⁹ above the Benchmark would receive the Snapshot as LSG when they joined the new subvention system. However, their LSG would be reduced annually to reach the Benchmark in steps of 2% per annum starting from 2008-2009¹⁰ so that NGOs delivering the same type and level of services would receive the same level of funding from the Government. NGOs with Snapshot below the Benchmark would receive the Benchmark as LSG provided that their services had already been fully commissioned when LSG was launched.

2.9 LSG for newly allocated units which started operation after 1 January 2000 would be calculated on the basis of the mid-point salaries of MPS effective on 1 April 2000 (with a lower entry pay) and 6.8% provident fund contribution.

⁷ Other charges include utilities, food, administrative expenses, stores and equipment, repair and maintenance, programme expenses and income, transportation and travelling, insurance and miscellaneous expenses.

⁸ The original proposal was to set the provident fund contribution at 6.8% of the mid-point salaries of MPS which was the sector-wide average provident fund employers' contribution at that time. The proposal was revised after consultation with the subvented welfare sector due to concerns of NGOs and staff unions about inadequacy of funding to meet the projected provident fund requirements of NGOs.

⁹ A snapshot of staff strength of each NGO as at 1 April 2000 was taken and its PE subvention for 2000-2001 under the existing subvention mode was projected to compare against the Benchmark under LSG.

¹⁰ The original proposal was that NGOs had to reduce the PE portion of the subvention by 2% per annum starting from 2003-2004. The implementation was deferred to 2006-2007 to address the concerns raised by NGOs regarding difficulties to meet this requirement and implement the Enhanced Productivity Programme (EPP) simultaneously. EPP was introduced to improve productivity and efficiency in the delivery of services within both the Government and the subvented sector. The implementation was further deferred to 2008-2009 when the Government introduced the Special One-off Grant (SOG) package in 2005. Please refer to paragraph 2.11 for the discussion on SOG.

Support provided by the Government

2.10 The Government set up the Lump Sum Grant Steering Committee (LSGSC) in February 2001 to monitor the progress of LSG implementation. The membership of LSGSC comprises various stakeholders such as the NGO management, staff unions, professional groups, service user groups and SWD representatives, with the Director of Social Welfare being its Chairman. LSGSC monitors the implementation of LSG and makes recommendations to problems arising from the implementation although its recommendations are not binding on the Government. It also handles complaints from NGOs and staff on issues concerning the implementation of LSG.

2.11 To ensure that NGOs had adequate funds to meet their contractual commitment to the Snapshot staff and had sufficient time to adapt to the new funding system through organization restructuring and service reengineering, the Government provided a Tide-over Grant (TOG)¹¹ for five years from 2001-2002 to 2005-2006¹² and a Special One-off Grant (SOG)¹³ in 2006-2007. Between 2001-2002 and 2006-2007, the Government provided a total TOG of HK\$1,473 million to 125 NGOs and SOG of HK\$912.4 million to 124 NGOs¹⁴. According to the Government, NGOs in receipt of SOG undertook to honour contractual commitment with their Snapshot staff and would not require further financial assistance from the Government on this aspect¹⁵. The number of subvented NGOs receiving TOG/SOG and the amount of TOG/SOG granted by the Government between 2001-2002 and 2006-2007 are shown in Appendix I.

2.12 To help NGOs adapt to the change and strengthen their corporate governance after the implementation of LSGSS, the Government provided support such as organizing training for board members and management staff of NGOs, providing guidelines for best practices in management, assisting NGOs in implementing Business Improvement Projects (BIP)¹⁶. Since 2001, a total of HK\$96.8 million has been granted to 68 NGOs to carry out 52 BIPs for improving the efficiency of their management systems¹⁷.

¹¹ TOG was provided to NGOs with projected salary of the Snapshot staff exceeding the LSG salary of that group of staff.

¹² The TOG period was extended from three years in the original proposal to five years after consultation with the subvented welfare sector.

