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A Political Economy of In-work Benefits in Hong Kong

By

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Abstract

In-work benefits (IWBs), a form of income protection for the working poor, are receiving increasing international attention in the social policy field. Informed by the theories of welfare political economy, this thesis sets out an analytical framework to bring together the dynamics of institutions, ideas, and interest-power in the capitalist context of Hong Kong (HK). The research adopts a critical realist approach to an intensive-qualitative method that explains the rise of IWBs in HK from 2007 to 2017. It also critically examines the characteristics of IWBs and the trajectories of their development as a policy approach. Against the backdrop of a mixture of authoritarian approach, liberal market economy, and residual welfare model in HK, there are three research questions: (1) What are the nature and features of IWBs in HK? (2) What are the main factors in the emergence of IWBs in HK? (3) What are the theoretical and policy implications of IWBs in HK?

The thesis reveals that labour market failure, the threat of closing the welfare-wage gap, budgetary surplus, business' endorsement, and the introduction of a poverty line were the conditions giving rise to the government's approval of IWBs in HK. The full-time and low-pay conditionality of IWBs are underpinned by a deservingness hierarchy and selective familialism, which is justified by varieties of work ethic. While this new form of new welfare relieves the fiscal burden of the working poor, its means-tested nature and tight conditionality discourages and marginalises some childless and precarious workers. Moreover, IWBs are arguably an institutional and geographical fix for the labour market in order to ensure its functioning and to increase the supply of workers. IWBs maintain the existing welfare relations of HK, yet they also display the tensions between a liberal labour market and the residual welfare model. While the complexities of pro-market IWBs come from their dual faces of wage-earner and employer welfare, incentive-led conditionality hides the exploitation in low pay employment and their disciplinary nature. Despite some research limitations, it is suggested that the political economy of IWBs in HK could contribute to social policy in general and specific policy changes.

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List of Abbreviations

AFDC	Aid to Families with Dependent Children
CCF	Community Care Fund
CE	Chief Executive
CMEs	Coordinated Market Economies
CoP	Commission on Poverty
CR	Critical realism
CS	Chief Secretary for Administration
CSD	Census and Statistics Department
CSSA	Comprehensive Social Security Assistance
CTC	Child Tax Credit
EITC	Earned Income Tax Credits
EMTR	effective marginal tax rates
FIRE	Financial, insurance, and real estate
FC	Functional Constituencies
FS	Financial Secretary
HI	Historical Institutionalism
HK	Hong Kong
HKSAR	Hong Kong Special Administrative Region
IFWBs	In-fulltime-work-benefits
ILWBs	In-lowpay-work benefits
IMF	International Monetary Fund
IWB	In-work benefits
LegCo	Legislative Council
LD	Labour Department
LECSSA	Low-earnings Comprehensive Social Security Assistance
LMEs	Liberal market economies
LIFA	Low-income Working Families Assistance
LWB	Labour and Welfare Bureau
MMDHI	Median Monthly Domestic Household Income
MW	Minimum wage
NGOs	Non-governmental Organisations
PRA	Power resources approach
SLW	Secretary for Labour and Welfare Bureau
SMEs	Small and medium-sizes enterprises
SWAC	Social Welfare Advisory Committee
TANF	Temporary Assistance for Needy Families
TSS	Transport Subsidy Scheme
UC	Universal Credits
VoC	Varieties of Capitalism
WFTC	Working Families Tax Credits
WITS	Work Incentive Transport Subsidy
WTC	Working Tax Credit

Chapter 1

Introduction: Studying the Emergence of In-work Benefits in Hong Kong, 2007-2017

Introduction

This thesis is about the recent expansion of means-tested cash benefits for the working poor or in-work benefits (IWBs) in Hong Kong (HK) from 2007 to 2017, including the Tsang's and Leung's government. As a former welfare rights campaigner, the researcher witnessed the retrenchment of social assistance targeting at unemployed and lone parents in the era of austerity during HK's economic downturn in the early 2000s. The HK government has long been depicted as favouring residual welfare because it was reluctant to increase the generosity and coverage of social protection, especially for those of working age. Thus, it was surprising that the government developed a 'new' policy emphasis on IWBs. On the one hand, it was positive to see the establishment and gradual improvement of IWBs which responded to the long demands of many NGOs, activists, low paid workers, and welfare users in pursuit of more and better income protection, especially against the backdrop of rising in-work poverty in HK. On the other hand, it was questionable whether IWBs were the only and the best way to deal with the income inadequacy of workers and their families in a time of economic uncertainty and rising inequality. Moreover, the emergence of IWBs in HK was far from an exceptional case but, in fact, was in line with the trends of welfare development in other liberal welfare regimes, despite its particular policy context and content. Hence, the introduction and expansion of IWBs in liberal welfare regimes raised questions about the conventional understanding of the latter's belief in a minimal state and market supremacy. Why did the liberal and residual welfare regime of HK 'tolerates' or 'welcomes' IWBs? What is the nature of IWBs and how do they differ from other income protection? Who wants IWBs and what roles do they play? What do IWBs mean for social policy and policy stakeholders? These emerging questions call for a closer and critical examination of IWBs in the context of neoliberalisation and what is called permanent austerity (Pierson, 2001a).

This chapter begins with an outline of the reasons for studying IWBs, followed by the elaboration of the research questions behind this thesis and a brief description of the methodology used. It then discusses the contributions of this research to generating new knowledge. Then there is an overview of HK's policy orientation to set the historical and political contexts for the introduction of IWBs. The final section presents the structure of the thesis.

Why studying in-work benefits?

IWBs are an 'atypical' form of social protection and are receiving increasing international attention, especially in liberal welfare regimes and liberal market economies (Chapter 3). The rise of these concerns can be attributed to several reasons that make the study of IWBs essential. First, this 'new' form of welfare targets a new beneficiary with non-sanctioning conditionality and new payment methods. IWBs primarily addresses the new social risk of in-work poverty in relation to precarious employment and work-life balance (Taylor-Gooby, 2004), caused by the tertiarisation and precarisation of labour market. To what extent the new welfare alleviates or reproduces this new social risk, inequality, and marginalisation are critical questions for social policy. Second, IWBs are supported by governments and policy advocates across the centre-left and centre-right, and their importance in welfare provision for working adults in terms of spending and coverage are growing considerably. Yet we should not take IWBs for granted as a politically-neutral and inherently-harmonising policy approach for dealing with low pay and working poor. Without detailed investigation of the architecture of IWBs, in particular their political economy, the role they play in shaping the dynamics of welfare capitalism will be overlooked. Third, IWBs are institutionally and ideationally embedded in welfare regimes and embody a set of social relations. Thus, the advent of IWBs is necessarily influenced by and frames how people make sense of work and welfare, which requires further investigation to explore the moral grounds of IWBs as perceived and contested by different policy actors. Finally, IWBs do not appear in vacuum but they are crafted with intended socio-

economic goals and implicit welfare politics. As a part of income protection systems they interact with other fields of policy, for instance, labour market institutions, employment relations, unemployment benefits, and so forth. Hence, the emergence and development of IWBs signals a co-evolution among the corresponding policies and policy contexts, which can provide new insights to comprehend the changes and continuities in welfare regimes.

Despite the growing literature on IWBs there are still some research gaps (Chapter 3). First, many empirical studies of IWBs come from Western experience, especially the cases of UK and US. There is a lack of evidence about IWBs from non-Western policy contexts. Second, the existing research mainly consists of a description of the design of IWBs and their effects on various variables, such as work incentives and efficiency of poverty reduction. Whilst these perspectives are central to understand the performance of IWBs, a systematic explanation of the rise of IWBs has received less attention, which means that IWBs are still under-theorised. Thus, the boundaries of these studies should be pushed forward by reconceptualising IWBs' complexities and complicating the roles and functions of IWBs. IWBs could be seen as the new defining feature of the welfare-work nexus, along with the activation or welfare-to-work thesis. Through studying IWBs in more depth, social policy can initiate a critical dialogue with the sociology of work and political economy.

Analytical and methodological approaches to studying in-work benefits

This research adopts a political economy approach as its conceptual framework of analysis. It is argued that the political economy perspectives on welfare development situates IWBs in the capitalist context, bringing together the political and economic (Chapter 2). Informed by neo-Marxian theories, the capitalist welfare state, on the one hand, is partially the result of class struggle and class compromise after World War II; while, on the other hand, it is inevitably contradictory and crisis-prone due to the conflictual needs between capital accumulation and political legitimacy (O' Connor, 1973; Gough, 1979; Offe, 1984). Yet the structural dilemma and crisis-tendency do not

determine the outcomes of welfare state and rule out any spaces for counter-tendency, given the strategic-relational dynamics of state relations and beyond (Jessop, 2016). Therefore, varieties of welfare institution could appear in the variegated global capitalism with uneven development and different sets of historical-institutional forces. Accordingly, the continuity and change of welfare regimes are shaped by path-dependence, critical juncture, institutional interdependence, and exogenous shock, constrained by the capitalist contexts (Hall & Soskice, 2001a; Pierson, 2004; Streeck, 2011; Béland & Powell, 2016). In addition, collective political and policy actors, for instance, bureaucrats, unions, and business, play a key role in accommodating the welfare trajectories based on their ideas, interests, and power (Korpi, 2006; Paster, 2015; Béland & Petersen, 2017).

The capitalist labour market and economy are institutionally and ideationally embedded into state intervention, characterised by the interplay between the pressure of economic restructuring and welfare reforms (Polanyi, 1944; Offe, 1985; Pierson, 2001b; Jessop, 2002). Hence, IWBs are closely tied with labour market institutions, wage regulation, and the social safety net. The different schools of welfare political economy could be incorporated under a policy regime perspective to explain the dual faces of social and economic policy embedded in IWBs (Walker & Wong, 2009), by integrating the dimensions of institution, ideas, and interest-power under a particular capitalist setup (Hay, 2004; Hudson et al., 2008; Gough & Therborn, 2010). In a nutshell, the political economy approach to understanding IWBs could connect capitalist structures, institutional arrangements, and actors' inputs.

This analytical framework is compatible with a paradigm of social science philosophy, called critical realism (CR) (Chapter 4). As a meta-theory CR ontologically defines the reality on three-levels: the real, actual, and empirical (Bhaskar, 1998a; Sayer, 2000; Benton & Craib, 2011). The multi-layered notions of reality recognise the co-existence of human's subjective experiences and the objective social facts. This requires an interpretivist epistemology that acknowledges both the structure and agency, leading

to the making of fallible knowledge with limitations. Under the light of realist ontology and epistemology, CR makes social research possible by its methodological pluralism (Danermark et al., 2002; Archer, 2003). Accordingly, qualitative, quantitative, and mixed methods are compatible with the philosophical foundations of CR, which depends on the research objectives and questions.

Derived from this theoretical framework, there are three research questions: (1) What are the nature and features of IWBs in HK; (2) What are the main factors in the emergence of IWBs in HK; (3) What are the theoretical and policy implications of IWBs in HK. These questions guided the researcher to adopt intensive qualitative methods for a fine-grained and meticulous investigation. While critical realism explains social phenomena via the identification of the generative mechanism (Collier, 1994; Bhaskar, 1998a; Falleti & Lynch, 2009), this research aims to discover the underlying mechanism leading to the introduction and expansion of IWBs. Hence, this qualitative approach took HK's IWBs as a case study to conceptually generalise new insights without attempting to universalise its experience (Byrne, 2009; Hammersley, 2012; Rohlfing, 2012).

As a qualitative social policy study, it employed purposive sampling of policy documents and in-depth interviews, which were driven by theories and research questions to gather meaningful evidence (Emmel, 2013; Flick, 2014; Schreier, 2018). Theoretical and criterion sampling were the two-fold strategies that purposively selected the different sets of printed and online policy documents relevant to IWBs, and chose 30 interviewees from five categories of policy stakeholders: IWBs users, policy makers, campaigners, employers, and practitioners. All identified policy documents and interview transcripts underwent the process of keyword searching and coding; theoretical and open coding ensured the themes emerged both informed by theories and driven by the data. Thematic analysis then reorganised and categorised the codes in order to map out the relative importance of and interrelations between themes (Lapadat, 2010; Guest et al., 2012). This process was both deductive and

inductive. The former referred to the theory-guided analysis with pre-existing frameworks exploring the gaps between theories and data; the latter generated key concepts from the observation of the collected data. They both paved the way for a critical realist re-conceptualisation and theorisation of the data via the abduction and retrodution. With an emphasis on theoretical re-description (Fletcher, 2017), abduction meant the abstraction of transfactual understandings by re-contextualising and re-interpreting the data as new knowledge to IWBs. Retrodution was the identification of underlying generative mechanism composed of interacting necessary and sufficient conditions that gave birth to IWBs in HK (Rohlfing, 2012).

In sum, this research adopts the political economy approach to building up the theoretical framework, and it employed a CR-informed qualitative methods for data collection and analysis. This thesis theorises and conceptualises the case of IWBs in HK by combining the critical realist methodology and the political economy of welfare development.

Contributions to the new knowledge in social policy

Despite the limitation of case studies in terms of empirical generalisation, lessons still could be drawn from the case of HK's IWBs. There are several contributions to social policy made by this thesis (Chapter 8).

First, it is one of the first studies on IWBs in HK. While social assistance and pension regimes are widely examined from different angles, IWBs as a field of research in Asian context are still not taken seriously by in-depth investigation via case study. Furthermore, the evaluative study on the users' experience of IWBs in HK (see below) specifically focused on the impacts of one of the new schemes. Therefore, this research renders a state-of-the-art study of HK's welfare regime by bringing together the emerging issues of changing forms of welfare conditionality, in-work poverty and income subsidies, and the roles and preferences of business in the politics of welfare policy. Although these topics have been separately addressed in previous studies in HK,

few of them link them to the political economy perspectives and situate them under the distinct policy and political contexts of the global city.

Second, it is the first research to adopt the critical realist analysis to understand the formation and nature of IWBs. It displays an explanatory analysis of social policy informed by CR, with meta-theoretical and methodological implications to identify the generative mechanism of a set of institutional arrangement. This extends the analytical emphasis of social policy from deductive-inductive generalisation to the abduction-retroduction of causal power behind the policy formulation. The interpretation of social policy, thus, could be taken as a way to figure out necessary and sufficient conditions so as to thicken the knowledge of social policy.

Third, it broadens the scope of social policy by taking IWBs seriously in a re-examination of the nature and meaning of this 'not so new' policy. It shows how structural contexts, ideas, institutions, and interest-power shape the political economy of income maintenance. IWBs of different kinds are far from a pure income supplement for the working poor, they redefine the welfare-work nexus, and geographically and institutionally fixe and re-embed the labour market in particular to liberal, productivist, and residual welfare regimes. It is suggested that the expansion of IWBs should be linked to neoliberal welfare ideologies, contingent budgetary politics, labour market conditions, everyday life of the poor, and negotiations among government, NGOs, and business.

Fourth, the institutional approach to the political economy of welfare tends to exaggerate the dichotomy between continuity and change, while this thesis argues that incremental changes of drifting and layering of income maintenance could be in line with the pressure of continuity of welfare-work ideologies. Therefore, the main question of welfare development goes beyond the institutional pattern of either change or continuity but to examine underlying driving forces and the interplay between structural contexts and powerful agents.

Fifth, IWBs and their linkage with relevant policies, for instance, the minimum wage, growth model, and fiscal regime, push forward the boundaries of welfare regime from unemployment benefits (de-commodification) and workfarist policies (re-commodification) to the support of working poor (institutionalised commodification). Therefore, the defining feature of social welfare should include state-sponsored income protection within employment.

Last but not least, by drawing on the findings this research makes suggestions for policy-makers to rethink and modify the existing IWBs (Chapter 9). Although this thesis is not a technical evaluation of IWBs, it still offers some insights for policy changes in practical terms. First, this research reveals the difficulties experienced by the claimants of IWBs, especially for the working hour requirement and the procedures of means-testing. Thus, short-term measures could be shortening the minimum working hours and simplifying the application process. Second, it suggests that the long-term reforms of IWBs should be tied to the regulation of labour market, for instance, higher minimum wage, care policy, and bargaining institutions. In other words, the social protection functions of IWBs could be mutually-reinforced by the stronger labour protection and care support for low paid workers and their families.

Setting the scene: the development of welfare capitalism in Hong Kong

Any inquiry into HK's IWBs cannot be separated from the historical-institutional contexts of its welfare capitalism. By situating HK's regime in East Asian policy contexts, this section briefly reviews the key features of HK's welfare capitalism to set the scene for this research. The forces of neoliberalisation are in tandem with authoritarianisation shaping the paths of HK's political economy, which partially reflects the characteristics of East Asian models but somewhat departs from many of its counterparts. Hence, it should be noted that the diversity within East Asian regimes continues to exist (Walker & Wong, 2005a; Hudson et al., 2014).

The developmentalism and productivism theses of East Asian welfare regimes

While the cultural interpretation of East Asian regimes pays attention to the influences of Confucianism and the oikonomic values in these countries (Jones, 1990, 1993), the notions of developmentalism and productivism, viewed from the political economy perspectives, link the regime features with their political and economic development under contrasting strategies (Choi, 2013). The developmentalism thesis originated from the 'developmental state' literature focuses on the state roles' in promoting economic development. It is argued that developmental welfare states, mostly known as authoritarian states in East Asia, on the one hand monopolised the political power and played key roles in market intervention; on the other hand, they subsumed the goals of social policy into the needs of economic development in order to maintain stable and obedient workforce, such as the aid to national industries and regulation of capital inflow (Kwon, 2005, 2009). With a different emphasis, the thesis of productivist welfare capitalism suggests that social policies in these regimes are regarded as a social wage to smooth the (re)production of capitalism. Hence, they opted to limit welfare expenditure and wage growth and to enhance labour flexibility (Holliday, 2000, 2005; Wilding, 2008). The two political economy perspectives both address East Asian regimes' relatively low rate social spending, pursuit of productivity and competitiveness, flexible labour market, and social security established as a political instrument to enhance loyalty and work ethic of workers. With weak egalitarianism the ideas of the social right and equality were not institutionalised and developed under the prioritised roles of family and community.

Despite their similarities, the developmentalism thesis positions welfare policy as a form of human capital investment on education and health for the export-oriented industrial strategies, in which economic growth is the means and state-building is the end. The productivist thesis with less nationalistic concerns underlines the drives for economic growth as the ends of state-led capitalism in East Asia (Choi, 2013). However, it is argued that 'productive' elements of welfare regimes also appear in countries

beyond East Asia and instead the notion of 'production-protection nexus' better captures both functions in varying degrees (Hudson & Kühner, 2009; Hudson et al., 2014). The productivist thesis, therefore, should be seen as a set of prioritised policy objectives putting production before protection in different ways, rather than as a homogenous welfare regime type of East Asia. Walker and Wong (2005b) reveal that many East Asian regimes selectively interpret Confucianism for their own interests of policy governance and exaggerate the strengths of the welfare mix. They suggest six dimensions to theorise the political economy of East Asian welfare regimes: pace of social and economic development, political ideology, institutional authoritarianism, legacies of colonialism, ethnicity, and gender. After the East Asian and global financial crises, on the one hand, South Korea and Taiwan expanded welfare coverage and redistribution due to the pressing needs of workers and the pressure of democratisation; on the other hand, HK and Singapore continually relies on market-oriented production and social protection (Choi, 2013; Mok, 2013). Arguably, HK still maintains welfare capitalism intact in times of economic uncertainty, which requires a closer examination.

Hong Kong's political economy: continuities and changes

Informed by the political economy perspectives, this section first brings together the political regime and growth model of HK that paves the ways for labour market institutions and employment relations. It then illustrates the trajectories of social welfare with particular focus on the retrenchment and expansion of income protection. After the handover in 1997, HK government enjoyed a certain degree of autonomy until the outbreak of large-scale protests in 2003. Growing tensions between Beijing and HK's civil society emerged due to the former's increasing political intervention and economic integration with China's market (Cheung, 2012; Ma, 2015). In addition to the protracted democratisation, regarded as a broken promise of Beijing, the Umbrella Movement manifested the discontent of pro-democracy camps towards the HK and Beijing governments (Ortmann, 2015), especially for young people. While the Umbrella

Movement failed to bring about political reforms, it is argued that increasing electoral authoritarianism supported by Beijing appears along with the liberal authoritarianism in HK's polity (Fong, 2017). In other words, the Beijing government has turned HK into a more autocratic regime by preventing democratisation and undermining its autonomy.

