

# **The Emergence of Managerialism in Social Welfare:**

## **The Case of Hong Kong**

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### **Abstract**

## INTRODUCTION

With the slow down of the economic growth, most welfare states have learned the painful lesson that it is increasingly difficult for the government to support the escalating costs of welfare. Their most urgent priority is to contain the cost. More important, existing social services are often being criticized not only as inefficient, but also insensitive to the needs of users. The issues of escalating costs, rising complaints and dissatisfaction among users towards public services and helping professionals can be attributed to the shortcomings of the basic public service structure and culture. There is a new calling for a new approach to re-structure and reform the public service. The shortcomings, failings and inadequacies of the public sector will be addressed by transplanting the management practices, languages and values from the commercial sectors to the civil service. It is believed that the private sector is more efficient. The major difference between the public and private sector is the role of the market. Traditionally, public sector is marked by the absence of market and competition. Governments in developed countries are enthusiastically introducing of competition or market/quasi-market mechanism and discipline into publicly-financed or tax-based social services. It is commonly believed by market-oriented governments that quality improvement in public services can only be achieved when there is a competition among providers for customers and resources. Competition enables both customers and funding bodies the choice for more effective and less costly providers.

In sum, governments in Europe, North America and Australia have popularly and enthusiastically employed this new management model to engineer public sector reforms. The introduction of market mechanisms in social welfare in Hong Kong has major implications. Is the market-oriented changes in Hong Kong more rhetoric than reality? Are non-governmental organizations (NGOs) in Hong Kong committed and

prepared to operate in this market-oriented and competitive environment?

## **THE RISE OF MANAGERIALISM**

There is a general dissatisfaction among the government administrators and the general public with regards to the present mode of public and social service delivery. Governments have become over-involved in the provision of these services. These services are costly, bureaucratic, and dominated by professionals and service providers. Not only is that services are insensitive and non-responsive to the needs of users. “Managerialism” is a loose term referring to the application of concepts, techniques and practice of management of commercial organizations in private sector to public sector (Harden, 1992; Pollitt, 1993; Dunleavy and Hood, 1994).<sup>1</sup> “Managerialism” has become a dominant ideology, structure and practice affecting public service reforms which have overriding influences over social welfare programmes and social work professional practice. As such, managerialism is closely associated with those terms such as “marketization”, “privatization”, “contracting out”, and “purchase of service”. Implicitly, the governments acknowledged the superiority of the values and culture of the private sector that focus on efficiency, productivity and performance. The rising concern of the adoption of market values in social policy, particularly in the United Kingdom has been discussed in a number of studies (Taylor-Gooby and Lawson, 1993; Cutler and Waine, 1994; Butcher, 1995; Wistow, et al., 1996; Clarke and Newman, 1997). It emphasizes the use of rational approach which requires clear objectives and strategies, performance indicators and measurement of outcomes. More importantly, the service orientation has shifted from supply-led and professional-dominated provisions to demand-led services impelled by the needs of users (Farnham and Horton, 1993, pp.237-238).

The driving force for public sector reforms is not that market works, but the belief that the private sector is more efficient than the public sector. Competition can promote efficiency, accountability, and performance, as well as empower service users. With the introduction of market and consumerist ideology, the following principles are accepted:

- Market mechanism (internal market) should be used whenever possible; Market enhances value for money and efficiency.
- Competition should be established between providers of services; Competition leads to quality improvement and service responsiveness.
- Service users are empowered through the provision service information and maximization of choices (include the choice to opt out of government provisions).

- Government provisions should be kept to a minimum, mainly in financing, purchasing, monitoring and regulating services (Flynn, 1990)

Besides wholesale privatization, governments can adopt the following measures:

1. Devolving financial control:

To create internal and external market within the public services, the bureaucratic service delivery system should be decentralized into independent service units or cost centres with more financial and operational autonomy, and would have to compete with one another for new projects and funding. Each hospital, school, and social centre should have its own independent budgetary control. Financial allocations would be based on performance, linking to service output. For example, the principle of “money following patients/students” should be put in practice. Each unit, in principle, has to earn its own income to cover costs, and pay for the purchase of services from other units or organizations. Within the internal market, the unit can be both purchaser and provider of different services. Surpluses accumulated in one service can be deployed to pay for other services. For external market, outside providers are invited to compete for service contracts. Operating under the market environment based on internal and external pricing and charging, mechanism, service managers would have the incentives to improve efficiency.