¹³ Two schemes of SOG were offered to NGOs. Scheme A was offered to 46 NGOs which were not ready to operate on the LSG benchmark salary upon the cessation of TOG. The grant could only be used for salary increments of Snapshot staff or voluntary retirement schemes. Scheme B was offered to 78 NGOs which did not require further assistance in facing the cessation of TOG. The grant could be used for paying the salaries of the Snapshot staff and non-Snapshot staff and other human resources management initiatives.

¹⁴ Labour and Welfare Bureau/Social Welfare Department (2007).

¹⁵ Health, Welfare and Food Bureau/Social Welfare Department (2006b).

¹⁶ SWD launched the BIP Scheme in 2001 to assist NGOs in carrying out projects to improve service quality, efficiency and responsiveness under the LSG environment.

¹⁷ Labour and Welfare Bureau/Social Welfare Department (2007).

3. Impacts on the subvented welfare sector

Impacts on the management of the subvented non-governmental organizations

3.1 Under LSGSS, NGOs are accountable for the cost effectiveness of their services. They are required to comply with the financial accounting and external auditing requirements set out in the LSG Manual¹⁸ and to ensure sound financial management. Overall, NGOs are encouraged to improve their corporate governance. According to the Government, there have been improvements in human resources management, financial management and various aspects of central administration of NGOs¹⁹ after the implementation of LSGSS, and LSGSS "is a catalyst for the enhancement of corporate governance in the welfare sector"²⁰. In a survey conducted by the Hong Kong Council of Social Service (HKCSS)²¹ on NGOs' human resources practices in 2005 (the HKCSS Survey)²², 87% of the responding NGOs stated that they had a formal performance management system to manage staff performance and identify key performers.

3.2 According to Mr Ng Shui-lai²³, a member of LSGSC representing the NGO management, LSGSS encourages NGOs to redeploy their human resources to deliver social welfare services more cost-effectively and to better cater for the needs of the community. This view is echoed by SWD which considers that many NGOs have re-examined their service delivery mode and manpower deployment to meet the needs of the service users in an effective manner²⁴ after the implementation of LSGSS.

¹⁸ The LSG Manual, developed by SWD, sets out the following information/requirements: (a) structure of LSG; (b) arrangements for TOG and provident fund provision; (c) financial management under LSG; (d) roles and accountability of SWD and NGOs for the use of public funds; and (e) advice on best management practices and processes. The Manual provides a self-contained reference for NGOs to operate under the LSG funding system.

¹⁹ Health, Welfare and Food Bureau/Social Welfare Department (2006a).

²⁰ Labour and Welfare Bureau/Social Welfare Department (2007).

²¹ HKCSS, incorporated in 1951, is an organization with over 320 welfare agency members which provide over 90% of social welfare services in Hong Kong.

²² HKCSS conducted a survey among 70 agency members in June 2005 to understand their human resources practices and to establish a benchmark for future trend comparison. See Hong Kong Council of Social Service (2005).

²³ Mr Ng Shui-lai, the Chief Executive of the Hong Kong Christian Service, has been a member of LSGSC since 2001.

²⁴ Labour and Welfare Bureau/Social Welfare Department (2007).

3.3 Professor Chow Wing-sun and Professor Alfred Chan²⁵ suggest that under LSGSS, NGOs have stronger motivation to look for other sources of funding to finance their operation. They are encouraged to engage themselves in social enterprises and in partnership with private businesses in providing paid/free services. Such activities might lead to their reduced reliance on government subvention and more private sector involvement in the development of social welfare services in Hong Kong.

3.4 NGOs claim that they face considerable financial pressure under LSGSS in view of their commitment to honour their contractual agreement to the Snapshot staff. Since the inception of LSGSS in 2001, the Government has provided nearly HK\$2.4 billion in the form of TOG and SOG to NGOs to help them meet their financial and staff commitments. The cessation of TOG and SOG in 2008, together with the requirement to reduce the PE portion of LSG by 2% annually to the Benchmark level from 2008 onwards, and the pressure for higher wages to retain and reward staff, all these might have impacted on NGOs' financial viability.

3.5 According to NGOs, the deduction of 9.3% from LSG to NGOs by the Government as a result of the implementation of the Enhanced Productivity Programme (EPP)²⁶ between 2000-2001 and 2002-2003, and the Efficiency Savings targets (ES)²⁷ between 2003-2004 and 2004-2005 might have incapacitated NGOs' financial position to meet their commitments and undertake new initiatives.