As a result, Wong (2017a) holds that the political power of business and administrative elites in HK is undermined by Beijing's intervention. Nevertheless, Beijing's co-optation of corporations in HK has yet to stop and the veto power of business is still formally protected in the constitution-like Basic Law of HK (Wong, 2012; Fong, 2014). While this ensures policy stability because there is a business veto against any pro-worker reforms, this also results in regime instability in terms of legitimacy and the incapability of the government to adapt policy to changing needs and pressures. The voices of Beijing, HK government, and business become the new governing trident despite occasional tensions among them. There could be two implications for welfare politics. First, semi-democracy and increasing authoritarianism, which rejects the pressure from and countering power of civil society, favours the embeddedness of neoliberalisation with few challenges to pro-business policies (Chan, 2011a). Second, an anti-establishment discourse fuelled by the authoritarianisation, provokes socio-political conflicts between the government and society around welfare retrenchment during austerity (Lee, 2005). Also, widespread social resentment towards the government with budget surpluses opens some spaces for new policy initiatives (Fong, 2015).

On the economic side, the HK government persistently upholds the philosophy of 'big market, small state' as an ideological tool to justify the importance of the capitalist market and hidden the capitals-dominated policy choices. The so-called 'positive non-interventionism' since the colonial era in fact was a selective intervention in the interests of the political powerful social groups, mainly financial and commercial capital, land developers and business groups (Wong & Yuen, 2012). In contrast to the developmental states' active roles in the economy, the HK government acts as the

regulatory state, enjoying a high degree of economic autonomy, and is satisfied with merely creating the framework for business in the absence of macro-industrial or economic policies (Redding et al., 2014). By imposing weak regulation on the market and encouraging voluntary self-monitoring of corporations, HK government's economic roles displays a conservative version of embedded capitalism, promoting ex-post surveillance of compliance instead of ex-ante legislation and planning (Hundt & Uttam, 2017).

London (2018) argues that the mode of HK's accumulation regime shifts towards the international and de-industrialised tertiary economy and is increasingly dominated by financial, insurance, and real estate (FIRE). Coupled with the political economy of liberal authoritarianism, the HK government welcomes international hot money and insurance services whilst showing little sign of economic developmentalism with strong state roles. The unstifled business and elitist power veto over the expansion of social and labour protection to prevent rising labour costs, leads to soaring inequalities and the reproduction of a low-wage regime with minimal protection. Hundt and Uttam (2017) coin the growth model of HK as the liberal entrepôt capitalism due to its ascendant connection with China's market. In this connection, HK's economy has been long considered as effective governance combined with market and state, and is characterised by its economic dependence on international markets and capitals. Consequently, economic policies centred on market openness and the governing alliance tends to be sceptical on economic strategies coupled with relatively low investment on scientific and technological innovation (Baark & So, 2006; Sum & Jessop, 2013). Without adequate investment in productivity and technological advancement, the HK government opts to rely on the finance-led growth regime with growing contributions of FIRE to GDP; through selling public assets in housing policy and introducing compulsory saving and investment fund for retirement, the government created a territory-wide financial market and investors (Lee et al., 2018). While HK has the highest Foreign Domestic Investment net inflow rate to GDP compared to other Asian economies (Tohyama, 2015), this generates the strong vulnerability of HK's

economy to global financial market and competition. The financialisation of the economy is arguably tied to the increasing integration with China, which undermines the autonomy of HK government to diversify its trading partnerships (Hundt & Uttam, 2017), and prevents the possibility of moving away from the property-led development for short-term profits (Baark & So, 2006).

The limited government support and inputs have been forcing the majority of small and medium-sized enterprises (SMEs) to adopt the competitiveness model based on low-cost, high intensity, and flexibility model, for both the manufacturing industries in colonial era and the service industry today (Pun & Lee, 2002). This is described as a Ricardian Workfare Regime (Sum, 1998; Jessop, 2005), in which HK's accumulation regime is driven by the comparative advantage of cost minimisation in the open market. This low-road investment mode of growth regime is in line with the supply-side labour market intervention for preserving the interests of the labour-intensive SMEs and the low-end service sectors. As a result, income inequalities and low pay are structurally embedded in HK's economic model and currently exacerbated by the financialised economy (Lee et al., 2018).

Hong Kong's welfare regime and income protection

It is undeniable that the colonial legacy of market-led ideology, balanced budget, and accumulating reserves had been kept intact in the post-colonial government which is still stuck in neo-classical economics inspired trickle-down theory of wealth creation and distribution (Lee, 2005; Tang, 2011). The key principle of welfare development after the period of big bang in the 1970s lay in gradual incrementalism, which both preserves the potential of expansion depending on the contingent fiscal conditions without long-term commitment, and the doctrine promoting self-reliance and family obligations (Tang, 2011). Other than that, there are no clear social goals underlying social policies, and technical amendments are more often than fundamental changes of social welfare. Hence, the description of Jones (1993, p.214) of HK's welfare system is still relevant today: 'conservative corporatism without worker participation;

subsidiarity without the Church; solidarity without equality; laissez-faire without libertarianism'. Following the logic of developmentalism and productivism, HK's welfare regime is portrayed as facilitative productivism (Holladay, 2000) and selective developmentalism (Kwon, 2005). They both refer to the reluctance of HK government to the universal welfare and protection for the majority of workers, in contrast to its selective investment that benefits particular sectors under the authoritarian state. As a result, HK's regime is similar to the liberal democratic regimes with far more limited social rights and stronger market supremacy unconstrained by any democratic power.

In the face of the global economic crises and uncertainties, the HK government maintained the same model and aimed at ensuring the stable supply of labour and job vacancies in the private sector (Wilding, 2008; Kwon, 2009). With strong fiscal reserves and budget surpluses, HK government still showed the greatest commitment to competitiveness for capital accumulation by initiating more regressive reforms of salary and profit tax cuts (Mok, 2013; Fung, 2014). Although the government did increase social spending, this mainly came in the form of the one-off cash handouts and short-term provision to stimulate individual's purchasing power along with subsidising welfare market by vouchers. These endeavours were understood as a flexible welfare strategy (Chan, 2012) and welfare adhocism (Lee & Law, 2014), which dismissed long-term and institutional commitment to welfare policies. Two reasons giving birth to these arrangements. First, the HK government puts economic risks before social needs under the risk discourses of long-term fiscal deficit induced by unstable global market and the threat of ageing population (Chan, 2009), justifying its inaction or restricted expenditure on social policy. Second, government officials and business still hold to the trickle-down theory, and more importantly, they assume that relative poverty is inevitable and tolerable in HK's capitalist economy (Wong, 2015).

For income protection measures, the HK government's reliance on means-tested social assistance was long characterised by the liberal-residual model (Mclaughlin, 1993; Chan, 1998). Without considerable universal benefits and occupational insurance, the

government still highlights the family responsibility, such as the filial piety, as normative foundation of social security (Chan, 2011b). It is conceptualised as market productivist welfare that embraces the participation in labour market as the main source of 'welfare' and income of citizens (Kim, 2015). Haggard (2005) suggests that the government refuses to establish social insurance and labour protection but keeps a relatively high commitment to basic social services for building human capital. As a result, the stigma of claiming means-tested benefits in HK has never reduced but was enlarged after the welfare retrenchment triggered by the economic downturn and fiscal deficit between 1999 and 2003. The workfarist reforms and the anti-welfare discourses manifested the expansion of HK's disciplinary welfare (Chiu, 2003), which imposed stronger market and labour disciplines on the unemployed and lone parents with the communitarian rhetoric of civil obligation (Yu, 2008a, 2008b). In a nutshell, there are two driving forces behind HK's welfare capitalism. The first of which is the productivism embedded in HK's liberal market economy with low tax rate and limited state regulation in labour market. The work-first approach to welfare is in line with HK's authoritarian employment relations, which is characterised by weak unionisation, coordination, and bargaining structure. Second, residualism unceasingly promotes the importance of means-tested for targeting the neediest and deserving groups. Under the normative discourses of family duty, the household-based unit for welfare application is justified despite the declining functioning of the family in offering income protection.

More recently, the rise of the working poor has received increasing attention from both academics and the HK government. Cheung and Chou (2016) reveal that the working families in poverty are associated with low pay and households with single earners. In response to the in-work poverty, the government introduced the Low-income Working Families Allowance (LIFA) in 2014 (Chapter 5). Despite the limited empirical studies on HK's IWBs, it is evidenced that LIFA's eligibility and conditionality together diminished its coverage as many working poor could not meet the requirement of working hours, coupled with their difficulties in filling the complex

application forms and providing the income proof from their employers (Wong & Zhang, 2017). While the LIFA partially raised the working poor's quality of life, their job satisfaction did not improve and the overall life satisfaction dropped arguably because of the increased working hours in bad jobs. Hence, the retrenchment of out-of-work benefits was followed by the expansion of IWBs in HK after 2007. This research focuses on the emergence and gradual expansion of IWBs between 2007 and 2017.

Structure of the thesis

This thesis is composed of nine chapters. Chapter 2 is a literature review of different schools of welfare political economy and the discussions on institutional evolution, which informs the theoretical framework of a regime perspective on explaining IWBs. Chapter 3 specifically focuses on the rise of low pay, in-work poverty, and IWBs. It situates the changing labour market in the structural transformation of industrial capitalism and the pressures on welfare regimes in particular of liberal regimes. Against the backdrop of neoliberal activation and welfare reforms, the introduction of IWBs in the UK and US context is illustrated with their features. Chapter 4 delineates the methodology and methods of this research. Informed by CR, this research adopts the intensive qualitative approach to studying IWBs in HK. Chapter 5 conducts an institutional analysis of the data and details the development of three types of IWBs over time. It also outlines the institutional characteristics of IWBs and compares them with the social safety net in order to understand their salience. Chapter 6 delivers an ideational analysis (Chapter 2) that demonstrates various perspectives on IWBs in the eyes of policy stakeholders. Based on a normative-instrumental framework, the moral and functional ideas of IWBs are mapped out along with discursive strategies of IWBs promoted by the government. Chapter 7 examines the politics of the policy formulation of IWBs. It first explores how the Administration and civil society pushed forward the establishment of IWBs. By untangling the withheld veto-power of business, it then examines the preferences and interests of employers towards IWBs. Some observation is made to reconsider the roles of these IWBs in the labour market.

Chapter 8 synthesises the previous data analysis and re-conceptualises the emergence and nature of IWBs in HK. It first adopts the generative mechanism to figure out the necessary and sufficient conditions of IWBs with different theoretical emphasis. It is followed by the re-reading of HK's IWBs to re-interpret their complexities and dynamics as a new form of income protection. Finally, it draws implications for IWBs in the international context. Chapter 9 concludes the key themes of the thesis and highlights the limitations of the research. After proposals for the future development of IWBs and income maintenance, it suggests some further research directions.

Chapter 2

The Political Economy of Welfare Development

Introduction

This chapter begins with the definition of a broad political economy approach to the explanation of welfare development. It is then followed by a critical account of contrasting schools of political economy relevant to the understanding of welfare policies. On the basis of this literature review, it is argued that the political economy perspective with an emphasis on structure, institutions, ideas, and interest-power is the most effective way to fully identify the driving forces of and mechanisms for welfare development.

The emergence of social welfare as a form of state intervention is widely associated with the rise of modern industrial capitalism and nation-building. Among different ways to understand state-led welfare, the political economy approach focuses on the structure and transformation of a set of social policies, going beyond the limits of 'welfare state' studies, the evaluations of welfare programmes, and the notion of social administration (Pierson, 2006). As a branch of the broader field of political economy, this approach upholds the inseparability between politics and economy, leading to its core concern with the state and market embedded in capitalist social relations (Clift, 2014). The units of its analysis can range from the single case study to comparative studies with a historical perspective. As an inter-disciplinary approach, political economy of welfare renders structural and normative knowledge that fits in with three related trends: global neoliberalisation, an enhanced connection between economic and social policies, and the increasing role of enterprises as policy actors (Holden, 2005). With an emphasis on the interactive relationship between the process of policy-making and the capitalist contexts, this approach describes and explains the paradigms underlying different policy ideas and instruments, (Hudson & Lowe, 2009). In order to capture the architecture interwoven by the capitalist market, state welfare, and civil society, the notions of 'welfare capitalism' and 'welfare regime' are more

comprehensive than other perspectives only focusing on the welfare state and the administrative process of policy-making (Esping-Andersen, 1990; Pierson, 2006; Hay & Wincott, 2012).

In this connection, three levels of welfare dynamics are addressed. The macro level analyses the 'universal' tendency and systemic forces generated by the overriding structures of different societies, which may lead to the pressure for convergence of welfare policies between countries. The micro level highlights the role of actors who have the power to shape policy-making and implementation, along with their ideas, interests, and strategies to promote particular policy packages. The meso level incorporates macro and micro analysis and underscores the significance of domestic institutional configurations that mediate between the structural and agential conditions. By delivering a multi-level and critical analysis, the political economy approach sheds light on the (re)production, (re)distribution, and consumption of welfare in the capitalist context via the recognition of both super-national forces and national adaptations. Accordingly, Hay and Wincott (2012) claim that, on the one hand, neoliberalism originated from the 1970s and the recent global financial crisis continually exerted pressure on all welfare capitalisms; the impact is diversely moderated by varieties of institutional configurations and regulation patterns at country level, on the other. The political economy of welfare should, thus, acknowledge the historical legacy and contingent trends of welfare capitalism, in which the trajectories of welfare to change and/or to continue depend on the power struggle between social classes in given social structures.

While welfare policies are subject to both change and continuities, it is of vital importance to understand the diversity of patterns and complexity of paths through the term 'development' of welfare, which is far from the idea of the linear direction of progress. 'Welfare development' as a social outcome can be explained by competing political economy theories on welfare (Pierson, 2006; Hudson & Lowe, 2009; Van Kersbergen & Vis, 2014; Béland & Mahon, 2016). Welfare development also yields a

number of consequences on and implications for existing social relations. In sum, the 'political economy of welfare development' is defined as a critical approach to account for the structural, institutional, and agential forces in the field of state, market, and society, through which to describe and explain any gradual evolution and/or more abrupt forms of particular welfare model. Despite the long-term structural forces of macro-systemic tendency, the contingent outcome of welfare development to some extent could also be regarded to some extent as the unintended, multi-causal, and open-ended consequences of events and mechanisms in particular social contexts. In the following sections, different paradigms of political economy, logic of welfare explanation, and patterns of welfare development are reviewed. Drawing on these theoretical insights, a regime perspective to studying welfare is suggested.

Logic of capital accumulation and contradictory capitalist welfare

Before the emergence of neo-Marxian welfare state theories in the 1970s, the economic-oriented notion of the welfare state fell into the 'industrialisation thesis'. Its rather simplistic logic attributed the causes of welfare state to the socio-economic needs of industrialisation and urbanisation (Wilensky & Lebeaux, 1965). The modernisation of the industrial economy and factory-based production is argued to bring about new divisions of labour, unavoidable economic cycles, and undermined family functions. In addition to the ageing of the demographic structure, socio-economic pressures and needs are increasingly passed on the state and necessarily translated into the expansion of modern welfare state. While this logic of explanation is to certain degree functionalist and mechanical, it is somehow suggested by the internationally positive correlation between the level of welfare expenditure and economic development.

The economistic understandings, however, fail to explain the variations among developed industrial countries and their difficulties since 1970s (Pierson, 2006). Whilst the economic condition can constitute one of the necessary conditions for the rise of the welfare state, it is far from a sufficient condition. In contrast to this one-side

industrial perspective, Marxian political economy generally puts the capital accumulation as the main driver of capitalist welfare state, which contradicts with the multiple-needs of democratic state for legitimacy and fiscal sustainability, and with the class-based distributional politics on the overall economic surplus (O' Connor, 1973; Gough, 1979; Offe, 1984). Despite the shared theoretical interests of the industrialisation thesis and Marxian school in the roles of production and functions of welfare to the economy, the latter takes a more conflictual and dynamic stance to welfare state as a capitalist architect that tends to be unstable and crisis-prone. Before going deeper into the neo-Marxian analysis of welfare state, it is of vital importance to examine its theoretical roots stemming from the state theory debates, which render insights for situating welfare studies in capitalist societies with different logic and foci.

Insights from neo-Marxian state theories

There has been a long-lasting divide of neo-Marxian views on the modern capitalist state between the instrumentalist and the structuralist perspectives over decades (Barrow, 2002). Although the dichotomy due to contrasting theoretical objects and presentations is arguably false, unnecessary, and unhelpful (Wetherly, 2005; Jessop, 2008), the Poulantzas – Miliband debates from the 1960s to the 1970s stimulated the critiques of the state from different angles and furthered the underdeveloped concepts of state from Marx's cannon.

One of the most commonly quoted of Marx's texts about the capitalist state is in *The Communist Manifesto*, in which the state was depicted as 'a committee for managing the common affairs of the whole bourgeoisie' (2002 [1848], p.221). Based on the empirical investigation of the state in capitalist society, the notion of the state as the capitalists' political agent is confirmed by Miliband by unpacking the upper class composition of the state bureaucrats (Jessop, 2008). In other words, the state is generally dominated by the capitalist class as it is a key tool to serve the latter's interests; the power of state gained through the parliamentary democracy only reflects the economic struggle of class forces. The instrumentalist thesis on the one hand relies

on a functional explanation of the state to capitals' needs and the institutional perspective on the design and architecture of the state bureaucracy.

In contrast, Poulantzas suggests that capitalist states have a conditionally autonomous character which makes it partially independent from particular capitalist interests (Barrow, 2002; Jessop, 2008). The structuralist foci on the relative autonomy and various forms of capitalist states differentiate them from the instrumentalists through analysing the state as the embodied social relations in the light of abstract theorisation. As a result, the structuralist camp is devoted to exploring varying capitalist types of the state.

With contrasting theoretical and methodological emphasis, the instrumentalist perspective focuses more on society-centred dynamics whilst the structuralist accounts may be more favour of state-centred politics (Wetherly, 2005). The two approaches, thus, should not be considered mutually exclusive but are complementary to avoid economic reductionism and political voluntarism, given that some common ground can be mapped out. They both question the degree of the state's relative autonomy, according to the tensional relationship between the goals of legitimatisation and accumulation within capitalist states, and the zero-sum interest relationship between capital and labour outside the state. This dynamic development of the capitalist state gives birth to diversified features and facets of states, through which political agents' strategic selectivity is shaped by particular class relations and state forms, i.e. the struggle of social forces, showing a relational instead of a deterministic and static notion of the state (Jessop, 2016).

Inspired by the capital-centred analysis, three levels of 'need' are addressed to understand the intended and/or unintended functions of the state to capitalism (Wetherly, 2005). The first level is the ultimate needs of capitalism and the capitalist state to reproduce the relations of production. The second level refers to the basic need for profit for the capitalists and the third level points to the intermediate needs for the regulation of capital-labour relations, market competition, and political stability.

State power, institutions, and policies are by nature the specific satisfiers of these needs although the outcome is uncertain.

The functional understandings of the state are related to the social control and class discipline thesis in explaining the emergence of state welfare (Piven & Cloward, 1972; Ginsburg, 1979). The English New Poor Law reproduced the relations of industrial production and the discipline of labour; social benefits for the non-working populations maintain a reserve army for the labour market. Also, Bismarckian social insurance was initiated to constrain the potential of revolution and opposition, and for ensuring a healthy, educated, and compliant workforce for employers. Social welfare in this sense can meet capital's needs, so it can be supported by some conservatives or liberal elites to maintain capitalism. Occupational-based social insurance in fact 'horizontally' redistributes resources within working class and along the life cycle of workers. Welfare can pacify the poor and working class by limited social protection, concealing the disciplinary side of the state.

Crisis, contradiction, and paradox of capitalist welfare states

Whilst the Marxian functional explanation of the welfare state is constantly misinterpreted and accused of structural determinism and reductionism, the concepts of relative autonomy and capitalist contradictions could contribute to a more comprehensive analysis. Jessop's (2016) strategic-relational approach to the state sees it as a social relation characterised by the institutional ensemble with problematic functionality. Following his logic, the capitalist state is not a neutral actor but a crystallised balance of forces demonstrating the 'structurally inscribed strategic selectivity'. The power of structure should be ontologically and epistemologically aligned with agency and recognised as strategically selective instead of deterministically constraining: 'Over time, reflexively reorganised structures and recursively selected strategies and tactics co-evolve to generate a relatively stable order; but this may well depend on an ensemble of institutional and spatiotemporal fixes that secures stability at the cost of displacing problems elsewhere or deferring

them to the future' (Jessop, 2016, p.56). Apart from the institutional definitions of the state, 'state power' refers to state officials' actions, reactions, and interactions with the broader social relations and the institutional configuration, with the capacity to promote coercion and consent. The social formation of statehood of different scales includes particular types of state, state forms, modes of representation, political regimes, and policy paradigms. In contrast to the instrumental thesis with a stable class analysis, Jessop holds that the interaction between state and class power is characterised by state intervention aligned with specific class interests strategically pursued by a contingent balanced of social forces in structurally constrained junctures, which can vary over time and across places.

These multi-level and multi-dimensional underpinnings of the statehood define the capitalist welfare state as a set of policy paradigms structurally selected by distinct state regimes and institutional arrangements, which is strategically adopted by the state managers at given time. It could potentially secure the economic conditions for capitalists as a whole and fulfil other extra-economic requirements in the name of societal interests; ideological domination on the preferences and attitudes of the public towards welfare has to be unceasingly governed. These governmental interventions are necessary but by no means guaranteed. In a nutshell, Jessop's neo-Marxian theories prompt dialectical views on the welfare state that capture the latter's contradictory nature and crisis-tendency.