2. Compulsory competitive bidding

The purchaser invites outside contractors to tender for the work in competition with the in-house unit. The outside contractor could be a public or private body. (If the in house unit wins the contract, the service is not contracted out). Tendering is used for market testing, providing information about market costs and ways to improve efficiency. Services should go through market testing in which outside agencies are invited to compete with the public service units for service contracts. Accordingly, the

link between the service provider and purchaser is through formal or legal contracts.

### 3. Contracting out:

The international experiences show that the “contract revolution” of public services is the driving force for reforms (Saltman and Otter, 1992; Ovretveit, 1995; Walsh, et al., 1997; Gilbelman and Demone, 1998). The prevailing belief is that it is better to purchase the service from the market than to provide it directly by the government. Not only is the fact that contracting out usually involves a lower cost, it can avoid the conflict of roles. The separation of functions of the purchaser and provider so that the purchasers do not have a direct interest in providing them. In this way, the service purchaser (the government) can be more objective in assessing needs and choosing providers.

The purchaser would now focus on determining the needs of the users, choosing the most appropriate service provider, and monitoring their performance. More importantly, the purchasers have to know clearly what he/she wants and be able to specify the requirements. The role of the state is that of the ‘enabling state’, ‘steering not rowing’ the boat (Walsh, 1995, p.220).

Contracts involve the specification of contract requirements in terms of inputs, cost, methods employed outputs, workload, or even outcomes. Contracts can take a variety of forms. Some are fixed price or block contract, while others can be paid according to volume of output. In general, purchaser looks for maximum volume and quality of services at the lowest available cost. Provider would try to secure the commitment of the purchaser at a good price as possible. The arrangement would structure incentives so as to achieve cost-effectiveness. The use of contracting out has been very widespread among more concrete and specific public services, such as refuse collection and disposal, catering, laundry, maintenance work, and basic supply.

It is extending rapidly to other professional services, such as engineering, law, management and computer services, and to social and health services in most developed countries.

The contracting mechanism would involve the separation of purchaser and provider. The government, as the purchaser, would mainly involve in choosing the appropriate provider through the competitive tendering system. The essential issues remain how to ensure quality assurance and that contractors carry out their responsibilities, what kind of penalty can be levied on those who fail to perform and complete contracts, and how to minimize risks and uncertainties. A new mechanism is essential to resolve the new kinds of conflicts involved. The traditional trust relationship between the government and NGOs would be at risks.

#### 4. Monitoring Performance:

To enhance accountability and ensure quality assurance, performance measurement is essential. The service provision now is based on contractual agreement rather than mutual trust as in the past. Thus, besides the need to have specified and measurable performance standards and requirements, often in the form of measurable indicators listed out in the service agreements, the mechanism of inspection, monitoring and auditing becomes essential. The measurement would enable comparison of performance among providers. Performance indicators ideally should be focused on outcome and impact of the programmes, rather than on input and output. The experiences of other countries showed that the number of performance indicators will proliferate, to an extent, that they turn out to become difficult to reflect service quality and performance (Walsh, 1995, p.243). On the one hand, government allocations would then be based on performance. Market disciplines and incentives linking reward to performance are regarded as essential. On the other hand, service providers

are required to publish their performance publicly so that users can make their choice based on performance. Of course, outcome measurements and evaluation have always been a controversial and difficult area in social service.

## 5. Charging for service

Prices and charges are essential information of the market, reflecting real costs and users' demand. Wastefulness would be reduced if services are charged. In the past, users charges are not common in public and social services. But with the need to increase revenue, the use of charging and pricing becomes more popular and widespread. In addition, internal charges for are used for an organizational unit paying for the services it receives from another. These services can include central administrative support. For those services where charges are not possible, the mechanism of voucher would be used. The system operates by providing a public subsidy in the form of a voucher of a given value, which can be used to purchase a given service. Under such schemes, public service suppliers are obligated to compete with private or voluntary sector alternatives, and voucher holders may purchase the service where they will (Culter and Waine, 1994: 15).

The introduction of charging for services may discourage usage and service take-up.