3.6 Given that human resources expenses account for over 70% of the total expenses of NGOs²⁸, NGOs tend to adjust their human resources practices to contain cost under LSGSS. In the HKCSS Survey, 48% of the responding NGOs indicated that they would replace high cost staff with low cost staff in recruitment to cope with financial uncertainty, 27% would freeze recruitment except for selective key posts, 9% would freeze recruitment of all posts and 7% would offer contract terms in recruitment. Indeed, there has been a considerable reduction in the number of Snapshot staff since 2000: from 21 455 in April 2000 to 12 413 in September 2007²⁹.

²⁵ RLSD invited comments from academics in the Department of Social Work and related fields in seven local universities in Hong Kong on the impacts of LSGSS on the subvented welfare sector. As of publication of this information note, comments were received from Professor Chow Wing-sun of the Department of Social Work and Social Administration of the University of Hong Kong and Professor Alfred Chan of the Department of Sociology and Social Policy of the Lingnan University.

²⁶ The Government required subvented NGOs to achieve a 5% EPP target between 2000-2001 and 2002-2003.

²⁷ In view of the fiscal deficit and the plan to restore a balanced budget in 2008-2009, all Government expenditures with the exception of Comprehensive Social Security Assistance/Social Security Allowance and pensions have been subject to the deduction of target Efficiency Savings since 2003-2004. Efficiency Savings rates of 1.8% and 2.5% were applied across-the-board to the subvention allocations to NGOs in 2003-2004 and 2004-2005 respectively.

²⁸ Extract of the HKCSS NGOs Salary Survey Report 2006.

²⁹ Figures provided by SWD.

3.7 The HKCSS Survey also reflected that 35% and 27% of the responding NGOs had fully or partially de-linked³⁰ their salary structure with MPS respectively. Mr Ng Shui-lai concurred that changes in human resources practices were common among NGOs to adapt to the financial pressure they faced under LSGSS. Appendix II shows the numbers of staff and Snapshot staff working in the subvented NGOs since 2000-2001.

3.8 On the other hand, many NGOs have accumulated reserves to meet their future liabilities³¹. According to Mr Ng Shui-lai, NGOs might need to accumulate reserves to honour their contractual commitment to the Snapshot staff upon cessation of TOG and SOG and to ensure their financial viability in the long term.

3.9 According to SWD, 139 out of 164 NGOs operating under LSGSS accumulated reserves of HK\$1.86 billion as at 31 March 2006³². The NGO management is concerned that the cumulative LSG reserves might not be sufficient to meet their future financial obligations to the Snapshot staff. For example, in 2005, 125 NGOs received a total TOG of HK\$413 million to cover the salary increments of 14 269 Snapshot staff³³. With the cessation of TOG and SOG in 2008, the NGO management might need to use the reserves to retain and reward staff. In this connection, the NGO management is concerned that the cumulative LSG reserves might be exhausted in a few years' time. The number of subvented NGOs that have accumulated reserves and the amount of cumulative reserves between 2000-2001 and 2005-2006 are shown in Appendix III.

3.10 In addition, among the 139 NGOs that have accumulated reserves, the top 10 NGOs with the highest amount of reserves accounted for over 40% of the total cumulative LSG reserves³⁴. The uneven distribution of LSG reserves among NGOs may imply that some NGOs are facing a higher level of financial constraint in fulfilling their commitment to the Snapshot staff or meeting other financial challenges.

3.11 Mr Ng Shui-lai has observed that the larger NGOs, or NGOs offering a diverse range of social welfare services, or those with a higher turnover rate of Snapshot staff are in a better position to adapt to the financial challenges under LSGSS. These NGOs might have more room to control cost through flexible deployment of resources across service units and restructuring of their staffing structure.

³⁰ According to the HKCSS Survey, some NGOs had the salary structure for Snapshot staff and/or selected positions linked to MPS. Some NGOs linked the points of their salary structure to MPS but did not follow the salary ranges of the job positions in MPS.