Informed by neo-Marxian theories in the 1970s, some scholars specifically focused on the complexities of the post-war welfare state. Gough (1979) discerned that the nature of the welfare state is both caring and controlling. On the one hand, welfare can advance the well-being and bargaining power of the working class by regulating market forces and providing social wages; on the other hand, welfare can also subordinate workers' needs to the interests of capitalism. Due to this dual character, the working class's struggle for expansion of welfare state unintentionally and inevitably ensures the long-term interests of capital and reproduces capitalist social relations. Drawing on

the case of the American state, O'Connor (1973) revealed the fiscal contradiction of capitalist state to fulfil the needs of accumulation and legitimacy, in which the state relies on the tax revenue to finance public expenditure and to gain public support in elections. Yet this may weaken the profitability of capitalism and in turn reduce the tax revenue. Despite the fact that state expenditure can have economic benefits from the social investment and social capital apart from the non-returnable social consumption, capitalist states still encounter the dilemma of either 'drying up' the resources that foster capital accumulation or undermining the political basis of the ruling state.

This contradictory perspective was echoed by Offe (1984), the Frankfurt school's heir, who argued that the welfare state is a filter system for the purpose of 'administrative recommodification' to precariously balance the needs of legitimacy and accumulation. In effect, the crisis of crisis management becomes the central source of instability of capitalist welfare, as Offe (1984, p.153) put it 'the contradiction is that while capitalism cannot coexist with, neither can it exist without, the welfare state'. Against the backdrop of Reagan's and Thatcher's dominance of US and UK politics in the 1980s, the neoliberal attacks on the 'Golden age' of post-war welfare consensus were in line with the economic and fiscal crises of Western welfare state. The neo-Marxian class-based political economy of welfare rejects pluralist notions which see the state as a neutral instrument and goes beyond the resource mobilisation perspective's beliefs on corporatism as the basis of welfare state (Therborn, 1986). Rather, the welfare state as a whole deals with market failure and the decline of non-market private institutions for human reproduction by public goods. Consequently, welfare as a 'dependent variable' its forms and extents are shaped by the actual balanced social forces and the market conditions; institutionalised welfare also facilitates the wage shares, bargaining power, and identities of the working class.

In sum, the existence of the capitalist welfare state signals the short-term sacrifice of capital's interests for the long-term stability of capitalism but in an unstable manner due to its inherent contradictions. On one hand, welfare policies as a mode of state

intervention shape the intentions and capacities of political and policy actors to constitute the state-citizen, state-market, and capital-labour relations, with the struggle in hegemonic value systems for socio-political support. The welfare state, on the other hand, is also the outcome of the interplay between class relations, capitalist development, and the precarious management among fiscal-financial crisis, legitimacy crisis, and administrative crisis. Despite the welfare state's structural dependence on capital accumulation and its increasing international pressure from the global financial markets, the formation and transformation of it depends on some contingent counter-tendencies interacting with the structural constraints. Policy changes in welfare are possible as those crises may demand that state officials alter their strategies for management. Many scholars continually adopt these insights from the neo-Marxian political economy to tie welfare studies with the broader capitalist context and economic policies (Walker, 1984; Williams & Reuten, 1994; Taylor-Gooby, 1997; Levine, 2002; Walker & Wong, 2009; Shahidi, 2015).

Logic of institutions: path dependence and institutional interdependence

The second logic of welfare political economy is more or less informed by neo-Marxian theories but shifts the focus from capitalist structure to the institutional configurations of welfare that are neglected in the neo-Marxian analysis. One of the theoretical roots of the institutional approach to the explanation of welfare policies comes from historical institutionalism (HI), which pays central attention to the roles of organisations, norms, and rules that are formally and informally created by human agency in a given historical context, instead of a structural functional perspective (Clift, 2014; Lynch & Rhodes, 2016). Another theoretical root alongside HI under the institutional approach is the Varieties of Capitalism (VoC) perspective that focuses on the institutional complementarities within national regimes and national divergences among different regimes. Despite some different logic and methods adopted by the two approaches, there are two reasons to put them under the broad institutional approach. First, they share many research interests in the field of social protection,

welfare policies, and welfare-related institutions, such as production regimes, industrial relations, economic models, business strategies, and corporate governance. Second, and more importantly, the scholars of HI and VoC increasingly absorb each other's theoretical strengths to modify the weaknesses of their own, especially for interpreting institutional change-continuity and convergence-divergence (Thelen, 2010; Lynch & Rhodes, 2016).

Historical institutionalism and path dependence

In contrast to the over-generalised theories, Thelen (2010, p.56) contends that HI is a middle-range theory to 'situate agents within a context that frames and shapes the strategies they are likely to pursue and with which they are likely to be able to effect real change'. As a meso-level analysis linking the macro and micro perspectives, HI can shed light on social agents and political players without losing sight to the institutional contexts as the latter opens up many possibilities and space for policy actors to re-negotiate. The first wave of HI in welfare studies can be traced to the 'bringing back' of the state's roles in explaining the formation of American welfare state, which is competing with the society-centred power resources theories (see below) and the economy-centred approach (Skocpol, 1980; Skocpol & Amenta, 1986; Béland & Mahon, 2016). By focusing on state's autonomy and capacity, political institutions, and the historical legacies, the state-centred institutional approach puts the state's setup and bureaucrats at the centre of analysis (Lynch & Rhodes, 2016), to show how the political opportunities and action are circumscribed and the socio-economic pressures are mediated.

The second wave of HI emerged in the 1990s, which is depicted as one of three strands of neo-institutionalism along with the sociological and rational institutionalism (Hall & Taylor, 1996; Thelen, 1999). This version of HI heavily relies on the core concepts of path dependence, critical juncture, political coalition, and contingency to explain institutional and policy developments (Peters et al., 2005). HI argued that the pre-existing political, cultural, and institutional contexts would shape and constrain the

later forms and extent of new institutions, the maintenance of old institutions, and the transformation of existing institutions. The notion of path dependence suggests that 'developmental trajectories that are inherently difficult to reverse' (Hacker, 2002, p.54), so stability and continuity should be the normal state of policy and institutions. It is argued that time and sequence matter because 'social processes that exhibit positive feedback and thus generate branching patterns of historical development.....in which outcomes in the early stages of a sequence feed on themselves, and once-possible outcomes become increasingly unreachable over time' (Pierson, 2004, p.21). In addition to the historicist explanation of the causal process and mechanism of institutional evolution, HI incorporates the roles of actors into the analysis. By translating an economic concept into the political concept of 'increasing positive return', Pierson (2000) attributes the so-called institutional rigidity and inertia to the self-reinforcing feedbacks and lock-in effects generated by the political and historical legacies. In other words, the pre-existing institutional arrangement creates the opportunities for political coalitions and strategies of socio-political mobilisation afterwards (Skocpol & Amenta, 1986; Campbell, 2012). Within a given institutional context and high costs of change, actors would consider the logic of culture and interest to interact with the formal and informal procedures. The most prominent comparative welfare research inspired by HI falls into Esping-Andersen's (1990) typology and explanations of welfare regimes, which will be discussed afterwards.

As a result, HI scholars coined the term 'punctuated equilibrium' as the state of long-term institutional continuity, yet changes and multiple outcomes are allowed as long as there are exogenous shock and contingent events (Lynch & Rhodes, 2016). The historical accounts of causes, conditions, and features of policy development embrace the endogenous explanation of pre-existing institutional contexts and their enabling and constraining power on distributional conflicts over time (Jacobs, 2016). Whilst HI tends to take policy change as an 'abnormality' deviated from the 'balanced order' that favours the statics-oriented understandings of institutions, some HI scholars call for paying more attention to the power dynamics between and within social categories

combined with the punctuated equilibrium thesis (Thelen, 2010). Other than focusing on exogenous pressure and critical juncture for inducing changes, HI can offer more insights for conceptualising institutional change (see below).

The massive application of HI in welfare research can be regarded as the third wave of HI since the 2000s (Hacker & Pierson, 2002; Hacker, 2004; Thelen, 2010; Jacob, 2016), testing the theories by explaining the degree of and pathways to welfare retrenchment in rich democracies. It is claimed that the logic of welfare expansion is different from the logic of welfare retrenchment (Pierson, 2006). Many studies support and advance the ideas of political and institutional resilience, by showing the new politics of blame-avoidance to restrict retrenchment magnitude under the pressure of the election cycle (Van Kersbergen & Vis, 2014). Despite irresistible forces of post-industrialisation and the fiscal outcome of permanent austerity, the established welfare institutions had accumulated positive returns and engendered a defensive policy constituency (Pierson, 1994; 2001b), which raises the costs and difficulties 'dismantling' welfare states and thus leads to the resilience of prevailing institutions. Relative resilience implies that retrenchment does not take radical but implicit forms based on national path dependence: the liberal welfare regimes adopt neoliberal re-commodification and cost-containment strategies to further subordinate workers to market reliance; the conservative regimes predominantly employ updating cost-containment and recalibration strategies; the social democratic regimes devise the rationalisation of cost-containment and recalibration. The diverse responses of welfare regimes are not only spelled out by the historical legacies and social support, but also the veto points and players fostered by political institutions (Bonoli, 2001). More centralised power and fewer veto points can accordingly ease retrenchment as they limit the capacity of beneficiary constituencies as policy actors to resist changes, and vice versa (Pierson, 1994, 2001b; Starke, 2006). Therefore, the constitutional mechanism distributes power and shapes the level and space of negotiation for policy reformulation.

In brief, the HI welfare research studies attempt to provide causal understandings by paying greatest attention to the state architecture, political institutions and the interactions with these contexts (Lynch & Rhodes, 2016). The 'rules of the game' orchestrated by political structures are in general biased towards particular actor groups' interests, capacities, and demands: the fragmentation of authority and weak party discipline is in favour of relatively well organised business as the former allows abundant political opportunities (Jacobs, 2016). In this case the failure of social policy expansion is constantly associated with decentralised mobilisation and class asymmetries. Welfare regime in this sense can be recognised as a changeable 'dependent variable' shaped by the contexts and actors on the one hand; it also acts, on the other, as an 'independent variable' signalling the institutional selectivity for political actors and conditioning the policy politics.

Varieties of capitalism and institutional complementarities

Based on the firm-level analysis, the Varieties of Capitalism (VoC) school initially focuses on employers' and corporation's strategic behaviour shaped by the institutional context and results in varying economic performance. It is argued that the interlocking mechanisms of a set of institutions can function as the 'institutional complementarities', which are correlated to better efficiency and comparative institutional advantage (Hall & Soskice, 2001a; Hall & Gingerich, 2009). As a concept borrowed from economics, institutional complementarities refer to the nexus between two or more policies and institutions that can lead to stability and coherence (Amable, 2003). The inter-twined system effects of 'isomorphic' institutions across various subfields of political economy, such as social protection, industrial relations, and corporate governance, constitute the institutional interconnectedness between policy regimes within given national contexts (Höpner, 2005). Put another way, institutional complementarities can act as supplements compensating for the deficiencies of particular institutions and as the synergy of institutions for mutually reinforcing (Deeg,

2007). The existence of particular institutions enhances the reproduction of other institutions and practices.

According to VoC's classification, informed by the notion of institutional complementarities, the European capitalist economies can be divided into two main groups: the liberal market economies (LMEs) and the coordinated market economies (CMEs) (Hall & Soskice, 2001; Hall & Gingerich, 2009). The LMEs, referring to the Anglo-Saxon countries, are arguably characterised by market-dominated relations and competition as firm's business strategies, with relatively limited centralisation across and within sectors and weak state intervention at policy level. Because of the meagre welfare intervention and labour regulation, the institutional context discourages firms and workers from investment in specific skills but favour generic skills as the opportunity costs are lower in the market with limited employment protection (Estevez-Abe et al., 2001). As a result, LMEs implicitly encourage cost-minimising strategies for competition, numerical flexibility of labour, short-term investment, and impatient capital as the 'low road' investment. In contrast, CMEs, referring to the Continental countries, demonstrate stronger coordinating roles for the state in organising economies, accompanied with non-market relations and institutionalised cooperation among firms and sectors. With stronger social protection and macro-economic coordination, firms and workers are more willing to invest in specific skills that favour industrial upgrading and innovations due to the lower opportunity costs and higher compensation during economic downturn. Thus, CMEs claim to take the 'high road' investment for labour and capitalist inputs; long-term investments on skill formation are, thus, incentivised and institutionalised via corporatist collective decision-making.

One of the contributions brought by VoC to welfare studies is that the understanding of welfare regimes or welfare policies cannot be separated from their institutional counterparts and contexts. Many VoC proponents emphasise the elective affinities between production regimes and welfare regimes within LMEs and CMEs (Soskice,

1999; Ebbinghaus & Manow, 2001; Estevez-Abe et al., 2001; Schröder, 2009), in which social protection and labour market institutions together institutionalise the organisation of (re)production and (re)distribution through market and non-market settings. Unemployment benefits, vocational training, employment relations, and financial systems are interlinked to co-construct distinct patterns of business model.

Hassel (2013) adopts the notion of institutional complementarities for a deeper account of the 'welfare-employment nexus'. She argues that welfare provision and wage bargaining policies inter-constrain and inter-enhance at given historical contexts, leading to the functional interdependence that shapes the economic performances and welfare outcomes. While the shift from full employment to structural unemployment is endemic in most of Western industrial capitalism, different employment structures require varying welfare systems to incentivise employment (re)entry and to compensate 'victims'. Following this logic, as the low productivity jobs and low wage sectors are more likely to concentrate in LMEs' low road economic models, their corresponding welfare-production nexus redistributes the socio-economic costs of labour market with polarised job quality (Rueda & Pontusson, 2000). Without universal social rights, occupational insurance, and generous benefit systems, the social safety net only targets the most advantaged poor and unemployed, a small segment of the whole workforce. Hence, the costs and risks of low pay and precarious jobs in the low-end service sectors predominantly shift to the employees in LMEs. This is echoed by Huber and Stephens (2001a, p.119), the 'wage levels and benefit levels have to fit, and labour market and social policies have to be in accord such as not to create perverse incentives'.

Derived from the VoC approach and welfare regime studies (Esping-Anderson, 1990), Schröder (2009, 2013) further connects the three worlds of welfare regimes to the LMEs-CMEs typology. The liberal welfare regime is arguably coherent with the LMEs over time; the social democratic and the conservative welfare regimes are consistent with the CMEs, despite some differences of state roles among two welfare regimes.

Therefore, varieties of welfare regimes are associated with the varieties of capitalism in terms of the synthesis of inter-penetrating and inter-shaping welfare-production.

Another contribution of the VoC approach to welfare research is the emphasis on employers' strategies and the firm-level studies. It is argued that the full understandings of welfare development cannot be achieved without paying attention to the key roles of capitals in reproducing and/or reshaping the production-welfare nexus (Swenson, 2002). Given that policy and economic actors are not equal in all market economies, powerful groups tend to sustain the existing setups. In contrast to the notions of class conflicts from Marxian and power resources perspectives, the VoC School upholds the cross-class alliance among employers and workers, especially within sectors and intra-firms in the CMEs (Swank, 2002, 2005; Iversen, 2005). Whilst the cross-class alliance can maintain strategies ranging from cooperation to competition, it should be noted that interest conflicts can exist between varying types of capital and industries.

Criticisms and the modified institutional approach

Despite some of the contributions and innovations made by VoC, there are two main groups of criticisms from the institutionalist and the neo-Marxian schools. First, the core concept of institutional complementarities is criticised for its over-emphasis on the economic functions based on rational-choice assumptions whilst paying inadequate attention to power and politics, resulting in a stability-prone analysis (Streeck & Thelen, 2005; Deeg, 2007; Crouch, 2010; Clif, 2014). Unless institutional misfit and abnormality emerges (Rhodes, 2005; Hancke, et al., 2007), such as instability and conflicts induced by a global financial crisis, institutional stickiness is maintained by the economic efficiency continued under the co-evolution of institutions and their functional equilibrium (Hall & Soskice, 2001). Therefore, VoC's notion of institutional complementarities shares some of insights stemming from the ideas of path dependency and policy feedback, pointing to the dominance of institutional stability and the punctuated equilibrium. Yet this functionalist and economic-centred

interpretation of welfare obscures the fact that many institutional outcomes are not designed by policy and political actors, but are the unintended and contingent consequences without actors' awareness. Therefore, the optimal state of institutional coherence cannot be assumed. Instead, institutional incoherence and dysfunctionality within regimes (Vidal, 2013a), variations within regime and hybrid systems are more likely to occur due to the instability of the institutional complementarities. It is also argued that the claim of cross-class consensus is exaggerated due to the over-reliance on micro and rational understandings of agents at firm-level (Streeck, 2011). The temptation of institutional determinism in VoC's accounts also risks overlooking ideas, conflicts, and functional complexities of institutions, resulting in the insensitivity to policy changes and institutional misfit (Lynch & Rhodes, 2016).

Some scholars, thus, call for a more dynamic interpretation of institutional complementarities which can incorporate the logic of politics and the emphasis on the state, rather than only relying on the logic of comparative advantage (Schmidt, 2009; Thelen, 2010). More recently the comparative capitalism literature considers that sets of institutions jointly maintain specific social groups' power and interests in the capitalist and national hierarchies, so the functions generated by complementarities are not necessarily conceptualised in a deterministic and static way (Amble, 2016). The institutional configuration can be negotiated and shaped by the broader social context and actors, coupled with the possibilities of hybridisation and structural reforms. Consequently, the institutional analysis of welfare capitalism should focus on how it is influenced by class conflicts, and how it reshapes the future institutional trajectories and politics. This brings us back to Esping-Andersen's (1990) historical institutional approach to the coalition of working class, middle class, and well-organised farmers that promotes the establishment of universal welfare in social democratic regimes (see below). In sum, the modified institutional approach shows that path dependence and policy feedbacks, institutional complementarities, and co-evolution can be compatible with the politics-focused power resource perspective that goes beyond the 'optimal-driven' account of institutions (Campbell, 2011). Institutional interdependence

continually adapts to the changing context (Wood & Lane, 2012). The welfare-work nexus, which lies at the heart of welfare capitalism's formation and development, co-varies in a path-dependent manner that allows contingent institutional changes and continuity.

The second criticism on VoC comes from the Marxian perspective. It is argued that VoC paid inadequate attention to the global capitalist crisis, contradictions of capitalist systems, and the constraining forces of the capitalist social relations; as a result, the VoC is claimed to overlook the power asymmetries between capital and labour, and to take the structural changes of capitalism for granted (Bruff, 2011; Coates, 2014). In other words, the comparative capitalism literature tends to separate the analysis of institutional interdependence from its overarching structures, leading to the opaque relationships between institutional configurations and the capitalist structures. Under the logic of institutions, the VoC and even HI are in favour of an 'institutional reductionism' which may exaggerate the autonomous role of institutions and models of welfare capitalism. This further generates the potential threat of pluralism and voluntarism in the analysis of institutional and policy choices, through which varying institutions and actors are at the same playing fields. Whilst some Marxian commentators may to a certain extent agree with HI's and VoC's observations on institutional dynamics and diversity within capitalism, HI and VoC see the wood instead of the trees and they are too soft for social theories to challenge the hegemonic knowledge of capitalism (Vidal & Peck, 2012). They fail to explain uneven development within capitalism, i.e. some institutions and regimes are more powerful than others due to structural domination and marginalisation of others.

To avoid the temptation of pluralistic and voluntaristic notions of institutions and actors, and the failure of the naïve convergence thesis, some Marxian scholars with interests in institutions propose the ideas of 'varieties in capitalism', 'capitalist diversity', and 'variegated capitalism' to suggest capitalism as an inherently heterogeneous system with diverse accumulation patterns (Bruff, 2011; Jessop, 2015).

By bringing 'capitalism' back in the studies of institution, political economy has to recognise the inherent features of capitalist structures and the selectivity of powerful actors, and to go beyond the institution-centred narrow perspectives. Instead of focusing on horizontal relations between capitalisms and regimes, a critical approach to the political economy of capitalist institutions should recognise their inherently hierarchal orders and the variegated structure and crisis-prone global capitalism. There are two implications for welfare research. First, welfare institutions cannot be isolated from the surrounding institutional contexts and the overriding structure, such as the political economic forces of transnational post-industrialisation, neoliberalisation, and financialisation to shape welfare policies. Second, welfare policy cannot be understood without paying attention to its capitalist institutional characteristics underpinned by the logic of accumulation and class politics of distribution.