## 6. From clients and citizens to customers

One of the most important orientations learned from the business practice is to be "close to the customer". To be successful, social services are expected to meet or exceed the expectations of their users. To empower the customers, social services should seek their views and opinion, maximize their choice, provide them with

information on service standards, commit to improve service quality, make performance pledges, survey their satisfaction, encourage their participation in the programme decisions, and make services more accessible. In enhancing accountability, complaint procedures are strengthened through various complaint mechanisms and ombudsman schemes. In the United Kingdom, the endorsement of the value of customer sovereignty marked by the publication of the “Citizen’s Charter” and other social services charters in the 1990s.

The Citizen’s Charter has four main themes:

- to improve the quality of public services;
- to provide choice, whenever possible, between competing providers;
- to tell citizens what service standards are and how to act where service is unacceptable; and
- to give full value for money within a tax bill the nation can afford.

In short, the Charter implies more privatization, increased competition; further contracting out; publication of performance standards and service information; effective complaint procedures; independent service audits. The customer orientation has been criticized for its shift of focus from citizens to customers. Instead of the promotion of citizenship based on entitlement based on need and rights, the consumerist approach is modeled after the market situation of entitlement based on consumer payment. The Citizen’s Charter is essentially a consumer’s charter. As expected, service agencies will become more user-friendly with improved compliant, communication and information system. Yet user involvement in the setting of service contracts and the selection of providers would still be limited. Finally, the basic contradiction between consumerism and increasingly limited resources in public

service can become apparent, and users can in reality have to face strict eligibility, limited choices, and poor service quality.

Osborne and Gaebler (1992, p.19-20) concisely summarized the essential features of the “new managerialism” prevailing in the public sector:

Entrepreneurial governments promote competition between service providers. They empower citizens by pushing control out of the bureaucracy into the community. They measure the performance of their agencies, focusing not on inputs but outcomes. They are driven by their goals – their missions – not by their rules and regulations. They define their clients as customers and offer them choices – between schools, between training programmes, between housing options. They prevent problems before they emerge, rather than simply offer services afterwards. They put their energies into earning money, not simply spending it. They decentralize authority, embracing participatory management.

Even though, there is still a lack of conclusive evidence, governments around the world are convinced that the market-oriented approach to welfare services, notably through the purchase of services are effective means to save money, increase efficiency and reduce the size of the bureaucracy. Notwithstanding the difficulties in the calculation of costs and making comparison, a review of the existing scattered research findings in different countries tended to show that contracting out and competitive tendering in specific and manual services, such as refuse collection, catering, and clearing, can result in substantial savings on direct costs in the short-term (Walsh, 1995, chapter 9). Savings can come from a mixture of improved working methods and cuts in staff costs (reduced pay, increased workload). The estimation of precise transaction costs (costs in introducing the new system, such as

consultancy fees, capital investment, preparing the tendering process and contracts, training, auditing and monitoring) is difficult. However, the results are less clear with professional, core and complex services. More importantly, the findings on the impact of service quality are more controversial. It is often criticized that efficiency gains are achieved at the expense of service quality. Experiences in other countries showed that it is usual to have providers, especially private sector, withdrawing from contracts simply because of difficulties in meeting the terms under which they were required to do (Walsh, 1995, p.240). The purchaser has to be prepared to face the problem of maintaining services after contractors have failed to perform effectively or gone into liquidation.

There is a formidable risk of directly transplanting the values and practices of private or commercial sector into the public sector. Non-commercial values and polices (equality and needs) can be neglected. As such most market-oriented reforms would result in the breeding of a hybrid.

In introducing marketization of social welfare services, the government has to be cautious to:

- apply the experiences of private for-profit sector to the welfare sector.
- select services that can be strategically contract out.
- learn from experiences of other countries which may have a more stronger culture supporting contracting out.

## **The Hong Kong Initiatives**

Even though the Hong Kong government has all along cherished the governing principle of “small government” or “positive non-intervention”, it has in fact been actively involved in the financing and provision of a variety of public and social

services. In general, the economic recession after 1997, the complaints of bureaucratic inefficiency and the worry of the government that social service expenditure is running out of control because of growing entitlements and escalating costs of services are factors contributing to determination of the government to look for market-oriented reforms in social service. Meanwhile, there is growing dissatisfaction with regards to the performance of professionals notably medical doctors. There are growing complaints on their ethical standards and money-oriented help

There is a growing concern of the SAR government to increase efficiency, contain rising costs, and achieve value for money.