³¹ Under LSGSS, NGOs can retain unspent funds in their reserves to meet future liabilities. The level of cumulative reserves is capped at 25% of the operating expenditure of the NGO (excluding provident fund expenditure) for that year and the reserves must be used on services specified in the Funding and Service Agreements.

³² Figures provided by SWD.

³³ Ibid.

³⁴ Ibid.

Impacts on staff of the subvented non-governmental organizations

3.12 Staff unions are concerned about staff members under LSGSS being subject to a lower salary pay scale when compared to their counterparts working in SWD. Such an allegation could be reflected in a survey conducted by the Hong Kong Social Workers' General Union³⁵ in 2006 (the HKSWGU Survey). The HKSWGU Survey³⁶ revealed that 60.6% of respondents who were employed on contract terms claimed that they were paid on salary levels lower than their counterparts working in the civil service. Professor Chow also considers that social workers who joined NGOs after 2001 tend to have grievance about their remuneration packages since they are generally subject to a lower salary pay scale.

3.13 As aforementioned, many NGOs have already fully or partially de-linked their salary structure with MPS³⁷. As a result, it would be difficult to make direct comparison of NGOs' salary pay scale with that of the civil service. Nevertheless, the HKCSS Survey might give us some indication of the level of NGO staff's pay scale. The HKCSS Survey showed that 37% of the responding NGOs had revamped their salary structure in the past two years and one common revamping measure was to decrease the salary ranges and/or decrease the entry points for job positions still linked to MPS. 52% of the responding NGOs stated that they would revamp their salary structure in the next two years and one common revamping measure would be to cap staff salaries at the mid-point salaries of MPS.

3.14 Some staff also worries about the changes in the remuneration packages and human resources practices of their employers after the implementation of LSGSS. According to SWD, as at June 2005, a total of 17 complaints were received from NGO staff who claimed that their remuneration was cut under LSGSS. Three of the cases were concluded as substantiated while 13 cases were concluded as unsubstantiated after investigation and one case was still under investigation as at June 2005³⁸. SWD received another 26 complaints about other human resources practices of NGOs such as staff dismissal and work deployment. Twenty four out of the 26 complaints were concluded as not contravening the LSG requirements while two complaints were still under investigation as at June 2005³⁹. As of publication of this information note, latest staff complaint figures are not available.

³⁵ HKSWGU, established in 1980, is a union of registered social workers. Currently, it has a membership of over 800 social workers.

³⁶ HKSWGU conducted a survey in August 2006 among 513 social workers who were employed on contract terms to study the impact of contract employment on the professional development of social workers. See 香港社會工作者總工會及香港社會工作學生聯會：《本港社工人力「合約化」對社工「專業發展」的影響：網上調查結果(2006年9月)》，2006年。

³⁷ Hong Kong Council of Social Service (2005).

³⁸ The Government of the Hong Kong Special Administrative Region (2005).

³⁹ Ibid.

3.15 Staff unions claim that the tendency to employ staff on contract terms would weaken staff's sense of job security and long-term career planning, especially for those employed on a short-term basis. The HKCSS Survey indicated that 52% of the responding NGOs employed over 40% of their staff on contract terms. The Survey also revealed that 47% of the responding NGOs offered six months or less as the shortest period of contract and 73% of the responding NGOs offered 24 months or less as the longest period of contract. The HKSWGU Survey showed that 61.6% of the respondents were employed on a contract term of 12 months or below, and 22.8% were employed on a contract term of 13 – 24 months⁴⁰.

3.16 The HKSWGU Survey also indicated that contract employment was perceived to affect staff's sense of belonging towards their employers, commitment towards their work, continuity of service provided, and team work building within the organization⁴¹. Mr Ng Shui-lai comments that contract employment has been a common human resources practice adopted by NGOs under LSGSS since it might give NGOs greater flexibility to adapt to the uncertain financial condition.