Logic of actor-focused politics: power, interests, and ideas

Apart from the Marxist and institutional approaches, the third perspective on welfare political economy can be identified by the logic of actor-focused politics. Despite its relevance to and inheritance from the previous two schools, this actor-focused approach is heterogeneous and carries many competing arguments. The reason to put them under this umbrella is that they share a focus on the power, interests, and ideas of collective actors, but with different emphasis. Their explanation of political economy in general considers that (welfare) institutions are enacted, interpreted, and reinvented by reflexive and organised actors with collective interests (Streeck, 2011). One of the agential perspectives informed by the institutional approach is the statist or state-centred analysis that addresses the capacities and roles of state managers, within-state systems, and state architecture (Skocpol, 1985; Amenta & Skocpol, 1986; Block, 1987; Rothstein et al., 2012). This perspective places central emphasis on bureaucratic and administrative capacity, including policy choices such as policy learning, and state action-inaction. The idea is that the pursuit of state elitists' interests and the capability of bureaucratic governance can explain the paths of welfare

expansion and implementation. Whilst this line of analysis is mainly located in the public administration and policy process literature, three strands of actor-focused political economy of welfare studies will be discussed in detail: power resources, business roles, and ideational embeddedness.

Power resources approach, partisan politics and welfare movements

In contrast to VoC's spotlight on the cross-class alliance and coalitional politics for the economic functions of welfare capitalism (Coates, 2005), the power resources approach (PRA) pays attention to conflicted interests and their impact upon welfare development. This society-centred perspective stemming from Marxist class accounts explains welfare policies as the result of the bargaining between centralised organisations rooted in class relations, i.e. the corporatist negotiation among trade unions and business organisations (Therborn, 1986). The initial focus of PRA is on the roles and capacity of trade unions under tripartite systems and it afterwards extends to the roles of left-leaning parties and alliances under capitalist democracies; the unions and parties are the crystallised power of working and non-capitalist classes for mobilisation and redistribution.

Under the PRA's notions of class politics, the bourgeoisie cannot determine the outcome of welfare policy as they wish but this is negotiated based on the relative strength of the working class (Korpi, 1983; Esping-Andersen, 1985; Hicks, 1999), with the claim of 'class politics against market power'. The power resources perspective is also informed by Titmuss's typologies of welfare state, in which class power and forms of welfare are inter-penetrating (Béland & Mahon, 2016). Institutional welfare, thus, results from strongly cohesive working class power, whilst residual welfare is associated with a weak labour movement and left-leaning parties; institutional welfare can in turn fuel the advent of a broad working class, such as a workers-peasants alliance (Esping-Andersen, 1985), by engulfing the latter's general interests in the architecture of the welfare. Yet residual welfare further divides the working class between 'have' and 'have not', which undermines class solidarity and power. Esping-

Andersen's work (1990) on the comparative politics of welfare capitalism via the lens of welfare regimes blends an institutional analysis of welfare into the historical analysis of class politics. Welfare regimes are arguably driven by the existence and extent of class-alliance for welfare provision with partial de-commodification effects, which weakens the reliance of workers on employment and market. Welfare in this sense is necessarily pursued by workers and rejected by employers under a zero-sum distribution of interests. The conventional PRA, thus, highlights the mutual reinforcement between social democratic parties and trade unions as the democratic form of class struggle that transfers the collective power at workplace into the political sphere against the business' power (Korpi, 1983; Esping-Andersen, 1985). The influences of partisan differences on class-based welfare politics are not only associated with the patterns of welfare expansion, but are also reflected in the extent of the austerity and welfare retrenchment across incumbent parties in different countries (Korpi, 2003; Allan & Scruggs, 2004). The persistence of class and social politics is continually manifested by the interconnectedness between left-leaning parties and the more positive outcome of welfare policy.

Against the backdrop of increasingly complex attitudes of political constituencies and interest groups, the second wave of PRA moves the partisan politics of welfare towards more context-dependent and sensitivity on the changing party-electorate nexus. Hence, it is suggested that party politics and the social support for the welfare state need to be rethought as the supporters and their aspirations for social policies shift from the male industrial working class to the young educated services workers, women, and middle-class liberal voters with more cultural concerns and different social risks (Häusermann et al., 2013). In contrast the traditional supporters of leftist parties are shifting their preference to anti-immigration and welfare chauvinist policies, increasingly dominated by the right-wing populist parties. The changing composition of left-wing support alone cannot displace the historically institutionalised welfare provision but requires the aid of a particular set of electoral institutions and party systems. Whether two-party or proportional representation does matter in shaping political outcomes: under

proportional representation it is easier to trigger religious and regional social conflicts through elections. The resultant competition dynamics can undermine the causal power of left-leaning partisan politics against austerity and retrenchment (Huber & Stephens, 2001). Notwithstanding the expansionary tendency of leftist incumbency, unions and left-wing governments may have varying policy preferences among welfare alternatives under similar ideologies (Jensen, 2012), so as a whole they cannot guarantee the prevention of welfare reforms and spending cuts. Some hold that despite the complexities of partisan politics, the strength of unionisation still matters as a complement to left-leaning parties that favour class-based welfare arrangements (Kwon & Pontusson, 2010; Edlund & Lindh, 2015). Hence, much of the welfare politics literature upholds the importance of political inertia and difficulties of retrenchment due to the electoral pressures for blame-avoidance. Notwithstanding this, some reject these notions as the public's increasingly negative attitudes towards state welfare paving the way for right-wing parties to dismantle welfare as a blame-avoidance strategy in the era of austerity (Giger & Nelson, 2011; Bonoli, 2012).

Some variants of the PRA focus on the roles of social movements and civil society in promoting and shaping welfare policy as a complement to the partisan analysis. In the field of social policy, the poverty literature and social administration traditions are criticised for their constant ignorance of 'power and interests from below', i.e. poor people's politics, the roles of societal dynamics, and public opinion in the making of welfare policies (Annetts et al., 2009; Piven & Minnite, 2016; Ebbinghaus & Naumann, 2018). Therefore, the concepts of 'policy responsiveness' and policy feedback are used to assess the extent to which and how governments respond to the social demands. Some term the social forces and mobilisation for introducing various types of welfare policies as 'social welfare movements' (Martin, 2001; Annetts et al., 2009). Whilst the traditional well-organised unions in the 'old' social movements contributed to the establishment of worker-related benefits, the 'new' social movements yielded the new welfare associated with new social risks for women, people with disabilities, LGBT, and ethnic minorities. The diverse branches of social movements and advocacy

organisations struggle in the discourse framing and are of vital importance to strive for and control over the provision of public services.

Barker and Lavalette (2015) take a Gramscian perspective on the 'hegemonic battle' to argue that the maintenance of dominating ideologies from the ruling class is unstable and open to challenge by resistance from the civil society. Despite the absence of parliamentary democracies, the purposeful and unintended forces of social movements should not be neglected in pre-democratic and authoritarian states. In particular the social conflicts in those regimes are not mediated through democratically institutionalised mechanisms, but act as a 'threat' for the ruling parties and result in a compromise of some welfare expansion. The social welfare movements in these non-democratic regimes tend to align with the demands for democracy and against neoliberalism, yet their claims appear in a more fragmented and small-scale way via network-based mobilisation than the unified voices from unions and parties.

In a nutshell, the PRA combines the agential perspective without losing sight of the capitalist class structure and institutions. Although the objective impact of partisan politics is increasingly inconclusive in the face of welfare retrenchment, the roles of unionised class conflicts, social welfare movements, public support and attitudes, and policy responsiveness are significant in shaping the trajectories of welfare politics in all types of state. As a strand in critical theories of welfare political economy, it has to bring the structural bias of the capitalist contexts into focus and to admit that some political and policy actors enjoy more power than the working class, i.e. employers, technocratic and other elites, and their representatives, whose interests and perceptions are not considered enough under the traditional PRA.

Business's power over and preferences of social policy

The second prevailing actor-focused perspective emphasises the roles and power of business and employers in shaping social policy. It is of great importance to bring 'business' back to welfare research as inadequate attention to the relationship between welfare and business would underestimate business in policy making and free

it from corporate governance and societal monitoring (Culpepper, 2011). Despite the same unit of analysis as the VoC approach, the literature on social policy and business adopts a more nuanced and structural view on the roles of corporations. Two main themes can be identified in the business-related welfare studies (Paster, 2015): power dynamics and policy preferences of business. The power dynamics of the business-welfare nexus can be further classified into structural and agential (Farnsworth & Holden, 2006). Structural power of business in social policy-making refers to capitalist states' dependence on private investments and profits as sources of tax revenue, in which the 'exit power' of capital is strengthened under the pressure of 'free' movement of international capital and withheld domestic regulatory power (Hacker & Pierson, 2002). Agential power implies the capabilities and autonomy of employers' organisations and pro-business parties in political, economic, and social domains. Accordingly, three aspects of business power as inputs to social policy are mapped (Farnsworth & Holden, 2006): first, the political engagement of business in the policy-making process by lobbying and funding political activities; second, the formal and informal institutional participation based on business' capacity for decision-making and agenda-setting in government bodies; finally, the provision and production of welfare services fuelled by privatisation and outsourcing. It should be noted that the so-called agency of business is institutionally constrained by the relative strength of state regulation and capital mobility. In addition, corporation's abilities in spinning, lobbying, and communication are also regarded as agential power in interest framing and image packaging, interacting with the civil society and government (Miller & Mooney, 2010).

For social policy preferences, whilst the PRA always emphasises employers' hostility to welfare with de-commodifying functions (Esping-Andersen, 1990; Hicks, 1999), the business-focused approach rejects PRA's assumptions of necessarily zero-sum preferences between capital and labour, and business' fixed opposition to welfare development. Therefore, employers can support welfare expansion in favour of their own short-term and/or long-term interests (Paster, 2013, 2015). Many studies evidence that corporations have different strategic preferences and responses to the

constraining context, through which employers adopt strategic adaptation and make compromise with the second best option (Skocpol & Amenta, 1985; Hacker & Pierson, 2002). Hence, the relative strength of business in crafting the welfare state is one face of the same coin with the relative autonomy of the capitalist state. In the case of the US Social Security Act passed after the Great Recession, the business federations attacked the Act whilst large corporations showed more genuine preferences to support state welfare to ease the regulation for lay-offs, so the latter supported state-funded welfare instead of private company welfare to create greater fair play between corporations within sectors (Paster, 2013). In the case of US health reform, the silence of corporations in welfare expansion is attributed to the contradictory ideas within the business sectors, leading to the incoherent and ambiguous posture that limited the veto power of business (Smyrl, 2014). Put another way, the business organisations and sectors as a whole have some unified interests and organised power, yet their interests are heterogeneous and may have diverse responses to welfare development, depending on sectoral differences and corporate size. Cross-class alliance in this sense can exist and arguably go beyond the zero-sum interests and power balance (Swenson, 2004).

Informed by the VoC literature, although some support of welfare expansion from the employers could be documented from the CMEs, it is hard to expect business support for social protection in LMEs (Paster, 2015). As a result, the social policy references to business are said to be filtered and actualised by institutionalised power asymmetries. Moreover, different policy fields may indicate varying logic of business as some social policies are more conducive to skill advancement or replacement for raising productivity; enterprises of smaller size and with greater risks of employment tend to be more positive towards state welfare to share their burdens (Hall & Soskice, 2001a; Mares, 2001). It is argued that the extent of coordination and production strategies of firms is shaped by the regulation of occupational welfare or provision of state welfare in CMEs. Without traditions of corporatism and organised labour and business, the private sector's power and interests are institutionally embedded and strongly

protected in LMEs and liberal welfare regimes. Meyer and Bridgen (2012) illustrate that employers' organisations can strategically support state pensions in the UK due to the rising costs and losing freedom brought by the increasing state regulation on the private sector. Employers' interest may be more firm-specific and different from private insurers' market-based interests; their rational calculation of costs and benefits gives birth to the strategic compromise and pragmatic attitudes towards welfare development under the political reality.

Synthesis of institutions, power resources, and business

In brief, employers may support social spending because of skills formation, investment considerations, and the pressing needs of individual corporations. Social welfare in general compensates for losers in firm's re-engineering and relieves fiscal and socio-political pressure for corporations during recessions. However, the actual benefits of welfare for enterprises are institutionally embedded in line with the extent and forms of employers' association (Martin, 2010). For instance, the horizontally networked business organisations, with similar enterprise members, tend to reinforce the competition among members and limit the possibilities of coordination. It is argued that the pluralistic networks with less centralising features allow members to pursue their own interests; corporatist organisations with centralised hierarchy are more likely to enhance the shared commitment, consensus, and collective action for the whole. As a result, the level of corporatism or social partnership can trigger employers' various political strategies and cross-class coalition, resulting in varieties of liberalisation across market economies (Thelen, 2012). In addition, the structure of political institutions also shapes business' political behaviour: the two-party system favours moving towards median voters and the voices of business sector are mixed with more diverse concerns under the broad central-right parties; under proportional representation (multi-party system) it is relatively easier to unite the business as a whole for a party-organisation that at best represents the interests of enterprises (Martin, 2010).

Korpi (2006) contends that skill is not the ultimate goal of employers but profitability, which makes the claims of cross-class alliance superficial and conceals the fundamental nature of class-focused distributional and partisan politics. By classifying protagonist, consenters, and antagonists, Korpi differentiates employer's diverse attitudes to welfare development, in which business tends to be consenters instead of supporters. Consequently, the so-called 'consent' and 'involvement' of employers is the result of strategic calculation and accommodation amid class-related partisan politics. Therefore, PRA can be informed by employer-focused analysis and suggests that the emergence of many earning-related benefits is associated with the incumbency of left cabinets on the one hand; employers' scepticism to unemployment benefits for raising reservation wages leads to the later introduction of this welfare type, on the other hand (Korpi, 2006). This analytical perspective connects the power resources of workers and employers' interests, which is echoed by Paster's (2013) arguments: the acceptance of employers of social reforms and welfare expansion consistently depends on how these benefits can promote labour (re)commodification that endows workers with little autonomy and bargaining power.

Whilst the employer-focused analysis can contribute to welfare studies by paying more attention to the powerful actors, it should be placed within a class and capitalist context. Class politics and employers' strategic consent are both central to the actor-focused analysis of welfare political economy, as the micro-foundations of distributional politics is continually characterised by the contrasting interests between socio-economic categories with different life-course risks and economic resources (Korpi, 2006).

Ideational embeddedness of social policy

The third body of actor-focused literature is marked by the rising tendency to take ideas and discourses more seriously in welfare studies. Drawing on the 'fourth neo-institutionalism' and cultural political economy theories, this 'ideational approach' to social policy maps the symbolic implications of policy content and shows how

ideologies, culture, and narratives explain the development of and struggle over social welfare (Béland & Petersen, 2017). Although the notion of 'policy paradigm' comes from the field of public policy, it insightfully refers to the set of ideas and standards pointing to distinct policy problems, goals, and instruments (Hall, 1993). Hence, the question is not *whether* ideas matter or not but *how* they matter to social policy. In order to studying policy ideas in a more systematic manner, some defines ideas as specific conceptions of problem-definition and tool-selection that make sense of the policies (Campbell, 2002; Schmidt, 2008); others substantiate 'policy ideas' as the causal beliefs possessed and promoted by actors in the broader symbolic context and the everyday talk, carrying different assumptions, concepts, and language of the operations of the society (Béland & Petersen, 2017).

In addition, policy ideas could be classified into two main groups (Campbell, 2002; Schmidt, 2008). The first of which is the 'normative idea' that describes what right and good is under the logic of appropriateness and righteousness. Behaviour-focused social policies always criticise particular behavioural patterns of social groups and address the needs to rebuild desirable models on the basis of morality. The second type of policy idea is the 'cognitive idea' that defines what and how the problems and solutions are based on the logic of instrumentality and rationality. Therefore, social policy ideas driven by cost-benefit calculation emphasise the means-ends relationship between the achievement of policy goals and the assessment of policy impacts. Whilst the normative and cognitive ideas are not mutually exclusive, they have own logic and varying foci that demonstrate different types of ideational politics. Furthermore, they are both characterised by three levels of ideas: policy, programmatic, and philosophical (Campbell, 2002; Schmidt, 2008). These policy levels refer to the concrete and explicit description of policy instrument and solution; the programmatic level denotes the underlying assumptions and explanatory logic of the policy; the philosophical level is about the values and principles of society hidden in the policy. It is argued that various policy ideas are generally embedded in all policy process, ranging from agenda-setting to policy implementation and evaluation (Béland & Petersen, 2017).

Along with social policy ideas are the concepts of policy discourses, which points to the 'interactive process of conveying ideas' via legitimisation and communication (Schmidt, 2008, p.305). Different from the Foucauldian sense of discourse, the conceptualisation of policy ideas and discourses, suggested by the 'discursive institutionalism' (Schmidt, 2008) or 'constructivist institutionalism' (Hay, 2011), is closely tied to the materialised institutions without reducing institutions to narratives. The battles of policy ideas and the employment of framing strategies during policy formulation are carried out and mobilised by policy actors, such as state bureaucrats, advocacy groups, and employers. In so doing, policy ideas are channelled through varieties of media and challenged by competing frames of meaning-making among the actors. As a result, bringing idea and discourse back to social policy studies can offer a more dynamic perspective on policy development because the roles of idea and discourse in promoting changes are overlooked in the stability-prone and equilibrium-centred literature of path dependence (Schmidt, 2008). Ideas and discourses can act as the 'filter' of social meanings through which economic interests are normatively reinterpreted in line with moral identities (Hay, 2011), leading to the more complex understandings of political behaviour and social class.

Ideas and discourses in this sense are related to the notions of 'background ideational power' and 'foreground discursive power', which enable policy actors to maintain and/or challenge the existing 'ideational regime' by three ways (Carstensen & Schmidt, 2016): the 'power through ideas' as the ability of policy actor to convince and win others' consent; the 'power over ideas' as the capacity to implant policy ideas and reject any undesirable ideas in the public sphere; the 'power in ideas' as the capability to construct hegemonic understandings. These three sets of ideational power cannot be separated from the policy actors and circumstances. On the one hand, policy ideas can empower actors by offering alternative arguments to compete with old perspectives, and foster the 'multi-vocality' of consensus; on the other hand, authoritative actors can materialise and institutionalise particular ideas at given symbolic and policy contexts (Parsons, 2016). Blyth (2002) shows how the neoliberal

ideas challenge the pre-existing economic ideas and contribute to the institutional change in favour of market doctrines and corporations. Béland and Cox (2016) also term the shared policy ideas as the 'coalition magnets' that can tie different policy actors together in policy change or continuity by empowering the policy entrepreneurs with varying discursive strategies.

Besides the political roles of policy ideas, ideational development is specifically attributed to the institutional change in the welfare state and social security (Wincott, 2011). It is argued that the institutional moves during 1939 Social Security amendments and the social security privatisation in Nixon's government both involved the alteration of policy ideas driven by electoral competition and the interests of employers and financial sectors (Béland, 2007). More importantly, the ideational embeddedness of welfare (un)deservingness is regarded as a necessary condition for the reforms of poverty relief. Somers and Block (2005) compare the 'ideational mechanisms' shifting the policy focus from poverty to perversity in both 19 century's Britain and 20 century's America. The embeddedness of new welfare ideas in two cases leads to the replacement of the old poverty relief by introducing new market-driven and poor-blaming welfare systems. The notions of market fundamentalism are connected to the behavioural demonisation of the poor, which discredits the social protection and re-embeds the labour market in favour of employers.

As a complement to the institutional analysis, the ideational perspective identifies the interplay and co-embeddedness between ideas and institutions as the necessary but insufficient conditions for welfare development. However, it is of vital importance to acknowledge the unequal status and power of ideas to avoid the risk of ideational pluralism. By bringing together the semiotic-cultural and structural-institutional dimensions, Sum and Jessop (2015) suggest applying the cultural political economy perspective to refine the idea scholarship of policy studies with different levels of analysis in historical description, hermeneutic interpretation, and casual explanation. This perspective recognises the argumentative or cultural turn of policy studies and

situating the policy ideas and discourses in the extra-cultural context of capitalism through which policy actors both engage in and are shaped by the ideational mechanism. Therefore, policy issues, such as 'crisis' and 'benefit', are necessarily structural products and cultural constructs.

Understanding the forms and paths of welfare development

Whilst there are different theoretical assumptions and emphases in neo-Marxian, institutional, and actor-focused approaches to welfare explanation, the institutional perspectives perhaps are the most sensitive to the development forms and paths of welfare systems as there are lots of debates within this school. The understandings of social policy evolution and of the relationship between policy inputs and outputs are far from straightforward and conclusive in the empirical studies. In general two main foci revolve around welfare development: the complexities of retrenchment and expansion, and the disputes between continuity and change.