The Hong Kong government now

Under a weak and uncertain economy, the government is striving to contain staggering public expenditures, cutting costs, improving performance.

To enhance productivity, performance and cost effectiveness of the government, the Hong Kong government is expected to introduce competition and market mechanism into the civil service. On top of the move towards privatization and corporatization which enables departments to operate in a manner closer to the market and free from rigid government rules (SCMP, 1/4/99, p.6). Housing Department to the private sector, the increased in the sales of public housing units, the sales of the MTRC shares, represent some of the moves of the government toward partial privatization.<sup>1</sup> Public housing (rising rent and sales of public housing)

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Therefore, cost-reduction or containment, increased accountability, and cost-effectiveness are issues high on the government's agenda. Following the efficiency drive modeled after the private sector, reforms may imply layoffs, forced or voluntary early retirement, More importantly, even with the savings derived from efficiency gains, there are little additional resources for new services (*South China Morning Post*, 3 September 1999, p.6).

Increasing charges on selected medical treatments.

In university education, raising fees and charging interests on student loans. In health care financing, the Hong Kong government is expected to establish an insurance system which requires mandatory contribution from employees and employers (*South China Morning Post*, 26 March 1999, p.6).<sup>2</sup> The suggestions or the threat of privatization, as a means of “market testing” become frequent.

With the economic recession, the Hong Kong government has shown worries over the mounting expenses on social services. Annual subvention to government-aided social services in health, education and social welfare amounted to \$75 billion, about 40 per cent of the government’s recurrent budget. In Chief Executive introduced the Enhanced Productivity Scheme in 1998. Not surprisingly, the Chief Secretary commented:

We are glad the subvented bodies have responded to the enhanced productivity programme, but to further develop their potential we need to introduce fundamental reforms in terms of the service needs, the mode of subvention and funding arrangements (*South China Morning Post*, 1 April 1999, p.6).

There are growing distrust of professionals, notably medical doctors, including the accusation of overcharging, abusing antibiotics and providing poor quality health by the Harvard Report on Health Care and rising complaints (SCMP, 28 July 1999:2).

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<sup>1</sup> These privatization moves reflect a mixed of objectives. While the sales of MTR shares can be regarded a means to raise revenue, the contract out of public housing management responsibilities to private sectors represents a way to cut costs. It is reported that the Housing Department management costs per flat per month 80% more than private management (*Mingbao*, 6 March 1999, p.8).

## Problems of the Existing System

Over 90 per cent of the welfare expenses are financed by the public fund.

Welfare expenses are escalating because of the rising demands and rising costs. In a way, the Hong Kong government has long “purchased” services from NGOs.

The subvention system can be described as an “iron rice bowl”. NGOs are guaranteed with the allocations each year with little regard to their performance. Allocation of new projects again is not based on previous performance records. Any savings or ‘unspent balance’ have returned to the government. There is little in-built incentives for efficiency and performance. In stead of making any savings, NGOs are encouraged to use up all their allocations. This would become the basis for asking for more.

The present problems with the welfare delivery system:

Subvention to individual NGO was based on actual costs. Variations of amount of subvention exist for identical size and types of services.

In 1995, the SWD contracted a management consultant firm to make recommendations to “streamline and simplify the current system; to introduce performance-based funding and service agreements; to develop performance measurement standards – both quantitative and qualitative; and to suggest appropriate incentives and sanctions. Based on the recommendations from the Management Consultants, the Social Welfare Department recommended the following changes:

1. Block grant subvention: With a more simpler subvention system, NGOs can have the flexibility to make best use of the subvention
2. The Service and Funding Agreement, Service Quality Standards, and Service Performance Monitoring System: These arrangements would improve the quality

and quantity of services.

In social welfare, the Hong Kong government has not been a major provider. Some 70 per cent of the social welfare services are provided by NGOs, often with full financial support from the government.

The problems:

Each year, the government allocated subvention directly to NGOs through a budgetary process which routinely rolls forward with minor incremental adjustments.

In a way, NGOs are guaranteed with the funds, and there is little incentives for them to be responsive to the needs and preferences of their users.