3.17 Staff unions also express concerns about the high staff wastage⁴² and turnover⁴³ rates in NGOs. According to the Social Work Manpower Requirements System Annual Report 2006⁴⁴, the wastage rates for social work degree posts and diploma posts in NGOs were 6.5% and 9.0% respectively in 2005-2006. The corresponding wastage rates in SWD⁴⁵ were 1.7% and 2.5%. The turnover rates for social work degree posts and diploma posts in NGOs were 11.1% and 19.0% respectively. The corresponding turnover rates in SWD were 2.5% and 2.5%. Appendices IV and V show the trend of wastage and turnover rates between 1998-1999 and 2005-2006 in NGOs and SWD. The figures indicate that the wastage rate and the turnover rate in NGOs have been higher than those in SWD since 1998-1999 but the gaps grew wider in 2005-2006.

3.18 Staff unions opine that the high wastage rate in the subvented welfare sector would affect the transfer of experience among the social welfare professionals and the development of the profession as a whole. The high turnover rate would also affect the stability, continuity and quality of social welfare services provided.

⁴⁰ 香港社會工作者總工會及香港社會工作學生聯會：《本港社工人力「合約化」對社工「專業發展」的影響：網上調查結果(2006年9月)》，2006年。

⁴¹ The findings indicated that the respondents perceived "contract employment" to have stronger negative impact on the following aspects of their professional development – "sense of belonging towards their employer" (80.3%); "morale/sense of commitment towards their work" (74.7%); "continuity and follow-up of service" (62.2%); "relation with colleagues/team work building" (53.4%).

⁴² Wastage rate refers to the rate of staff leaving the social welfare sector in a year.

⁴³ Turnover rate refers to the rate of staff leaving any NGOs regardless of whether they will rejoin the social welfare sector or not in a year.

⁴⁴ The Social Work Manpower Requirements System (SWMRS) was set up and maintained by the SWMRS Office in SWD in 1987 to collect information on the demand and supply of social work posts for keeping track of the manpower situation in the social welfare sector. See Joint Committee on Social Work Manpower Requirements (2006).

⁴⁵ The figures included social work posts employed by the Department of Health.

Impacts on the service delivery of the subvented non-governmental organizations

3.19 With the implementation of SPMS under LSGSS, NGOs are assessed on their service performance through the following four methods⁴⁶:

- (a) annual self-assessment on each service unit on the compliance with SQSs and performance standards;
- (b) periodic statistical reporting on the performance of each service unit and achievement of planned targets;
- (c) review visits conducted by SWD to randomly selected service units of each NGO in a three-year cycle; and
- (d) on-site assessment of new service units and other units with identified or suspected service performance problems.

3.20 Under SPMS, NGOs are required to account for and improve their service performance. According to SWD, the rate of unmet SQS criteria out of the total number of SQS criteria assessed⁴⁷ in the review visits of NGOs between 2003-2004 and 2006-2007 were 6.07%, 2.42%, 1.71% and 2.93% respectively⁴⁸.

3.21 As there is no comprehensive study on the impact of LSGSS on the service delivery of NGOs, results of service performance evaluation and user satisfaction surveys of some social welfare services are reviewed to give us some indication of the level of service quality of NGOs under LSGSS.

3.22 The Audit Commission conducted a review of the efficiency and effectiveness of the provision of training, employment and residential services for people with disabilities by SWD and the subvented NGOs in 2004. The Director of Audit's report⁴⁹ indicated that all the service units providing services for people with disabilities attained the essential service requirements and SQSs as stated in their annual self-assessment reports in 2002-2003. In addition, SWD conducted a number of review visits to selected service units providing services for people with disabilities in the same year and did not observe non-compliance with the essential service requirements or SQSs.

⁴⁶ Social Welfare Department (2003).

⁴⁷ There are 53 SQS criteria under the 16 SQSs that NGOs have to comply with. Ten to 12 SQS criteria would be selected in each review visit for assessing the performance of a service unit.

⁴⁸ Figures provided by SWD.

⁴⁹ Audit Commission (2004).

3.23 According to SWD, LSGSS facilitates the implementation of service re-engineering in the social welfare sector, particularly the establishment of integrated service centres. Examples are the formation of Integrated Family Service Centres, Integrated Children and Youth Services Centres, District Elderly Community Centres (DECCs), Neighbourhood Elderly Centres (NECs) and Integrated Vocational Rehabilitation Services Centres⁵⁰.