Regarding the divide between expansion and retrenchment, some institutional theories tend to consider them as contradictory and mutually exclusive forms of welfare development. Esping-Andersen (1990) puts welfare expansion as the enhancement of welfare de-commodification characterised by increasing duration and generosity of out-of-work benefits. Pierson (2001a) defines welfare retrenchment as the tendency of residualisation and cutback of a welfare regime by recommodification, recalibration, and cost-containment. Whilst these two trajectories of state action receive much attention in welfare research, it could be misleading to put a dichotomy between expansion and retrenchment. For this reason, some studies recently add complexities and blur the boundaries between the divisions. Seeleib-Kaiser (2008) focuses on the dynamics in the changing public-private mix, including the new state roles of provision, regulation, and finance. It is suggested that the evolution of welfare provision and social regulation can appear in the forms of expansion, retrenchment, and stagnation (Levi-Faur, 2014). Notwithstanding, these seemingly contradictory forms of evolution are sometimes conflated in practice with mixed appearances

according to policy actors' political needs and constraints of domestic institutions. Some austerity measures are implemented alongside certain forms of welfare increment as compensation or pacification, which can be classified as 'expansionary retrenchment' (Jensen et al., 2014). Furthermore, the 'new politics of new welfare' thesis maps the changing combination matrix of welfare expansion and retrenchment across social risk types (Häusermann, 2012). Except for the overall expansion and retrenchment, the expansion of welfare for new social risks, such as childcare and activation, can be aligned with the retrenchment of welfare for old risks, such as unemployment benefits and pensions. Therefore, the expansion, stagnation, and retrenchment do not necessarily appear in clear and explicit patterns.

The second line of dispute between policy continuity and change is also understood best by a spectrum of institutional development (Béland & Powell, 2016), with one end of general policy continuities and freezing, and the other end of radical changes. As the aforementioned HI and VoC approaches suggest, abrupt policy changes only exist in the presence of exogenous shock at the given critical juncture in a pattern of punctuated equilibrium. Despite their contrasting foci on welfare transformation and retrenchment, what Pierson (1994, 2001b) indicates is that the institutional resilience of the US and UK to dismantling forces confirms Esping-Andersen's analytical tool of 'regime' (1990, 1999), which exhibits strong institutional stability and coherent logic embedded in particular national welfare systems. In other words, barriers to large-scale change can be expected. On the other end are the radical and fundamental changes that are uncommon themes in the institutional and social policy literature. Rather than explanation, one of the most famous descriptions of substantial policy change comes from the 'paradigm shift' thesis (Hall, 1993). This involves the entire displacement of policy goals, instruments, and related settings. Although paradigm shift is relatively unusual, the path-breaking or path-departing of policy trajectories is possible at given circumstances.

Forms of incremental policy change

Instead of radical policy change and/or freezing, the notions of power dynamics and ambiguous contingency prevent the over-functionalist and stability-centred understandings of institutional development due to policy actors' imperfect information, unawareness, and incapacity to determine the policy outcomes (Streeck & Thelen, 2005; Mahoney & Thelen, 2010). In-between the two ends in the spectrum of policy development are the middle ground of incremental and implicit changes which manifest the underpinnings of policy change always appearing in a messy way that requires more nuanced conceptualisation (Howlett & Cashore, 2009; Béland & Powell, 2016). Hence, the gradual changes are then regarded as cumulative and can turn to paradigm change at a given time, and some forms of change tend to be more hidden than others (Hacker, 2004). The widely applied typologies of institutional change over last decade are the four modified forms of incremental changes suggested by Mahoney and Thelen (2010); they go beyond early institutionalism's over-emphasis on stability but reclaim the significance of negative returns or self-undermining feedbacks of policies. Each type of change relates to a set of institutional arrangements, policy contexts, and actors' engagement.

The first of which is the 'drifting' of institutions. This refers to the unchanged policy directions against the changing circumstances. The inaction of state policies implies that obsolescence is crafted under the existing mechanism, despite the shifting forces external to the policies *per se*. This mirrors the hurdles for actors to converse and alter the policies within the freezing power of the systems. Drifting is more likely to appear in the political institutions with strong veto-points and veto-player that restricts direct transformation of the status quo. Although the modification and replacement of policies is rare under this context, the space of discretion for interpretation of rules and policy goals is still possible, in line with the relaxed regulation of policy implementation. The policy actors supporting drifting are those relying on and complying with the existing policies for the sake of interest and/or shared beliefs, and

they are coined as the 'parasitic symbionts' that can adjust the framing of policies according to the changing environment without real policy changes (Mahoney & Thelen, 2010, p.28).

The second type of change is 'layering'. Due to the immense barriers for internal policy conversion and limited space for discretion and policy re-interpretation, the existing policies also tend to be frozen by the strong veto-points and veto-players. Yet as long as the institutional contexts allow the challengers to generate pressure on the incumbent regime, new policies can be added on and parallel to the old policies. The policy actors are regarded as 'subversives' who attempt to displace the policies without violating their rules or explicitly eliminate them. By only promoting new practice alongside the old policies, the changing agents in turn undermine the foundation of the old systems as 'against the system from within it' (Mahoney & Thelen, 2010, p.26).

The third type of change is 'conversion', which means redirecting the goals of old policies and redefining their new roles. Conversion necessitates the spaces for discretion and reinterpretation to move the existing setup as a set of internal changes within the systems. For this reason, conversion can only emerge in the political institutions with few veto-points and veto-players, in tandem with the use of ambiguities for redirecting policy goals and redefining problems. Policy actors in this sense are termed as 'opportunists' because they want to alter the old policies without directly overturning them due to the high political costs; they manifest strategic tolerance to the policy defenders or even opt to cooperate with the latter in order to circumvent any risks for real conversion.

Finally, the total elimination and replacement of the existing policies and/or rules with new alternatives is called 'displacement'. This type of change is executed in the presence of weak veto-points and veto-players, with limited space for discretion and meaning-negotiation. The protagonists of displacement come from the social groups who directly oppose and seek to scrap the existing policy. As a change agent these

policy actors are named as ‘insurrectionaries’, posing serious challenges and showing no conformity to the status quo.

Not only are these four types of incremental policy change not mutually exclusive, they can also be shaped by actors and contexts for promoting change or maintaining status quo at varying degrees and ways. Campbell (2010) holds that institutional change and reproduction can co-exist and mutually-constitute as some social forces can both change and entrench the institutions in the path-dependent manner. Thus, it is of vital importance to investigate the mechanisms for generating persistence of institutions and the conditions weakening reproduction of institutions, pushing the boundaries of change and continuity (Béland & Powell, 2016; Jacobs, 2016). Translating the notions of conversion and layering into policy studies, four dimensions of welfare state changes can be mapped as strategic adaptations to the new circumstances (Hemerijck, 2013): functional change refers to the new policy instruments for dealing with new risks; normative change denotes the reorientation and/or reiteration of moral foundation and values; institutional change points to the shift of the rules imposed by and roles attached with the changing governance at varying scales; distributive change implies the relocation of welfare provision within and across different social divisions and interest organisations. In brief, the implication of the institutional change perspective for social policy is that any ‘new’ welfare policy initiated by policy actors should be understood in the pre-given context, within which it interacts with the old and/or existing policies, responds to the ascendant issues, and reshapes the distribution of interests and power.

Conclusion: towards an institutional approach to welfare political economy

The main arguments and foci of different political economy schools on welfare development are summarised in Table 2.1. The neo-Marxian, institutional, and actor-focused perspectives with their own theoretical branches have contrasting explanatory logic and emphases on particular patterns of welfare development. Whilst these perspectives do not take the *individual actor* into account, they involve the structures,

institutions, and collective-cum-powerful actors at different analytical levels. Hence, it is possible to incorporate some of their common grounds to focus on the interplay between structural context, institutional arrangements, and actions of collective actors in order to understand the dynamics of social policy.

This relational conception of structure-institution-agency can adapt what Marx (1954 [1852], p.10) claimed in *The 18th Brumaire of Louis Bonaparte* into social policy studies:

[People] make their own *welfare policy*, but they do not make it as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past.

This insightful argument is strongly relevant to social policy studies as it explains welfare development in terms of human construction historically constrained by circumstances. The social policy theorisation should address the roles of structure without determinism, of function without functionalism, of relative autonomy without voluntarism, and of institution without reductionism. Lynch and Rhodes (2016) argue for a political economy of welfare state that recognises the systems of power distribution and the linkage between welfare institutions and ideational forces.

Table 2.1 Explanatory Logic of Welfare Political Economy

Logic of welfare development	Driving force of welfare development	Emphasis on welfare development
Neo-Marxian perspectives:		
<ul style="list-style-type: none"> ■ Instrumental-functional approach ■ Strategic-relational approach 	<ul style="list-style-type: none"> ■ Functional needs of accumulation and legitimacy for capitalist state ■ Capitalist contradictions and relative autonomy of the state 	<ul style="list-style-type: none"> ■ Emergence and expansion of welfare ■ Fiscal and legitimacy crisis of welfare state ■ Strategic dilemmas of the state
Institutional perspectives:		
<ul style="list-style-type: none"> ■ Historical institutionalism ■ Varieties of Capitalism 	<ul style="list-style-type: none"> ■ Path dependence and positive returns ■ Political institutions and veto-point ■ Exogenous shock and endogenous pressure ■ Institutional complementarities ■ Comparative advantage on competition or coordination 	<ul style="list-style-type: none"> ■ Punctuated equilibrium and policy continuity ■ Institutional resilience to welfare retrenchment ■ Incremental policy changes: drifting, layering, conversion, and displacement ■ National differences between different market economies ■ Firm's strategies and types of social protection

Actor-focused perspectives:

- Power resources approach
 - Within-class coalitions
 - Incumbency of left cabinets and strength of unions
 - Class-based partisan politics
- Business and social policy
 - Business' power over and preferences of social policy
 - Cross-class coalition and business' strategic accommodation
- Ideational embeddedness:
 - Power of policy ideas and discursive justification
 - Normative and cognitive perspectives on welfare
- Support for welfare expansion and resistance to retrenchment
- Attitudes towards and policy responsiveness on welfare distribution
- Social welfare movement and advocacy groups
- Welfare de-commodification rejected and constrained by corporate
- Welfare (re)commodification strategically supported by corporate
- Paradigm shift and ideational dependence of welfare policies
- Institutionalisation of policy ideas

(Author's interpretation)

Drawing on these integrated understandings, it is reasonable to take a general 'institutional approach' to welfare political economy for two reasons. First, the institutional approach implies a middle ranged or meso-level welfare studies that can connect and mediate the capitalist structures and powerful actors. Second, the institutional approach is relatively context-dependent and actor-sensitive, allowing an open-ended and dialectical analysis of tendencies and counter-tendencies in the making of welfare capitalism.

Regime perspective to studying welfare: institution, idea, and interest

It should be noted that many of the aforementioned theories are rooted in Western societies with a history of industrialisation and democratisation. To what extent these concepts can analyse the welfare development of Asian context is a central question for welfare studies in authoritarian societies without experiencing the 'Golden Age' of post-war Keynesian welfare state (Walker & Wong, 2013; see also Chapter 1). Whilst welfare capitalism cannot be assumed only on the basis of democratic capitalism, the institutional political economy framework is still relevant and useful to investigate the welfare development led by the authoritarian states and market economies. As long as the existence of capitalist states, market economies, civil societies, and most importantly welfare policies, the institutional approach can capture the distinct contexts in any societies by focusing on the analysis of 'regime'. This echoes some institutionalists putting forward a dynamic research agenda of institutional political economy by connecting the micro levels of actors' roles in shaping institutions, meso levels of linkages between institutions, and macro levels of capitalist politics (Deeg & Jackson, 2007). The theorisation of institutional development lies in the identification of mechanisms that reproduce and change policies. As Streeck (2011) argues, capitalism is not a self-regulating system and the understandings of market economies should be tied with the collective politics. In order to investigate capitalist institutions, the perspective of regime as historically structured and crystallised institutional ensembles is useful for institutional political economy of welfare.

The leading 'regime' studies in relation to social policy belong to the comparative welfare regime studies suggested by Esping-Andersen (1990). He defined 'regime' as a set of institutional and organisational arrangements that are 'systematically interwoven', which implies the interrelatedness of distinct fields of institution. Esping-Andersen highlights the multi-dimensional characters of a regime for welfare provision which goes beyond the sole focus on the state, i.e. the relationship between state, market, civil society and informal sectors. By using a historical-institutional approach, three worlds of welfare capitalism are classified: liberal, conservative, and social democratic regimes. The liberal regimes mainly refer to the Anglo-Saxon countries characterised by strong market forces and weak state welfare; the conservative regimes point to the continental and Mediterranean European countries with strong Catholic familial cultures and corporatist systems; the social democratic regimes are those Scandinavian countries with strong support for state provision of welfare services. Although the typologies are controversial, welfare regimes contribute to social policy an understanding of the interdependencies of particular focus of social protection, the politics of class coalition, and labour market stratification (Chapter 4). Welfare regime studies are inherited from Titmuss's (1958) classification of welfare models into residual, institutional distributive, and industrial-achievement. Also, the instituted process of welfare as a de-commodification of labour power to counter market society is inspired by Polanyi's (1944) historical-institutional analysis. On the one hand, these dynamics constitute the relative stability or long-term co-embeddedness as the defining features of regime. On the other hand, the regime framework of institutional interconnectedness is compatible with the institutional complexities under the lens of co-evolutionary perspective (Campbell, 2010). Consequently, there is no guarantee of a certain developmental trajectory of a regime and the nature and social meanings of institutions are perpetually ambiguous and open to interpretation and contestation.

As well as the institutional perspectives of regime theory some neo-Marxian theories are also sensitive to the capitalist institutional configurations. The French

Regulation Approach (RA) suggests that capitalism in different stages is characterised by a distinct accumulation regime and a corresponding mode of social regulation (Boyer, 1990). Moreover, RA's counterpart in America, the Social Structure of Accumulation School (SSA), also emphasises the institutional embeddedness of capital accumulation into the social structure at given context (Kotz et al., 1994; McDonough, 2015). The crisis of the Fordist regime of accumulation in 1970s induced its replacement with varieties of post-Fordist production regimes, which is accompanied with the shift from Keynesian Welfare National States (KWNS) to the Schumpeterian Welfare Post-national Regime (SWPR) (Jessop, 2002). The regime notion in SWPR indicates the complexities of welfare capitalism that involves various actors in the governance of welfare production. Facing with the Fordist-Keynesian crises, the competition states strive for new strategies of profit and competitiveness in relation to the corresponding welfare reforms (Neilson & Stubbs, 2014; Jessop, 2016).

Despite the recognition of institutional complementarities and capitalist diversity, the neo-Marxian perspectives pay more attention to the capitalist imbalances, instability, and crisis-tendency (Boyer, 2004, 2011; Jessop, 2002). Due to the capitalist contradictions and crises, the corresponding 'institutional fixes' as policy adjustments are necessary but not designed in a perfect way. The clashes between world market of capitals and world of states are expected and the co-evolution of accumulation regime and mode of regulation is never stable (Jessop, 2016). RA's and SSA's evolutionary and institutional perspectives to investigate various stages of capitalist development are key for social policy research because welfare policies as part of the welfare regime intersect with and shaped by the broader mode of accumulation. More importantly, it is argued that attempts at institutional fix or a new accumulation regime, such as post-Fordism or financial capitalism, can turn out to be institutional dysfunctionality (Vidal, 2013a). Therefore, the unpredictability and unintended consequences of welfare regimes are a corollary of capitalism. Regarding the studies of capitalist institutions, Kannankulam and Georgi (2014) suggest a historical materialist approach to policy analysis that incorporates the

roles of context, actors' negotiation strategies for hegemony, and the policy process as the condensation of power relations.

More specifically, May and Jochim (2013) define 'policy regime' in public policy studies as the ensembles of institutions, ideas, and interests. This three-dimensional research agenda is echoed by many policy studies and comparative political economy that explain the welfare development by combining the foci on institution, idea, and interest situated at given structural contexts (Hay, 2004; Hudson et al., 2008; Gough & Therborn, 2010; Murphy, 2012). Among these welfare studies the institutional dimension broadly refers to the policy contexts, interconnectedness, evolutionary process, key events, and political and economic functions. Idea includes the politics of social meanings of welfare policies, and the ideational mechanisms generating and channelling instrumental and moral narratives, with competing discursive framing for legitimacy. Interest is primarily aligned with the (re)distribution of material benefits and the strategic preferences pursued by actors, associated with the power of coalitional politics.

This chapter reviews different schools of political economy with an emphasis on their explanatory logic of welfare development. It comes with a conclusion that the policy regime perspective is most useful to understand the complexities and dynamics of macro structures, institutions, and actors. Inspired by the theories discussed, Chapter 4 will focus on the rise of low paid employment and the introduction of in-work benefits, which constitutes a new research agenda for the political economy of social policy.

Chapter 3

The Social and Political Evolution of Hong Kong

Introduction

This chapter situates the making of HK's welfare policies in the historical architecture of its political economy. It delivers an overview of how different features of the institutional framework and historical legacies shaped the forms of HK's welfare regime. The embedding of social policies into HK's capitalist structure both constrains the trajectories of income maintenance policies and enables some possibilities for change when the circumstances are right. Informed by the policy regime perspective (Chapter 2), it is necessary to review the evolution of HK's economic model, labour market, and political institutions in order to set the scene of the development of in-work benefits (IWBs). The socio-economic and political evolution of HK is associated with its colonial roots and connected to the changing relationship between Mainland China and HK, with regard to the implications for HK's welfare development. Against the backdrop of the shift from austere retrenchment to ad-hoc expansion, the roles of Commission on Poverty (CoP) are also addressed in the governance of social welfare, coupled with the changing welfare-work nexus.

The growth model and economic policies in Hong Kong

The welfare system in HK is interconnected with its economic model, especially with regard to the underdevelopment of social security and labour protection but greater development in education, health and housing services. This section highlights HK capitalism's features as an institutionalised economy based on profit-making activities governed by market forces and corporations (also see Chapter 1). The growth model of HK constrains and enables the institutional arrangements of IWBs and partly explains the HK welfare regime. Zhang and Walter (2012) identify the institutional dimension of East Asian capitalism, including the governance and the embeddedness of the economies within four domains: business system, financial architecture, labour market and welfare regime. On the one hand, the

national political economy is institutionalised both nationally and internationally; on the other hand, various actors negotiate and compete to further their interests, but with their autonomy bounded by the structure and mediated through institutions in reinforcing or resisting the norms, rules and policies. Thus, actors in the system have the capability to (re)interpret the meaning of the material institutions.

Deindustrialisation and the restructuring of economies

After the Second World War the HK economy changed from an entreport to an industrial city and, subsequently, to a service city. The transformation from the manufacturing to service industry can be traced back to the colonial era and the transition periods. In the colonial stage the HK government, including the Legislative and Executive Council, were both dominated by the local British commercial and financial capital, preventing the state from undermining their freedom in the market and redistributing resources from them to the manufacturing sector of Chinese refugee industrial capitals (Baark & So, 2006). While the HK government was forced not to intervene in the manufacturing market, many of the firms were small and medium enterprises (SMEs) engaging in the export-led industrialisation and the colonial state performed only as a back-seat driver. As the state support in technological innovation and financial subsidies for those SME to upgrading was very limited (Ngo, 1997; Pun & Lee, 2002; Baark & So, 2006), the resulting competitive advantage of HK manufacturing was dependent on low-pay (cost), flexibility and high working intensity (Pun & Lee, 2002). Yet, this path of manufacturing faced many difficulties such as rising wage costs due to the prosperous economy and labour shortages in the 1980s and the quotas of imports from the Western industrial countries. In addition to the open door policy in the late 1970s, the only path for the local SMEs was relocating to mainland China as a 'spatial fix' to solve the profit problem. What is more, there were no restrictions of Foreign Domestic Investment (FDI) outflow, therefore, capital was easily moved out to other newly industrialised countries in Asia under globalisation, resulting in a rapid de-industrialisation (Pun & Lee, 2002).

In order to respond to the decline of manufacturing and global competition, there were two opposing views on economic paths: technology and high value-added supported by industrial capital and the business-financial services supported by commercial and financial capital (Jessop & Sum, 2000; Baark & So, 2006). Although both of them sought support from academic research to justify their strategies, the colonial legacy HK government had favoured financial and service capital no matter whether British, Chinese or HK. Unsurprisingly, the intervention-sceptical government was more responsive to the demands of finance-service capital, in which the class alliance was secured between the state and capitalists of British financial capital and Chinese and local real estate capital supported by Beijing. However, there was a political reason for the HKSAR to reiterate its new economic strategies different from the colonial state to develop its new legitimacy (Baark & So, 2006). Consequently, HKSAR still promoted a technology- and knowledge-based economy rather than only relying on services. In fact, after the 2000s some local property capitalists recast their investment in the technology-led stock market towards short-term speculation. Consequently, the productivity and technology claims of the HKSAR after the handover were political rhetoric rather than a substantive policy (Sum & Jessop, 2013). While the financialisation of high tech development as the financial bubble was burst in 2001, this prompted the HK government to switch to integration with mainland China and the sustained property-led development for short-term profit (Baark & So, 2006).