Competition is minimal, no comparison of performance. No discrimination between the performing and the poor performing service units. No incentives to improve quality and efficiency.

Services structure lacks flexibility.

Subvention is not tied to performance.

Coordination rather than competition.

No freedom to set labour cost at their own rates of pay for all the staff.

The basis of allocating new programs is not transparent.

The consultants have recommended:

- a) clearer sets of *performance measurement* should be introduced to make NGOs more accountable for their service quality;
- b) the *input-based* funding system should be changed so as to provide more flexibility

to NGOs to manage their resources; and

c) a *cultural change* should be initiated to arouse the Sector's awareness of the need to deliver services in a responsive, cost-effectiveness and competitive manner.

The SWD introduced the Service Performance Monitoring System in 1999. The system consists of 19 Service Quality Standards (SQS) and Funding and Service Agreements (FSA) between the government as a funder and NGOs as service providers. The Service Quality Standards are to be implemented over a period of three years (1999-2001). Included in each FSA are service definition, nature of services, performance standards, obligations of SWD to service operators, and the basis of subvention. Again, in three phases, the FSA on the 103 subvented services will be fully introduced by 2002. Each NGOs and SWD service unit has to make both self-assessment to be conducted by the service unit itself and an external assessment by the Service Performance Section of SWD. Service units have to satisfy the prescribed performance standards which include the SQSs, essential service requirements and performance output.

In the subvention system, SWD initially recommended the "Unit grant" system. Under the system, NGOs which deliver the same type and quality of services would receive the same level of subvention based on the average of the actual subvention for the specific service. The NGOs would then have the full discretion in the use of their resources.

In accepting the market mechanism, the Elderly Commission Report on Housing and Residential Services (1999) recommended:

The Government should create an environment conducive to healthy competition, in tandem with the development of a mixed economy of service provision, to offer more choice to the elderly and raise service quality through competition in the market.

The meanings of the Service Agreements and Performance Contract:

The Agreement is intended to say no to the previous automatic allocation of resources to NGOs.

- Funding will not be automatic.
- Allocation will be based on competition between NGOs.
- Competition will be major tool for promoting choice, cost-effectiveness and innovation.
- NGOs are expected to face competition from other NGOs and for-profit sectors, and they have to improve their quality and reduce inefficiency.
- Development of user-pay services.

Welfare expenditure:

Should the elderly people continue to enjoy heavily government subsidized long-term care? With the mounting number of elderly, the government simply cannot afford to do so. Universal benefits will be gone. The government just cannot provide both welfare-for-all and adequate help for those who cannot provide for themselves.

### **Subvention Review**

Contracting out in Home help, establishing the contracting unit in social welfare department

EPP

Part-time and salary cut.

Following the guidelines issued by the Civil Service Bureau allowing flexibility in setting salaries for new staff, the Director of Social Welfare announced in March 1999 that new recruits of the Department will be on contract terms and receive 30 per cent salary cut (*South China Morning Post*, 26 March 1999, p.4).

Now new experimental projects and the new modified mode of home help service will be on “block grants”. The introduction competitive bidding for home help services with flexibility in staff arrangements and operational structure would signify the return of “block grants” under a different format (借屍還魂).

Received resounding opposition from NGOs.

EPP

Fundamental Expenditure Review Exercise on youth services, was studied again by another private management consultant firm.

Competitive bidding of home help services

NGOs should have more discretion in managing their budgets.

## **Service and Funding Agreements**

In the first phase, funding and service agreements have been developed for 35 types

of services. These agreements consist of the generic sections (obligations of SWD, performance monitoring, SWD's role in overseeing the performance of service operators) and service-specific sections (service definition and performance standards).

These agreements fail to specify expected results and outcome in measurable terms.

Contract conditions, methods of dealing with risk, ensuring quality, how to cope with problems of unsatisfactory performance. Specify provision for contract termination for failure of performance. Block contracts, not cost per case.

They are in fact not legal contracts, written in everyday language. They lack the details like those in the commercial sector

The legal status of these agreements is unclear.

What is the meaning of these agreements? Are there shared interpretations of these agreements between NGOs and SWD?