3.24 SWD commissioned the University of Hong Kong to conduct a number of surveys in 2006 to evaluate the effectiveness and user satisfaction of the services of DECCs and NECs⁵¹ among service users and other stakeholders. A survey among 707 members of DECCs and 780 members of NECs indicated that most members (over 80%) were satisfied with the services or activities provided by these centres. Around 70% of the interviewed members of DECCs and NECs considered that the services or activities provided by the centres could meet their overall needs⁵². Another survey conducted among 517 carer support service users revealed that over 85% of users interviewed were satisfied with the services or activities provided by the centres. Over 56% of the responding users perceived that the services could meet their overall needs in care-taking⁵³.

3.25 Mr Ng Shui-lai comments that under the integrated service approach, NGOs could provide comprehensive one-stop services to meet the needs of the target service users and avoid duplication of services provided by various service units. However, Mr Ng opines that the services of these centres might not adequately meet the need of users requiring specialized and intensive care.

3.26 The two academics interviewed by RLSD consider that there is not sufficient objective evidence to indicate a significant change in the service quality of NGOs under LSGSS. More elaborate studies are required to draw conclusion on this issue.

⁵⁰ Labour and Welfare Bureau/Social Welfare Department (2007).

⁵¹ 36 DECCs and 110 NECs have been upgraded from Multi-service Centres for the Elderly and Social Centres for the Elderly since April 2003.

⁵² University of Hong Kong (2006).

⁵³ Health, Welfare and Food Bureau/Social Welfare Department (2007).

4. Recent development

4.1 In response to the recent proposal among the non-official members of LSGSC requesting for a comprehensive review of LSGSS, and requests from the subvented NGOs for an increase in the recurrent subvention baseline allocation, the Government introduced four interim measures on 31 December 2007 to alleviate the financial pressure faced by the subvented NGOs and to enhance their quality of services. The four interim measures are listed as follows:

- (a) all new services to be implemented from 1 January 2008 would not be subject to the effect of EPP and ES;
- (b) new services implemented since April 2000 with PE of some grades set below the mid-point salaries of MPS would be adjusted upward to the mid-point salaries of MPS as at August 2007 starting from 1 April 2008;
- (c) SWD would apply for a one-off grant of HK\$200 million from the Lotteries Fund Advisory Committee to enhance service quality of subvented organizations; and
- (d) individual subvented organizations having financial difficulties in meeting the requirement for their PE portion to come down by 2% each year to the Benchmark beginning 2008-2009 could apply for a deferment from SWD⁵⁴.

4.2 The Government also announced on 18 January 2008 the formation of the Lump Sum Grant Independent Review Committee which would review LSGSS with a view to assessing its overall effectiveness and identifying areas and scope for improvement. The Committee comprises a non-official chairman and four members from various backgrounds with experience in corporate management and community service, including experience in various advisory committees in the subvented welfare sector. The Committee will complete the review in six to nine months⁵⁵.

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⁵⁴ The Government of the Hong Kong Special Administrative Region (2007).

⁵⁵ The Government of the Hong Kong Special Administrative Region (2008).

Appendix I

Tide-over Grant and Special One-off Grant

Financial year	Number of subvented non-governmental organizations receiving Tide-over Grant and Special One-off Grant	Amount of Tide-over Grant⁽¹⁾ and Special One-off Grant⁽²⁾ granted by the Government (HK\$ million)
2001-2002	87	122.0
2002-2003	109	232.0
2003-2004	117	324.0
2004-2005	119	382.0
2005-2006	125	413.0
2006-2007	124	912.4

Notes: (1) Tide-over Grant was provided to the subvented non-governmental organizations for salary increments of the Snapshot staff between 2001-2002 and 2005-2006.

(2) Special One-off Grant was provided to the subvented non-governmental organizations for salary increments of the Snapshot staff or other human resources management initiatives in 2006-2007.

Source: Figures provided by the Social Welfare Department.