Undoubtedly, the de-industrialisation and restructuring of the HK economy still preserves the 'low road investment' from low value-added production and labour-intensive activities, in which wages as costs are to be minimised as short-term investment, rather than raising the quality of labour and the industries' technological levels. This partly results from the ideology of positive non-interventionism in the economy by the HK government, and is partly due to the limitation of its autonomy of it. Put another way, the HK government has been successively influenced by British, Local and Chinese capital in the governance network.

After the 2000's, the service economy of HK grew to over 50% of GDP and employment, dualising into the two strands of 'finance, insurance, real estate and business service' sector and 'wholesale, retail, import/export trades, restaurants and hotels' as the main drivers of the HK economy (Li, 2006; Wong & Yuen, 2012). A dualised service sector means two types of market: producer services for transnational firms of insurance, legal, accounting and financial needs; local services for citizens' necessities and daily life, such as retailing, catering (Pun & Lee, 2002). The manufacturing-related services as producer service dominated from the 1990s after the relocation of the industries and the specialisation of the professional service in the external market (Tao & Wong, 2002). In the new Global-local service bloc, the base of the HK economy was narrowed. Moreover, the construction of the competitive advantage of the service economy was re-negotiated by key actor's strategies to ensure their vested interests of financial and service capitalists in HK (Sum & Jessop, 2013). Apparently, productivity-based competitiveness was replaced by short-term profit in line with labour cost-saving competitiveness. Thus, the service sector relied heavily on the 'gift' from the economic integration with mainland China, in which the latter intervened in the HK economy through the Individual Visit Scheme and Closer Economic Partnership Arrangement (CEPA), but their contributions are constantly over-estimated (Wong & Yuen, 2012) (see below). The drawbacks of increasingly reliance on integration with China are that firstly the HK economy would be highly vulnerable due to its homogenisation and the disincentives for the industries to upgrade without state investment, leading to the low pay sectors only maintain the low profit margins and contain the wage growth, such as the low-ended tourism, catering and retailing services. Secondly, the reliance of high-end producer services on Chinese capital and the hot money inflow to the HK financial market, risks price and economic instability and boosts the estate and rental market, resulting in profit-squeeze for many low-ended and domestic service sectors. Therefore, the restructuring of the HK economy does not necessarily engender higher productivity in terms of technology and institutionalisation of state investment which may reproduce the low-pay and weak bargaining power of labour.

Financial and property market

As the restructuring shifts from manufacturing to dualised services, the role of the financial and property markets are gaining importance. Indeed, they are intertwined activities in HK because the financial services are highly dependent on the mortgage of real estate and private housing in either user or speculative markets (Lee et al., 2018). The financial-property economy was highly sensitive to the global forces in the 1997 Asian financial crisis and 2008 global financial tsunami which weakened HK's economic performance. However, the financialisation of HK economy could be traced back to the 1980s. During that period, economic growth might be attributed to the asset appreciation in the stock and property markets which resulted in the expansion of wealth for some of the shareholders and property owners but the wage increase still lagged behind. This economic boom boosted the effective demand and sustained the low unemployment rate from the 1980's to the 1990's (Li, 2006). Meanwhile, investors looked for short-term profits and only invested in low-cost inputs and fast rewards from the financial market. Under the prolonged low interest rate and the bank's relaxation of loans, both property and equity appreciated. As a result, the nominal economic growth outstripped the real economic growth as the capital flows were directed to the financial market as an expansion of monetary transaction instead of real productivity growth (Li, 2006). Even in the transition period the HKSAR tried to repackage it as a technology- and knowledge-based economy, but its real economic function was positioned as a financial centre which attracts immense influx of capitals boosting the property investment. Some argue that the 'growth regime' although changed from labour-intensive manufacturing to the financial market-led growth, the strategies of maximising profits still lied on minimising labour cost and shortening the investment cycle, particularly for the small scale service industries. In other words, the economy of HK after the 1990's was further hollowed out by the fictitious economy of financial bubbles, rather than embedded in the real economy (Jessop & Sum, 2000; Wong, 2009).

Smart and Lee (2003) argue that HK capitalism is based on the finance-led regime of accumulation and the property-based mode of regulation, in which the main economic driver of HK is from the international market for export and the global financial market for services. As a result, domestic demand based on the wage increments never plays a major role in the HK economy, and the perpetual low-pay and poverty could be endured as it does not dampen economic growth. On the contrary, real estate investment is also an endogenous driver of the economic growth (Fung & Forrest, 2002), which is shaped by the government housing philosophy of private ownership and the policies promoting the 'housing ladder' to push citizens into the private housing market. In addition to the de-regulation of the rental market in early 2000s and the hot money inflow to the housing speculation without any regulation or taxation, the housing bubbles are appeared as well as the stock bubbles. The negative impacts of the financial and property crises after 2008 were mostly felt in the export of goods and services, private consumption and the number of bankruptcies (Fung, 2014). What is more, the unemployment rate was more concentrated in the elementary and unskilled workers coupled with a slower recovery comparing to higher income groups. Admittedly, since the 1997 Asian financial crisis, the organisational strategies of many private companies were adjusted towards flexibilised employment by subcontracting and re-engineering, shifting the costs of economic volatility to workers. Therefore, the labour market has been informalised with shorter and insecure contracts, which stimulates the flexibilisation and marginalisation of labour in HK (Lee & Wong, 2004; Chiu et al., 2008). This partly explains the proliferation of the working poor and low-paid jobs after 2000 under the financialisation and restructuring of the economy even during the economic recovery. In the financial market, the 'wage squeeze' is reinforced in the 'listed companies' as profits are hugely diverted to shareholders under the financial rules, rather than to the workers' wages, which leads to the wage stagnation (Lee et al., 2018).

Economic and fiscal policies

While the financialisation of the economy indicates the failure of the HK government in regulating market forces and the effects of business strategies in relation to the degradation of labour conditions, the economic and fiscal policies show the 'voluntary incapacity' of the state in welfare provision and labour protection. With regard to the economic intervention, Yeung (2000) argues that neo-liberal philosophy of positive non-interventionism is adopted by the government to support the local economies and SMEs. Yet, the philosophy of 'big market, small state' is also adopted as an ideological tool to justify the importance of the capitalist market and hidden the capitals-dominated policy choices. Positive non-interventionism, thus, should be understood as a selective intervention in the interests of the political powerful social groups, mainly financial and commercial capital, land developers and business groups (Wong & Yuen, 2012). Consequently, the economic-industrial policy of HK is keen on developing polarised services and state spending on research and development is relatively low (Li, 2006).

Moreover, there are several important features of the fiscal policies in HK. Firstly, the structure of the government revenue is highly unstable as its major part is composed of the non-tax income, such as land sales and investment from the Exchange Fund, which leads to the over-sensitivity of the fiscal conditions to the external financial market and internal property market (Smart & Lee, 2003; Wong, 2009). Furthermore, the so-called 'inevitable' fluctuation of the state income justifies the limited growth of the permanent expenditure increment of social spending, which is characterised as a long-term burden to the government. Indeed the so-called 'low and simple tax regime' induces an inequity of the tax burden (Wong, 2009). Under the high land price policy, it actually serves as a land tax mainly shifting the target from the land property developer to the middle class, without any tax on the speculation in financial market. As a result, the speculation in financial and property markets is in turn reinforced under selective taxation.

Second, taxation in HK cannot provide a stable income for the financing of government services. During the periods of economic growth and crisis between

1993 to 1999, there were years of tax exemption which undermined the taxation function in stabilising the government revenue and sowed the seeds of the so-called 'structural fiscal deficit' in the post-1997 crises (Smart & Lee, 2003; Li, 2006; Wong, 2009). As the government's revenue over-relied on the land sales and finance-related income rather than the tax income, after the collapse of the financial and fiscal crises, the revenue from the land sale and the related transaction income plunged but the social demands for protection surged due to recession and unemployment. The corollary was to implement austerity in social spending of welfare, education and health during budgetary deficits (Chow, 2003).

Third, the state expenditure pattern after the financial crises was increasingly conservative and unplanned. During the recovery and economic growth after 2008, the government budgeting is continually underestimating the annual revenue, which is a strategy to stifle the public expectation in advance. At the end of the fiscal year the government uses the 'unexpected' surplus in some 'flexible' and non-permanent expenditure. Harnessing the policy discourse of the threat of global financial crises and preventing international speculation and domination of the HK stock and money market, the HKSAR has to ceaselessly accumulate fiscal reserves, and the ratio of fiscal and foreign exchange reserve to GDP reaches over 100% after 2009, much higher than other Asian countries (Hamilton-Hart, 2014). In other words, state revenue is constantly under-estimated and the government could keep the money without spending to meet the new social needs under the new economy.

Finally, the exchange policy of linking the HK dollar to the US dollar prevents the possibilities of the government developing monetary policy in adjusting interest rates, money supply (devaluation) to regulate the HK economy and competitiveness during business cycles and crises (Li, 2006). This highly marketised monetary policy abandons the state's fiscal capacity to intervene and manage the development of the economy.

Development of the welfare capitalism and labour market institutions in Hong Kong

Connecting the welfare and the economy of HK, some depict it as a Ricardian Workfare Regime (Sum, 1998; Jessop, 2005), in which the accumulation regime is based on the 'comparative advantage' of HK compared to other East Asian economies. The mode of social regulation is through the welfare arrangement to exploit labour flexibility as the source of competitiveness, and the competitive economic advantage is based on the supply-side labour market intervention. In this context, the productivist ethos of the East Asian welfare capitalism is quite obvious in HK, particularly the rights-based social and labour protection is subordinated to the low-ended service sector and the low-investment road for preserving the interest of the labour-intensive SMEs. What is more, the workfarist measures both serve as a stick to activate the unemployed welfare users and a carrot to reward and subsidise low paid jobs, maintaining the low-cost production and workforce for the capital accumulation in the financial economy. While education, health and housing are more universal social wages provided for most of the working class, the social and labour protection is still selective and residual. A political economy explanation of this discrepancy lies on the different economic functions of various welfare measures. The financing of the public health, education and housing came from the economic boom in the colonial government which does not undermine the short-term interest of capitalists. Yet the social and labour protection on the one hand directly increase the short-term cost of production, not least to the low-ended manufacturing and services capital, and the capitalists oppose to the introduction of comprehensive social insurance or collective bargaining. On the other hand, the 'decommodification' effect of social protection as in-cash benefits is relatively salient than the in-kind benefit, which is regarded as incompatible with the traditional work ethic in Chinese society as a policy discourse to ensure capital's profits.

Yet what differentiates HK welfare capitalism from other East Asian countries is the role of the state in the economy and social and labour protection. As the HK

government is selectively retrained from intervention and promoting the polarised service economy under the influence of the domestic and Chinese capitalists, the provision of social protection requiring more enterprise contributions and the regulation of labour protection undermining profits are limited. In turn, the levels of technology, of coordination, and of organisation of the workforce are all low. The path of HK capitalism and the domestic, Chinese and transnational capital as the structural constraints shape the development of the welfare regime of HK. Although the policy choice is bound by the structures, the emergence of the welfare-work nexus in HK is a policy choice according to the governing philosophy and the contingent financial conditions of the state to minimise the intervention in social and labour protection for the economy. Thus, HK welfare capitalism is the least 'developmental' state in two ways: first, it is a neoliberal developmentalism in which the state selectively retreats from industrial sector but promotes the financial and polarised service economy (Kwon, 2009). Second, it is neoliberal productivism as it is different from the Taiwanese and Korean capitalism of technological industrialisation and investment; and it is different from the Singaporean capitalism of investment from human capital, knowledge and the regulation of the housing market. As a result, the real wage growth lags behind the nominal wage which leads to an inflationary growth without real productivity increment (Li, 2006). While identified as a 'productivist' welfare regime, HK welfare capitalism is not premised on productivity enhancement (Chan, 2008).

According to the previous political economy of HK capitalism, the path-dependence from the colonial era is remarkable in the post-handover stage. However, according to the institutional theories (Chapter 2), some critical junctures, such as fiscal, financial and political crises may reinforce gradual institutional changes. While the financial-property and polarised service economy maintains the similar social relations in colonial stage, the new social risks and social needs from the frequent global economic crises necessarily provoke socio-political pressure to the HK government. It is vital to examine government policies in the post-crisis era, in which the so-called institutional complementarity and the policy discourses

between work and welfare are challenged under the structural shortcomings of the economy and the problematic fiscal policies.

The labour market institutions and employment relations in Hong Kong

Inherited from the colonial era, the HK government continues to adopt a disciplinary approach to the labour force and to minimise its collective power in political and economic realms (Deyo, 1992; Haggard, 2005). The long-lasting existence of minimalist labour protection and underdeveloped bargaining institutions (Ng & Ip, 2011), can be attributed to the Confucian work ethic cum paternalistic ethos of employment relations and the close partnership between government and business (Redding et al., 2014; Hundt & Uttam, 2017), given the politically and socially divided working class and the under-unionised workers. The unbalanced power relations between labour and capital in HK's global city-state has been maintained since the 1997 Asian financial crisis (Chiu & Lui, 2004; Lee et al., 2007). As the business strategies of private companies profoundly reorganised and shifted towards the flexibilisation and informalisation of employment relations via contracting out and re-engineering, they transferred the risks and costs from employers to employees. With shorter and insecure contracts, more workers were marginalised in the polarisation of employment and the low-wage service economies. More importantly, the financialised economy led to a 'wage squeeze' reinforced in the 'listed companies' as the profits are hugely diverted to the shareholders rather than to the workers' wage (Lee & Cheng, 2011). The rise of shareholder values and the profit squeeze over the wage shares partly explains the proliferation of full-time low pay jobs and precarious work, accompanied by withering income and employment security (Lee et al., 2018).

It is argued that employment-related risks are unevenly distributed and strongly correlated to educational attainment and social class (Chiu et al., 2008; Tam and Ip, 2017). These risks and vulnerabilities are not randomly attached with particular groups of workers but are structurally shaped and institutionally mediated through social policies. While labour market policies after the 1990s were directed towards active labour market policies with more emphasis on enhancing employability via

retraining and employment services (Chan & Chan, 2013), the individualistic approach to employment in the absence of macro-economic policy did little with the shift from transitional to permanent precariousness for middle-aged workers (Chan, 2016). Also, the work-first approach to youth employment upholds the flexi-employability and the disciplinary face in youth's activation (Wong & Au-Yeung, 2018). These pro-market labour policies primarily speeded up the employment entry of workers whilst subordinating the workers to risks generated by the market. Ironically, HK's welfare regime is classified as productivist but its economic growth is not necessarily led by wages and real productivity enhancement (Li, 2006; Chan, 2008). Although the unexpected introduction of a statutory minimum wage (MW) in 2011 indeed increased the wage level of the workers at the bottom of labour market, it should not be considered as a path-departing or as a structural change of labour market institutions, but, rather, as the unintended consequence of the contingent interaction between business, unions, and government (Wong, 2014). The sluggish growth of MW afterwards made low paid workers' income lag behind inflation and undermines its power to alleviate low pay and in-work poverty. Overall, labour market inequalities have surged under the financialised economy and have been institutionalised by the pro-business employment relations and work-first employment policies, despite the legislation of MW.

Politics and governance in Hong Kong: from colonialism to authoritarianism

Viewed from political economy perspectives, the economic model and labour market is tied to the politics and political systems in HK, which links the governance of social policy to the power relations and hierarchy constructed by the political structures. The handover in 1997 did not fundamentally change the political economy of HK but maintained certain institutional features that prevented the pro-poor and pro-labour social reforms. The Sino-British Joint Declaration (1984) promised the One Country Two Systems as a principle defining the China-HK relationship and allowing high degree of autonomy for HKSAR. However, the signing of the Declaration did not involve any checks and balances with regard to the

power of China in the absence of HK citizens' participation (Wong, 2017b), which embedded the unbalanced relationship between the HK and Beijing governments.

Continuity of the administrative-led model, executive and legislature in Hong Kong

The Basic Law was approved as a mini-constitution of HKSAR in 1990 and it stipulated the post-1997 development of political architecture and reforms of HK government, including the election of the Chief Executive (CE) and Legislative Council (LegCo). On the one hand, the Basic Law left huge spaces for interpretation, which allowed grey areas for an authoritarian government to appropriate (Ma, 2018); on the other hand, the drafting of Basic Law co-opted many local capitalists and political conservatives in order to maintain a partnership for stable governance during the handover (Wong, 2017b). As a result, the governing structure of a semi-democratic regime in the HKSAR was generally inherited from the colonial setup despite the change of sovereignty. Regarding the governance of social policy, the greatest implication is that Basic Law continually institutionalises the executive-dominant regime as a constitutional principle, vesting centralised power over policy-making in the CE, as with the Governor in the colonial era (Ma, 2018). The so-called 'executive-dominant' or 'administrative-led' model is characterised by the political power of CE, assumed as a strong leader, to issue administrative orders, to implement policies, and to appoint principal officials and members of Executive Council (ExCo). The constitutional design of Basic Law posts the CE as a strong leader who can legislate, introduce new policies, and propose annual Policy Address alongside a veto power over the Legislature.

The system of Executive under a CE plays a key role in deciding and implementing policies (Li, 2012; Wong, 2017b). Overall, there are three secretaries under the CE, namely Chief Secretary for Administration (CSA), the Financial Secretary (FS), and the Secretary for Justice. They are the main officials in charge of different policy areas. The CSA is responsible for the coordination of all policy-making and the assistance to the CE. The FS possesses the budgetary power in accordance with CE's policy approach to delivering annual Budget and financial planning. Below the three main officials are 13 secretaries, who form the cabinet-like ministers for decision-

making of specific policy bureaux and monitor the administrative departments for policy implementation and law enforcement. The CE appoints these secretaries of bureaux and they are politically accountable, which is different from the executive departments composed of civil servants. Figure 3.1 shows the hierarchy of HK government, in which the Labour and Welfare Bureau governs the labour protection legislation, employment relations, employment policies, social security, and social services. While the Social Welfare Department and Labour Department are respectively responsible for administering the Comprehensive Social Security Assistance (CSSA) and the Working Incentive Transport Subsidy (WITS), the Low-income Working Family Allowance (LIFA) is organised by the Working Family and Student Financial Assistance Agency under the Education Bureau. This division of labour in executing the three schemes somewhat represents different policy emphasis on employment and children (Chapter 6). Resembling the colonial regime, the executive of HKSAR still plays a more active role in initiating public policies and leading their agenda than the legislature and the judiciary (Li, 2012). The executive can introduce ad-hoc or long-term commissions to include some public figures and academics into the governance of particular policy areas, such as the Commission on Poverty (see below).

Apart from the main body of the government, the Executive Council (ExCo) is a statutory body advising CE for policy-making. Principal officials and government secretariat of bureaux consist of the official members of ExCo, while CE appoints the same number of non-official member from different background. Although the decision of policymaking should take place in the ExCo meeting, the CE in fact dominates the ExCo and uses them for consultation only (Wong, 2017b). As the roles of the ExCo are ambiguously defined in the Basic Law (Ma, 2018), some ExCo members complained that they have too limited power and access to information before decision-making, not to mention their occasionally different views from the government. Notwithstanding this the CE currently enjoys a relatively strong governing alliance with pro-establishment and pro-Beijing LegCo parties (Li, 2012).

Due to the Executive-led model and its centralised power, the election and appointment of the CE is central to the politics of welfare, labour, and beyond. The current election of CE is separate from the LegCo election, in which the Election Committee of CE includes only 1200 members to nominate and vote for the candidates of CE every five years. They come from four main sectors of functional constituencies: 1. Commercial and financial; 2. Professions; 3. Labour, social services, and religious; and 4. Political. The number of seats across sectors is unevenly distributed as some business-related sectors have disproportionately little constituencies because of company votes instead of individual votes, yet they possess more seats than other sectors. Without universal suffrage, many business sectors and professionals are the target of co-optation to ensure the pro-Beijing voices by incorporating the sectoral business interests into the election of CE (Wong, 2017b). Whilst the election and roles of the CE are similar to the presidential system (Ma, 2018), the CE cannot be a member of a political party. This is because the Beijing government aimed to prevent the emergence of party politics and to minimise political conflicts. A CE democratically elected may gain widespread support from society, which potentially makes the HK government too difficult to control for Beijing as well as providing an undesirable democratic model for the rest of China. As a result, the election of the CE institutionalises the power and interests of business as a co-optation (Fong, 2014; Wong, 2017b), and this non-democratic institutional framework inherently limit the legitimacy and accountability of HK government and its public policies.

In contrast to the election of CE, the democratic composition of the legislature in HK is stronger than that of the executive. The 70 LegCo members are equally divided into a Functional Constituency (FC) and a Geographical Constituency (GC), which have different methods of election. Resembling the Election committee of CE, FC includes large firms and conservative elites, who have more seats and smaller electorates, along with some professionals of public services. GC classifies HK into five districts with different number of seats based on the population ratio. Each voter has two votes in FC and GC but the weight of their votes in FC is different.

Whilst 80% of voters are only eligible to vote for the District Council (Second) for five seats, 20% of voters can vote in FC for 35 seats. Although LegCo members are democratically elected, they are still characterised by political inequality among voters.