## **Performance Monitoring**

With the establishment of the Funding and Service Agreements, a new mode of service monitoring would emerge. The newly established Service Performance and Monitoring Unit of the SWD would be responsible to oversee that the performance of both SWD and subvented service units would have internal/ self assessment annually and by the SPMS unit externally once every three years. Service units which satisfy the all the requirements listed in the FSA would continue to receive their subvention, while those which do not comply with all the standards will be asked to prepare action plans and take steps to make improvement.

## **Service Review**

There are more reviews on the effectiveness and functions of social welfare services. The Fundamental Efficiency/Expenditure Review on youth services, review of school social work, Neighbourhood Level Community Development Projects in Old Urban Areas, and a number of elderly services are recent examples. More importantly, the government is more convinced of the role of private management consultants in these reviews.

## **Competitive Bidding and Contracting out**

It has been an essential financial management practice in NGO to allocate capital projects based on compulsory competitive tendering. In recent years, NGOs have to submit proposals to bid for new projects.

“To re-engineer the home-help services, the services were separated into home care service and meal service. Both are allocated through competitive bidding. Competitors have to bid for the project for a price which would not be standardised. Furthermore, the successful bidders would have the flexibility in the deployment of resources. In a sense, this is a form of block grant.

Who would bid for these projects?

The interest of the private sector in the field is still uncertain. But to a lot of NGOs,

the threat of new entrants into the social welfare field is formidable and worrisome.

The bidding system would definitely favour those large NGOs. There is very little market information regarding the interests of the private sector to participate in social service projects. To what extent, the private for-profit sector would have comparative advantages over NGOs, or vice versa? NGOs would be “handicapped” by their social values and concern with qualities while for-profit private sector would worry about the fact that NGO enjoy subsidized resources (use of Lotteries Fund for capital development and facility improvement) which make the competition unfair.

In the UK experience, because of the lack of trust towards private for-profit sector, local authorities tend to give more favourable contractual terms to NGOs (Walsh, et al., 1997: 188).

Would NGOs equip to cope with the new contract culture?

Would there be savings? Savings can only be achieved at the expense of quality.

The present approach is mainly ‘market testing’, trying to find out the interests of the private sector in social welfare provisions. Through the inclusion of ‘external’ providers and the introduction of competition among NGO themselves in the social welfare field, NGO would be under more pressure to be efficient.

## **Others**

Under the tight financial situation, no additional resource allocation for welfare is expected. Even worse, in line with the government policy of Enhanced Productivity Programme, all government and subvented units have to achieve a three per cent

savings in three years. Savings are considered as EPP only if there are permanent reduction in the entitled subvention allocation. In other words, NGO would be expected to look for means to enhance efficiency.

EPP.

NGOs are still struggling with how to achieve the target of reducing the operating expenditure of five per cent in three years (2000-2003) (*Welfare Digest*, March 1999, p.1-2).

#### Bought Place Scheme

Contract-based employment. Delinked from civil service master pay scale. Salary adjusted according to market conditions (starting with non-professionals) (MP, 28 July 1999: 5).

Social work supervisors retitled as social work managers, NGO directors as chief executive, and users of services called customers.

#### **Implications for Social Welfare and Social Work Practice**

Borrowing the culture and practice from the business sector, the whole reform movements is towards enhancing cost effectiveness and service quality through the development and use of measurable indicators and standards, resource allocations

based on performance. Many overseas experiences show that contracting out and competitive bidding can lead to efficiency savings. But critics claimed that the savings are gained at the expense of quality of services.

The development of market mechanism in social welfare in Hong Kong is only at the early stage. It is neither possible at this stage to make a conclusive evaluation on its effectiveness nor to assess on the specific impact of marketization movement. At this stage of ‘market testing’, we can project some results:

- extending the service providers to private commercial sector, other government units, and other types of NGOs.
- Some more concrete services can easily attract more providers while others would be too complicated to contract out.
- To become primarily the purchaser of service output, the role of the SWD in direct service provision would be reduced gradually. Accordingly, more of the existing SWD services would be contracted out. Its future role should be limited to need assessment, strategic planning, resource allocation, setting performance targets, and monitoring performance.
- NGOs would have more discretion in financial control and operational autonomy.
- With the introduction of market mechanism, competition is expected among NGOs, between NGOs and other sectors (government, non-welfare NGOs, and private) for resources, staff, users, and funds.
- NGOs are forced to examine their existing practice, and be aware of the costs of the services that they deliver.