Appendix II

**Total number of Snapshot staff and total number of
staff working in the subvented non-governmental organizations**

Financial year	Total number of Snapshot staff working in the subvented non-governmental organizations⁽¹⁾	Total number of staff working in the subvented non-governmental organizations⁽²⁾	Percentage of Snapshot staff working in the subvented non-governmental organizations
2000-2001	21 455 (as at 1.4.2000)	23 915	90%
2001-2002	18 486 (as at 1.9.2001)	24 107	77%
2002-2003	17 407 (as at 1.9.2002)	25 542	68%
2003-2004	16 465 (as at 1.9.2003)	26 061	63%
2004-2005	15 335 (as at 1.9.2004)	26 181	59%
2005-2006	14 269 (as at 1.9.2005)	Not available	Not available
2006-2007	13 662 (as at 1.9.2006)	Not available	Not available
2007-2008	12 413 (as at 1.9.2007)	Not available	Not available

Notes: (1) Figures provided by the Social Welfare Department.

(2) The figures were the estimated number of staff working in the subvented non-governmental organizations (NGOs) (including those under the Lump Sum Grant Subvention System and other subvention modes) as at the end of the respective financial year. After the implementation of the Lump Sum Grant Subvention System, the Social Welfare Department no longer imposes control on the staffing structures of NGOs and does not require NGOs to report their staff strength. See Social Welfare Department. (various years) *Social Welfare Services in Figures 2001-2005 Editions*.

Appendix III**Number of subvented non-governmental organizations that have accumulated reserves and the amount of cumulative reserves**

Financial year	Number of subvented non-governmental organizations that have accumulated reserves	Amount of cumulative reserves (HK\$ million)
2000-2001	73	220
2001-2002	114	608
2002-2003	130	1,051
2003-2004	134	1,396
2004-2005	140	1,603
2005-2006	139	1,860

Source: Figures provided by the Social Welfare Department.

Appendix IV

Wastage rates⁽¹⁾ of social work posts

Financial year	Wastage rates in non-governmental organizations		Wastage rates in the Social Welfare Department ⁽²⁾	
	Social work degree posts	Social work diploma posts	Social work degree posts	Social work diploma posts
1998-1999	3.4	6.3	Not available	0.9
1999-2000	2.6	5.8	1.3	1.3
2000-2001	3.9	10.3	1.5	5.4
2001-2002	4.1	7.2	Not available	4.1
2002-2003	3.5	8.4	1.2	2.2
2003-2004	4.3	6.2	1.7	5.6
2004-2005	5.1	7.9	2.5	8.0
2005-2006	6.5	9.0	1.7	2.5

Notes: (1) Wastage rate refers to the rate of social workers leaving the social welfare sector in a year.

(2) The figures included social work posts employed by the Department of Health.

Sources: Joint Committee on Social Work Manpower Planning (2000-2002), Joint Committee on Social Work Manpower Planning (2003-2005), Joint Committee on Social Work Manpower Requirements (2005) and Joint Committee on Social Work Manpower Requirements (2006).

Appendix V

Turnover rates⁽¹⁾ of social work posts

Financial year	Turnover rates in non-governmental organizations		Turnover rates in the Social Welfare Department ⁽²⁾	
	Social work degree posts	Social work diploma posts	Social work degree posts	Social work diploma posts
1998-1999	8.1	14.5	1.8	2.8
1999-2000	6.8	10.6	1.3	1.3
2000-2001	8.0	15.5	1.6	5.4
2001-2002	9.2	13.6	0.8	6.3
2002-2003	8.1	16.5	1.5	2.3
2003-2004	8.8	13.1	1.8	5.6
2004-2005	9.7	16.8	2.5	8.0
2005-2006	11.1	19.0	2.5	2.5

Notes: (1) Turnover rate refers to the rate of social workers leaving any social welfare organizations regardless of whether they will rejoin the social welfare sector or not in a year.

(2) The figures included social work posts employed by the Department of Health.

Sources: Joint Committee on Social Work Manpower Planning (2000-2002), Joint Committee on Social Work Manpower Planning (2003-2005), Joint Committee on Social Work Manpower Requirements (2005) and Joint Committee on Social Work Manpower Requirements (2006).

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