Despite the executive-led regime, the Legislature does possess limited power to shape policy-making (Lui, 2012). First, LegCo can legislate and enact the law. Second, LegCo controls the approval of public expenditure by the Finance Committee, especially for their endorsement of annual budget and of government's additional funding. Third, LegCo can scrutinise the behaviour of government and investigate government officials in case of misconduct in public office.

However, there are institutional limitations on the extent to which LegCo can impose checks and balances on the Executive, restricted by the Basic Law. The first of which is about the veto-power in approving the budget. As LegCo members are merely allowed to vote for or against the annual Budget, the pro-establishment camp in reality supported all government policies to avoid the 'fiscal cliff' of government. Whilst some pro-democracy members occasionally use the strategy of filibuster (Ma, 2018), the rules of LegCo on questions and speeches were changed in 2018 by the pro-establishment Chairperson of the Financial Committee to reduce the oppositional power of LegCo. Although individual LegCo members can initiate legislation via Private Bills, these should not refer to public expenditure, political structure, and government operations. Therefore, policies about social provision are necessarily excluded as Private Bills, which deprives LegCo of power in shaping social policies. Furthermore, all the debates and motions passed by LegCo are non-binding to the Executive, despite the fact that LegCo members can question on any public policies. Moreover, there are some short-term panels and standing committees of LegCo, which are responsible for specific policy areas, for instance, Welfare and Manpower Panel. While these panels could create some spaces for the civil society to voice concerns through hearing and complaints, LegCo cannot impose sanctions on the Executive but only raises media concerns. According to the split voting system, any legislation and motion should be approved in both FC and

GC. Because of the dominance of business and pro-establishment camps in the FC (Lui, 2012), this implies that proposals for pro-poor and pro-labour policies could be easily vetoed by the FC, such as minimum wage and social insurance, let alone that Private Bills passed by the LegCo require the endorsement of the CE.

Although LegCo's election adopts the proportional representation system, it fosters a multi-party system in the absence of party politics (Lui, 2012; Wong, 2017b). This is because for Beijing the multi-party approach to LegCo can prevent the dominance of one pro-democratic party and foster fragmented oppositional voices. Combined with the split voting system, there are three main consequences on the governance and politics of social policy. First, LegCo is stipulated by the Basic Law to play a passive role in policy-making, forging an asymmetrical relationship between the strong executive and weak legislature (Wong, 2017b; Ma, 2018). Second, the pro-establishment parties in LegCo and the executive form an informal governing coalition, turning the LegCo into an extended arm of the Administration (Lui, 2012). This undermines LegCo's role as a watchdog of the government and limits its checking power on the executive. As a result, the FC institutionally protects the interests of business and pro-establishment parties (Ma, 2018). Finally, the mainstream political divide in HK's politics tends to be pro-democracy versus pro-establishment (Lui, 2012; Wong, 2017b). However, the centre-left voices in the LegCo are also separated into two camps, which generate political conflicts within pro-labour representatives and weaken their power in LegCo.

In a nutshell, the political institutions of the HKSAR inherited from the colonial regime, including the Executive and Legislature, predominantly centralise the power of the CE and principal government officials in the absence of universal suffrage and real party politics. This institutionally impedes the development of pro-poor social policies and the political participation of the working class.

Increasing political intervention of and economic integration with authoritarian China

The recent political and economic development in the HKSAR sets the scene for the governmentality and risk discourses engendered by the state. It is argued that the close interaction between Mainland China and HK in the last decade has changed the relationship between the motherland and the city-state. In particular, a new tide of China-scepticism and a local identity has been developing since 2012. This new era of China-HK tension is increasingly characterised by the authoritarian political intervention from Beijing and the unbalanced economic integration with the Chinese economy (Cheung, 2012; Lui, 2015; Ma, 2015).

The changing political intervention and economic integration can be traced back to 2003 (Cheung, 2012). After the demonstrations where more than half a million people protested against China's national security legislation on 1 July 2003, Beijing's approach to 'ruling' the HKSAR shifted from almost 'free-hand' to a stronger style of intervention. To address the aftermath of the SARS crisis and the urgent need to boost economic recovery in HK, Beijing and HK initiated two strategies to boost consumption and employment: the Individual Visit Scheme (IVS) and the Closer Economic Partnership Arrangement (CEPA). IVS is a scheme that aims to increase the number of Mainland tourists who visit the HKSAR on an individual basis with the goal to increase immediate consumption in the local economy. After the global financial crisis in 2010, Beijing identified five deep-seated problems that the HKSAR had to solve: ensuring its economic growth, sharpening its existing advantages, reinforcing its role as the international financial centre, strengthening its competitive industries, and fostering the economic cooperation between HK and Mainland cities (Cheung, 2012). Therefore, regional and national integration with Mainland China has been the main strategy for the HKSAR to maintain its economic robustness. However, economic growth throughout the 2000s was not evenly shared by society as a whole. The integrationist views and policies were blamed as they lead to increased competition for daily necessities in HK such as milk powder and even maternity services in private hospitals. Similarly,

the CEPA sped up capital flow between China and HK. However, it is argued that by doing so, HK's economic and competitive advantages were undermined due to its 'over-reliance' on China's economy, affecting the low-end and consumer service industries supported by Mainland tourists and parallel traders. This leads to short-termism in business that discouraged enterprises from upgrading their services and goods (Cheung, 2012). HK's economy was incorporated into Beijing's national planning without consulting HK people (Yew & Kwong, 2014). The pro-business development model also stirred up the political resentment of local activists, particularly those who were against proliferated infrastructure, which is biased towards satisfying the interest of the powerful minority.

The discontent towards the unexpected and unplanned 'flows of socio-economic activity' (Lui, 2015: 397) has been smouldering and was accompanied by hostility towards the closer partnership between Beijing and the local capitalist class (Fong, 2014). Furthermore, business interests are well represented by the majority of functional constituencies in the Legislative Council and form part of the pro-Beijing camp. This triggered another wave of political protest against Beijing's tightened political intervention, which undermines the autonomy and the democratic development of the HKSAR. Beijing indeed adopted a politically authoritarian approach to uphold its constitutional position and its interpretative power of the Basic Law, and introduced the new criterion of demanding that the Chief Executive candidates show loyalty to the Chinese Communist Party in the name of patriotism (Cheung, 2012). Some argue that this authoritarian definition of patriotism contradicts with long-standing 'liberal patriotism' of the HK people (Chan & Chan, 2014) whose affective connection to China conflicts with its liberal values such as human rights and global citizenship.

The increased flow of people and capital were not expected in the initial design of the 'One Country, Two Systems' policy (Lui, 2015), let alone in the state's intervention. The political unrest that followed and that had been growing since the late 2000s eventually erupted between 2012 and 2014. First, the surprising victory of Leung Chun-ying, who was 'elected' as the Chief Executive, indicated that the

political power of Beijing was shaping the HKSAR's politics, which dampened Leung's legitimacy even before he took up office (Ma, 2015). Second, in the initial phase of Leung's governance as the CE of the HKSAR in September 2012, there were widespread protests against the 'brainwashing' national education, which further enhanced 'Anti-China' sentiments (Ma, 2015). Third, in June 2014, the State Council of Beijing announced a white paper to enforce the subordinated position of HK by reiterating the higher status of the 'One country' over the 'Two Systems'. Furthermore, the decision of the National People's Congress was used to justify its right to limit the nomination of CE candidates to the hands of the nominating committee, which has resulted in creating insurmountable hurdles to the possible development of universal suffrage in HK. In other words, the political advocacy for universal suffrage was officially rejected. This rapidly sparked student protests across tertiary education institutions, which led to the birth of the Umbrella Movement. Protests escalated particularly after local police used 79 tear bombs as an unexpectedly militant measure to go against the civil disobedience of occupying the main streets to the government headquarter. Fourth, after the Umbrella Movement, there was a rise of identity conflicts between China and HK. As a consequence of the persistent top-down approach to promoting integration and 'mainlandisation' with China, many in the younger generations in particular opted to walk away from Chinese national identity and to embrace the identity as Hongkongers or local HK citizens whilst seeing Mainlanders from China and the pro-Beijing camp rallies as the 'others' (Yew & Kwong, 2014).

The HK government disqualified some pro-democratic LegCo members in 2017 because they were framed as supporters of the campaign for HK's independence. However, it seems that Beijing takes more initiatives in HK's political issues than in socio-economic ones. It is argued that the Minimum Wage was the only possible social policy approved by Beijing and implicitly allowed HK government to violate employers' interests in order to pacify the anti-business and anti-establishment sentiment (Wong, 2012). Although the governance and politics of HK shifted from colonialism to authoritarianism, the party and class politics are continually

constrained by the political institutions and changing China-HK relationship (Ma, 2018). Notwithstanding, it does not imply that the making of welfare policies merely followed the colonial trajectory because new crises and opportunities appeared after the handover.

Development and politics of welfare policies in the post-colonial era

Tang (2011) argues that the development of HK's social policies can be divided into three stages in the colonial era. The first of which is the extremely residual stage from 1842 to 1970 that refers to the non-institutionalised public services, especially for the under-developed housing, labour protection, and social security. This was bounded by the principle of British colonialism. The second stage is the 'Big Bang' of social policies that started from 1971 to 1977, resulted from the riot in 1967 and the social unrest. Consequently, the housing, health, education, and social assistance became the four pillars of the colonial government's social policies. Yet this rapid expansion was not stable because of the threats of global economic and oil crisis. Therefore, the active non-interventionism was established in the mid-1970s. The last stage was the incremental development from 1978 to 1997, which represented the slowdown of social engineering because of the political instability. Market supremacy and business interest re-appeared to drive the pace of social development, leading to the co-existence of the first wave of privatisation of social services and the improvement of social assistance. The significance of the colonial regime and of its architecture of social welfare is that the HKSAR preserved the same institutional arrangements after 1997 for the sake of political-economic stability (Tang, 2011). This constrained the path of social policy development of HKSAR within the framework of the colonial era.

Welfare provision as a branch of social policies, including income maintenance and poverty alleviation measures, has undergone substantial changes in line with some institutional continuity after the handover. Several economic and fiscal crises induced by exogenous and endogenous factors resulted in austere policies and welfare retrenchment between 1998 and 2006; the fiscal consolidation and balanced budget led to some welfare expansion after 2007. On the one hand, the

articles 107 and 108 of Basic Law institutionalise a kind of fiscal conservatism to strive for a fiscal balance and to avoid deficits, which mandates HK government to maintain the budget commensurate with the growth of GDP given the continuation of low-tax regime. On the other hand, some social reforms existed during the economic growth and budgetary surplus in specific ways bounded by the contingent politics of poverty and welfare. These also reflected the changing welfare-work nexus that paved the way for the rise of new IWBs.

From austere retrenchment to ad-hoc expansion of welfare policies

Welfare strategies after 1997 can be divided into two main stages: 1998 to 2006 and 2007 to 2012. The first stage was characterised by a deficit-driven austerity mainly in the cutback of social spending and tightening of the entitlement to benefits. As a city-state HK is not democratic capitalism as it does not enjoy the electoral democracy for Legislative Council and the leader. Yet the scope for austerity of HKSAR is still bound by legitimacy crisis hinging on poor economic performance and shaped by the social mobilisation in civil society to maintaining social needs; meanwhile its main political economic function is to ensure the smooth accumulation of capital during the economic downturn (Lee, 2005).

A deficit under a conservative fiscal discipline is not acceptable as a counter-cyclical policy but is seen as a crisis that should be eliminated as soon as possible. This triggered off a series of budget cuts from social security to social services and the introduction of welfare reforms to balance the budget and lessen the pressure on the HKSAR. From the table of policy items in the austerity of HK, there were both the cutting back of social spending and wage cuts in the public sector and among civil servants (Lee, 2005). Apart from the real spending curb, welfare reforms were introduced to prevent the growth of demand and the fiscal burden. There was an enhanced emphasis on the welfare conditionality and the work-first principle to the social provision for the reduction of the so-called 'welfare dependency' (Social Welfare Department, 1998; Social Welfare Advisory Committee, 2011). The austerity from 1998 to 2006 during the deficit was taken as a policy option of the HKSAR according to its neo-liberal ideology and conservative fiscal discipline.

Consequently, after eliminating the deficit, the HK government stopped the welfare retrenchment but started to enlarge some policy areas after 2007 when there was fiscal revenue and the resurgence of fiscal reserves. Therefore, the second stage of welfare strategies after 1997 is an incremental expansion accompanied with fiscal revenue even during the financial crisis in 2008. In other words, although the HK government experienced a small deficit in 2008, it seemed to change the welfare strategies from austerity to expansion, as there was no formal spending cut and further withholding the benefits. In contrast, some new and tentative measures are now used to stimulate the economy and maintain the labour market. Why the HK government chose to cutback in the first stage but expanded in the second stage might lead to the myth of a paradigm shift suggesting that it recently adopted a different approach to welfare.

After 2008 there were many new policies introduced which share similarities of one-off and short-term remedial measures, which were criticised as adhoc welfare amid budgetary surpluses and the permanent threat of fiscal crisis (Chan, 2012; Lee and Law, 2014). First, there were many one-off benefits to special social groups of welfare users, such as an extra one month of CSSA standard rate subsidy, one month of free public housing rent and one-off injection of the personal private pension account for low paid workers. Second, there were some universal one-off measures, such as the cash hand-out of \$6000 per permanent citizen and the subsidy of capped electricity fees. Third, there was the subsidy for temporary jobs in the private market. These policies were implemented in an incremental and relatively uncertain way that is not expected to last into the next year. At the same time, there are some changes which are more durable and principle-driven, such as the medical vouchers for older people to consume in the private market and the Community Care Fund for one-off living allowance to the 'status zero' families who could not benefit from the existing safety nets. Thus, those welfare increments do not progressively redistribute the wealth and power to the disadvantaged but reinforce the market mechanism and the previous welfare relations.

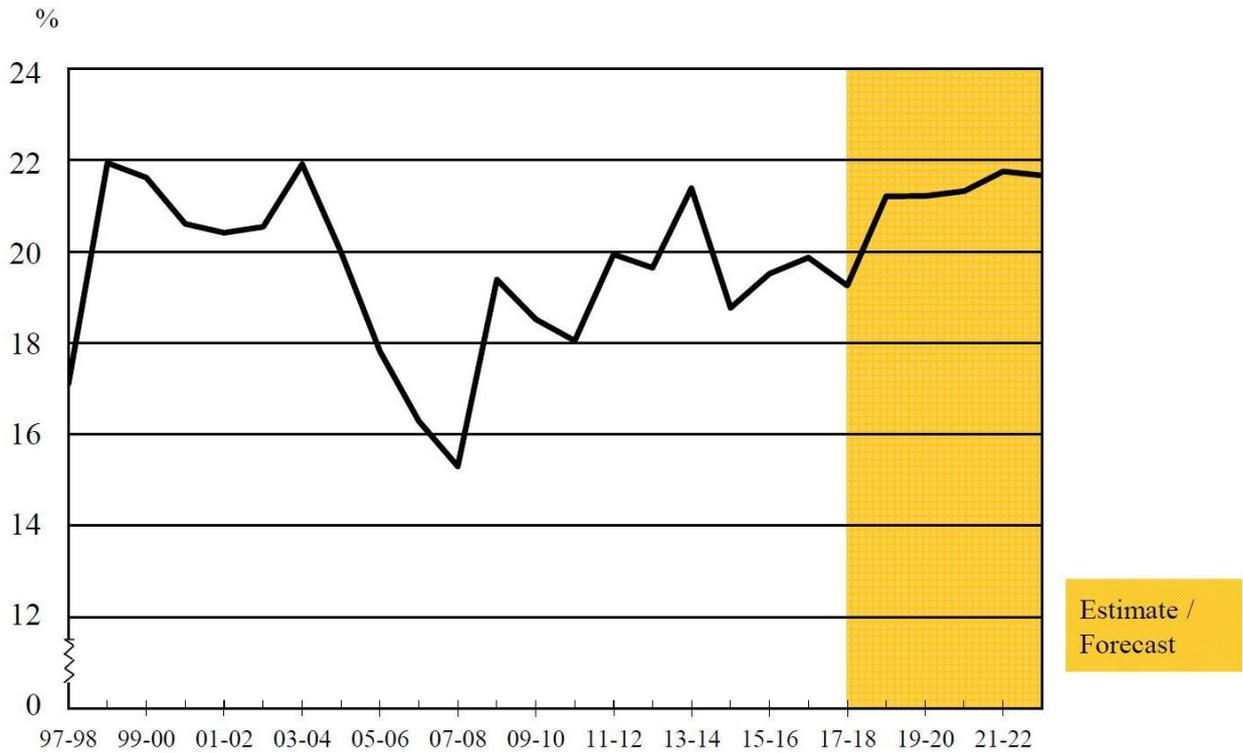
There could be two main explanations for the rise of these strategies: financialisation and social negotiation. First, after 1997 the HK economy increasingly relied on the financial market for equity and real estate transaction and speculation (Lee & Cheng, 2011; Fung, 2014). As the CE of the second government said, the positioning of HK economy prioritises finance-led growth rather than wage-led growth (Lee & Cheng, 2011). According to the HKSAR, poverty and inequality are inevitable by-products of being a financial centre which could not be eliminated and therefore should be tolerated (Wong, 2015). Also, by selling the public assets to the financial market, the privatisation of public services subordinates the stakeholder value to the shareholder value that benefits the stock market and the rich but at the expense of the service users, such as the shopping centres in the public housing (Chung & Pun, 2007). The re-commodification of public services both undermines the stability and quality of services, and disadvantages labour rights in the privatised sector. In addition, the financialisation of government income refers to the reliance of the state revenue to the financial market related income, such as land sale and stamp duty. This justifies the HKSAR to use one-off benefits rather than permanent and institutionalised welfare as the government income is becoming 'voluntary unstable' that may not be sustainable for real growth.

Second, on the one hand the instability of government income hinders long-term investment of welfare; on the other hand, social needs proliferate under financialisation and the concomitant crises, such as under/unemployment, wage stagnation, inflation due to speculation. Although there is no full electoral democracy in HK, civil liberty for social mobilisation still functions under the semi-democratic polity (Lee, 2005). Therefore, the government has to renegotiate politics, ideas and policies with different interest groups to maintain its legitimacy by improving the imminent living pressures of public. In other words, the government may need to compromise with some pressure groups and avoid blaming from the civil society and mass media. This partly explains the path-breaking minimum wage legislation in 2011 due to the pressure from trade unions,

media and even the Beijing (Wong, 2012; Wong, 2014). Yet, some of the unorganised disadvantaged groups may face real cutbacks in social spending, as government adopts blame-shifting and marginalises the demands of them, such as weakening labour rights in under-unionised private sectors and stigmatising the welfare users by the residual and targeted social protection. While the pro-democracy parties only enjoy tiny power, the pro-establishment and pro-business parties enjoy veto-power in the LegCo to prohibit welfare expansion. As a result, this negotiation process with the HKSAR is not interest-pluralistic as Lee argues (2005), but an interest-hegemonic model that structurally favouring certain sectors and business interests.

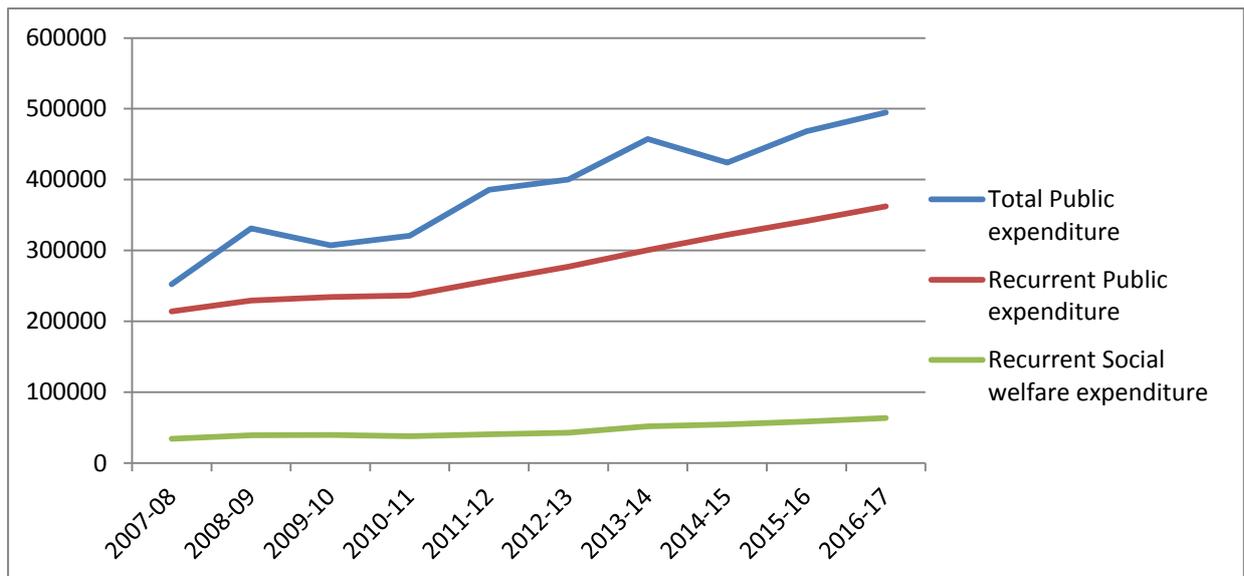
Figure 3.2 show that HK government's public spending relative to GDP sharply decreased after the economic-fiscal crises in 2003 and reached lowest point at 07/08. After the end of the austerity measures, the ratio increased between 18% and 20% with the exception of the year 2013/14. Therefore, the scale of public spending has been kept below 20% of GDP. Figure 3.3 displays the trends of public and welfare expenditure, in which the growth of total and recurrent public expenditure outstrips the recurrent welfare expenditure. Figure 3.4 reveals that after 2013/14, the social security spending increased due to the introduction of Old Age Living Allowance instead of establishing a social insurance system for pension. At the meantime, the actual expenditure on IWBs introduced in 2007 and 2014 was relatively low, compared to the expenditure on social assistance and social allowance.