Overall speaking, this changes entail a new relationship between the government and NGOs. The introduction of contractual relationships would affect the balance of

power between the government, NGOs and service users.

Again, savings can be achieved, particularly through the lowering of pay and working conditions of the staff. With the expected deregulation of the salary structure of NGOs, beginning with the non-professional staff.

More services will be selected for market-testing. More complex services require a more complicated form of contract and risk. More importantly, widespread use of contracting would invite stern resistance from NGOs. Therefore, the popular use of contract will not be developed, at least in the short-term.

There is a high expectation among government officials in Hong Kong.

Would all these reforms under the auspices of managerialism and marketization represent a basic transformation of the whole welfare system, or just some tinkering with the present system? The government may fully endorse the market and managerial philosophies, but it apparently still does not have a blue-print or master plan for wholesale reform. In the foreseeable future, changes will still be incremental, mainly for “market testing.” Evidently, the government is actively looking forward to expand the scope for contracting. But the practice, effectiveness, legal and ethical issues of contracting out have to be explored.

The traditional stability in funding will be gone. Under the contract system, not only the funding of the project would be time limited, the contractual conditions will most likely have to be changed every time the contract is up for renewal or re-bidding.

What is the role of the HKCSS?

Why so many NGO, large and small in size? Mergering of agencies together.

Can a semi-statutory social welfare authority, similar to the Hospital Authority and Housing Authority be established to administer all the programs?

Some inefficient and bureaucratic?

Competition and market mechanism implies the strong need for NGOs to market and advertise their services, and more aggressive public relations work. They are cost to be included.

High demands for management skills. Some social work positions are already retitled as managers. One third of the training courses supported by the Social Work Training Fund are related to management skills. The core competency of assistant social work officers covers a wide range of management skills and knowledge.

Under the present atmosphere of a economic recession, NGOs have learned that only “performance” or “productivity” can justify for request from the government for more resources.

With little surprise, we would expect the Hong Kong government to continue to establish quasi-markets in public and social services. Under the board strategy of privatization, more welfare services would be contracted out through competitive tendering.

The approach changes the welfare delivery from a professional toward a managerial mode, expecting the professionals to be more concern with efficiency and costs.

Social workers as care managers and supervisors, unit managers (Sheppard, 1995)

This is the new culture and new “rules of the game” which NGOs and social workers have to learn effectively in order to “survive” or be “excellent”.

In the future, there will be no such thing as “fully subvented service”. NGOs have to reconsider carefully. They can no longer count on the government solely for funding support. NGOs with more than 90 per cent funding support from the government with low fund raising and fund generating capacity would be in jeopardy in the long run. Likewise, NGOs which can subsidize the service (provide value-added service) would have comparative advantages to bid new projects.

Under the contracting arrangement, the power difference between NGOs and the government is becoming more obvious. In social service, it is exceedingly difficult to demonstrate effectiveness.

In both cases, the bargaining positions of NGOs in relation to the government, and of social workers in relation to their administrators will be further eroded. That would be demoralizing both to the professional as a whole and to the NGO sector. Uncertainties, insecurities and anxiety will be the dominant sentiment in the field.

#### Staff: fear of redundancy

On the surface, managerialism involves a wide array of reforms and changes. But just how deep these changes go, and what they imply for Hong Kong’s social welfare system as a whole in the long term, remains an open question.

- NGOs should be entrepreneurial.
- NGOs should try contracting services to private or other non-profit sectors, in areas such as cleaning, security, meal preparation.

A call for new culture in public and social services

The process of introducing basic changes is conflict-ridden. There is the contradiction between value for money and quality.

Change also puts pressure and stress on staff, often in the form of layoffs, reduced wages and deteriorating working conditions

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<sup>1</sup> New form of managerial-oriented approach to public sector reform has been described as “Contracting State” (Harden, 1992), “Reinvention of government” (Osborne and Gaebler, 1992), “New Managerialism” (Pollitt, 1993), and “New public Management” (Dunleavy and Hood, 1994).

<sup>2</sup> Currently, patients pay \$68 a day for a public hospital bed and \$44 for a specialist consultation – only two to three percent of the real cost.