Figure 3.2 Public Expenditure in terms of Percentage of GDP



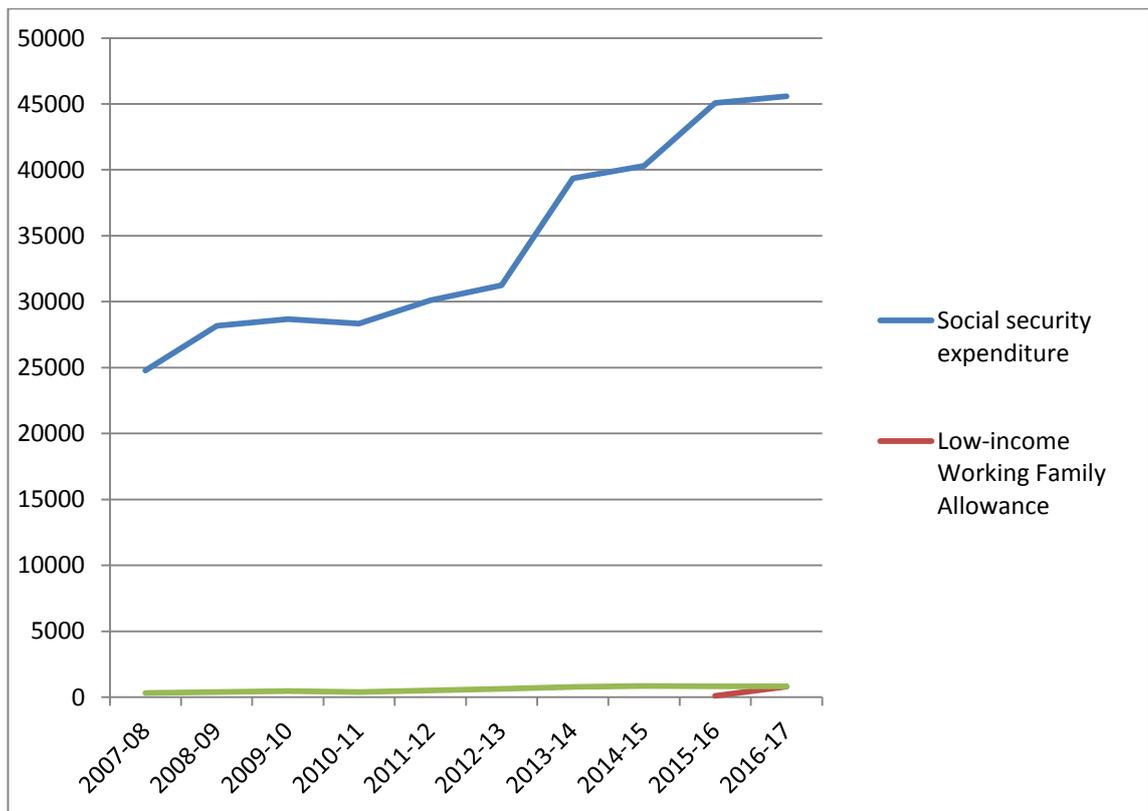
Source: Financial Secretary, 2018

Figure 3.3 Public and Social Welfare Expenditure (\$million)



Source: Financial Secretary, 2007-2018

Figure 3.4 Income Maintenance Expenditure (\$million)



Source: Financial Secretary, 2007-2018

Commission on Poverty as a platform and political opportunity for welfare policymaking

Whilst the Welfare and Labour Bureau has been in charge of social welfare policies since 2007, the (re)establishment of the Commission on Poverty (CoP) was key to the approval of any poverty alleviation measures, including in-kind and in-cash benefits. Pressured by the civil society organisations and grassroots social movement, the first CE set up the first term of CoP in 2005 to address the rising poverty after economic downturn and the pressing needs of the deprived (Lee et al., 2013). Although the pro-establishment members, the business representatives and conservative economists, dominated the CoP and played the role of public resources' gatekeepers, some representatives of pro-poor NGOs, unions, and parties were also appointed as non-official members of the CoP. Members from the social welfare sector, including the NGOs and the social work organisations, generally upheld reformist perspectives on the structural causes of poverty and

advocated for more long-term and policy-level intervention. There are different task forces under the CoP responsible for different poverty-related issues, for instance, disability and elderly services. The CoP annually organises the Poverty Submit to involve more civil society members to discuss about the new poverty conditions and measures. Currently there are five main objectives of the CoP (Commission on Poverty, 2018).

- (a) Keep track of the poverty situation through the annual update of the poverty line and keep its analytical framework under review with a view to introducing refinements as needed;
- (b) Review existing policies and explore new measures to achieve the objective of preventing and alleviating poverty to facilitate upward mobility and provide support to groups with special needs;
- (c) Conduct researches and thematic studies on issues and topics on poverty alleviation to facilitate the formulation of relevant policies and initiatives;
- (d) Oversee the operation of the Community Care Fund and the Social Innovation and Entrepreneurship Development Fund to plug the gaps in the existing system and promote social innovation to tackle poverty; and
- (e) Promote cross-sector collaboration in poverty alleviation work and engage other government advisory committees on poverty alleviation work.

On the one hand, the government restricted the functions of the CoP to piecemeal reforms rather than dealing with structural causes of poverty, along with the exclusion of the principal stakeholders, the poor, in CoP's membership. However, some pro-poor NGOs' representatives were appointed in the second term of the CoP in 2012, for instance, the Hong Kong Social Service Association, Oxfam Hong Kong, and Society for Community Organisation. On the other hand, despite the

CoP's lack of statutory authority as an advisory body, the Secretary for Administration chaired the CoP and the Secretary for Welfare and Labour Bureau was also engaged. In other words, the CoP served as a policy platform to set the agenda of poverty alleviation policy, which opened political opportunities for the civil society to carry out the anti-poverty campaign for activism and mobilisation (Lee et al., 2013).

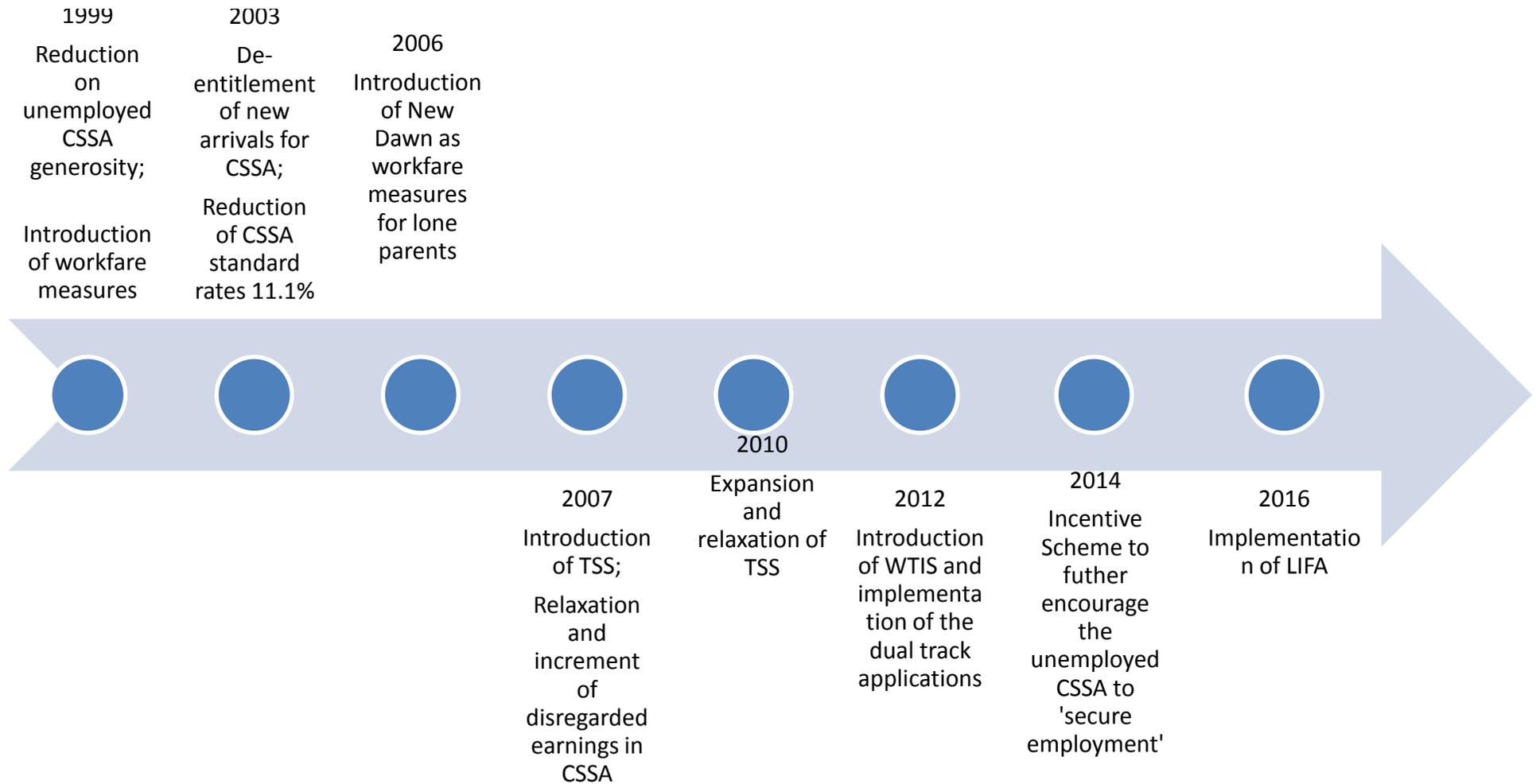
By fostering the state-society interaction, LegCo members and parties from different political spectrum loosely reached some consensus of poverty alleviation, especially for the importance of intergenerational and in-work poverty. However, the weakness of civil society in pushing for anti-poverty policies was discernible. Whilst the NGOs had strong policy knowledge and collaboration at the organisational and sectoral levels, the voices of the poor were limited by their weak political power (Lee et al., 2013). The strategies of small-scale protests and lobbying of LegCo members could not generate political pressure on government to bring about fundamental changes. As a result, the second term of CoP introduced the official poverty line after a long-lasting debate since its first term, yet it first focused on some technical and administrative concerns. The setting up of the poverty line aimed to quantify the number of households living below an income threshold and their demographic characteristics, and to qualify the effectiveness of the policy intervention for poverty alleviation (Fong & Wong, 2015). Thus, the emergence of the poverty line did not signal a paradigm shift of the HK government in poverty alleviation because the government still believed that urban poverty was a corollary of mature economic development and it could not be eradicated (Wong, 2015). It is argued that the CoP, in particular its official members championed the supremacy of work ethic and fear of welfare dependency, with an emphasis on CoP's role to enhance work incentives as the central rationale for poverty alleviation (Lee et al., 2013; Goodstadt, 2014). Consequently, some CoP members displayed mistrust of welfare but a belief in work, which was a vital precondition for initiating IWBs.

The changing welfare-work nexus in Hong Kong

As shown in Figure 3.5, there was a series of retrenchments between 1999 and 2006 upon the out-of-work benefits (CSSA) targeting able-bodied recipients. Between the end of the 1990s and the beginning of 2000s, the government initiated several kinds of retrenchment of the out-of-work benefits in CSSA, including the sanctions on non-participation in the workfare programmes and the reduction of generosity to the able-bodied users. In 2003 the government set out a population policy that prohibited the new arrivals' access to the safety net, with an overall cutback of the benefit according to the Social Security Assistance Index of Prices (SSAIP). After that the Administration further extended the workfare measures, namely the 'New Dawn', to the lone parent CSSA users in 2006. In the meantime, the government underwent several years of fiscal deficit and decreasing fiscal reserve (Chapter 6). As a result, there was a strong agenda of austerity to reduce the deficit as soon as possible. Shortly after the austerity, the government successfully reduced the deficit in the 2006/07. After 2007, different forms of IWB were gradually initiated, including the LECSSA, WITS and LIFA. The government initiated TSS in 2007 and then expanded it in 2008. The global financial crisis had a transient adverse impact on HK's labour market and economy but the latter was revitalised rapidly. The Administration introduced WITS and LIFA successively, together with an incentive scheme for unemployed CSSA users saving money into personal accounts once they are employed in low pay jobs (Chapter 6).

It is argued that the government has shifted the focus of poverty alleviation from the non-working-poor to the working poor via the introduction of the WITS and LIFA. Therefore, new policy tools address the changing of poverty which draws increasing attention of the public during a favourable economic and fiscal conditions. Two interrelated phenomenon emerge as relevant to the institutional configuration of HK's welfare. The first of which is the shift from retrenchment on social assistance in the deficit period (1999-2006) to the 'conditional expansion' of IWBs during the surplus years (since 2007) seemingly signalling the changing welfare agenda in HK. The second is the attempt of welfare transition from CSSA to

Figure 3.5 Development of income maintenance for working families in HK (1999-2016)



LIFA and the prevention of using CSSA by opening up the LIFA to the working poor families.

What the historical development of the income maintenance for working persons can inform us is that the austere retrenchment of out-of-work benefits and expansion of IWBs manifested the changing welfare agenda under particular historical circumstances. The expansion of IWBs, therefore, should be situated in the context of welfare reforms after the economic downturn and recovery from 1999 to 2016.

Conclusion

This chapter sets the scene of the expansion of IWBs in the social and political evolution of HK, which situates the new welfare in its historical and institutional contexts. It first examined HK's increasing finance-dominated and polarised service economies and the resultant rise of in-work poverty, given the individualised employment relations and liberal labour market institutions. It then reviewed the governance and politics of HK from the colonial to post-colonial era, in which the architecture of political institutions were basically maintained biased towards the business and political conservatives. Consequently, this constrained the development of social and labour protection, not to mention the austerity brought by economic-fiscal crises. Despite this some ad-hoc provisions were implemented because of the economic recovery and budgetary surplus, but they could not be taken as the paradigm shift in the HK government's approach to welfare and poverty. The CoP emerged in 2005 and reactivated in 2012 did create some spaces for welfare negotiation among the civil society, business, and government, leading to the introduction of IWBs and new welfare-work nexus.

Chapter 4

The Rise of Low Pay, In-work Poverty, and In-work Benefits

Introduction

This chapter revisits the literature on the interrelationship between low pay, in-work poverty, and in-work benefits (IWBs). Despite the fact that welfare has been traditionally tied to employment on the basis of occupational insurance for unemployment and retirement, global neoliberalisation in particular tightens up the social safety net and labour market participation across many countries (MacLeavy, 2016; Cahill & Konings, 2017; Jessop, 2018). Whilst the workfarist reforms show a variety of welfare-to-work pathways, the changing welfare-work nexus can be traced back to the tensional fundamental principles and nature of capitalist labour market and social security. Gottschall and Dingeldey (2016) term the 'double-faced' characters of social policy on both constraining and maintaining the labour commodification. It is also argued that recent labour market changes in employment patterns would in turn generate pressures on the foundation of work-based industrial welfare states (Greve, 2017). Therefore, the institutional tensions of the welfare-work nexus do not only appear between minimum income protection and the activation of employment as the neoliberal ideas suggest, but is inherited from the contradictory nature of capitalist welfare and labour market. The targeting of the benefits at the working poor, the latest development of the welfare-work nexus, brings IWBs, as an incentive and compensation for the working poor, into the social security focus.

This chapter primarily focuses on the working poor and the welfare initiated for them. The following sections begin with a conceptual and historical discussion of the dual functions of welfare on work. This is followed by the analysis of the changing welfare-work nexus in liberal welfare regimes, the neoliberal activation, and the active welfare paradigm. Furthermore, the rise of low pay and in-work poverty is interpreted from different angles. Afterwards it examines the nature and features of IWBs with particular focus on the UK and US experience. Finally, the

political economy of IWBs is conducted to examine their embedded tensions between wage-earner and corporate welfare. Three research questions are then generated.

The dual functions of welfare on labour market and employment relations

Many social policy theories for a long time put welfare as a de-commodification of labour power freed from the dominance of market. As such a dichotomy between market commodification and welfare de-commodification emerged (Esping-Andersen, 1990), in which social rights and redistributive policies are said to reduce the working class's reliance on the market for meeting individual and family need (Mooney, 2004; Standing, 2007). Without engaging in revolution, welfare policies, for instance social security, ameliorate the negative consequences and compensate the social costs of the capitalist labour market. However, this dichotomy between commodification and de-commodification tells us little about the complexities and paradoxes of capitalist welfare and market in reality.

Interrogating the welfare-market dichotomy by the notion of embeddedness

The de-commodification thesis in the welfare literature implies contradictory relations between state welfare and market economy, drawing on Polanyi's (1944) historical-institutional analysis. Yet this dichotomous interpretation of Polanyi is increasingly contested by the 'neo-Polanyian' perspective (Block, 2003), which argues that the state-market and regulation-deregulation divides are misleading because they assume the existence of self-regulated market operated without state intervention and separated from welfare policies. Informed by the neo-Polanyian understanding of embeddedness, market economies are necessarily embedded into various forms and levels of institution. Vogel (2018) coins this as the 'marketcraft' and refers it to the characteristics of the institutionalised market, through which labour market is a *de facto* social construct created in a given historical context. The expansion and reforms of the market in pursuit of competitiveness and profitability necessitates the continual institutionalisation in relation to state intervention. Put another way, market governance entails regulations, practice, and norms that are

operated in the extra-market field. Regarding the role of social welfare, Powell (2015), therefore, suggests that welfare does not purely de-commodify labour as it re-embeds the labour market in institutionalised welfare provision by labour (re)commodification, even in the social democratic regime (Huo et al., 2008). This echoes what Offe (1984) called welfare's re-commodification function as the crisis management of capitalism and Pierson's (2001a) analysis of welfare commodification as the retrenchment strategy in capitalist democracies (see below). As a result, social policies can be complementary to market reforms, even under neoliberalisation. One of the striking examples is the work-oriented welfare reforms that redirect the non-working welfare users into the labour market (Holden, 2003; Papadopoulos, 2005; Greer, 2016). By pushing the boundary of 'social embeddedness' of the labour market, there can also be 'in-work' de-commodification via strengthening employment protection legislation (Pintelon, 2012). In sum, the functions of commodification, de-commodification, and re-commodification are inherently tensional and unstable within the field of social policy (Gottschall & Dingeldey, 2016).

The neo-Polanyian perspective of social embeddedness not only refuses the idea of the self-regulating market (Block, 2003), it also addresses the asymmetrical exchange between employers and employees in the labour market institutions due to the fictitious commodity nature of labour. For four reasons, the labour market is innately biased towards the demand side, capital or employers, and is biased against the supply side, workers (Offe, 1985). First, after the proletarianisation of labour in emerging capitalism, it is difficult for labour to find another means of subsistence other than being employed which results in an inelastic supply of labour. Without state intervention or a collective strategy, the bargaining power of labour versus capital would be reduced. Second, the supply side of labour could not control their volume of supply or suspend the supply as the general labour supply is embodied by the sum of individual workers. Furthermore, the volume of supply is also shaped by the population, technological change, which is the external force that out of labour's control. Third, since labour power has to be reproduced stably

at a certain subsistence level which ensures the basic living standard for labour and its families. However, in order to raise productivity and competitiveness, the demand side employers might introduce automation to weaken their reliance on labour. Unlike other real commodities, if the demand for and wages of labour fall, the supply of labour cannot self-contract to prevent a price cut, since their need of subsistence does not change. Fourth, labour does not enjoy the liquidity that capital does since labour is restricted in temporal-spatial dimension and lacks resources to move. Generally, there are four types of social group regulated in the labour market: the inactive population, the unemployed, employed (full and part-time), and self-employed. Their employment entries are shaped by the labour market intervention for policy objectives of inclusion and/or exclusion according to particular economic conditions. In addition, the capacity of the state to offer subsistence outside the market also controls the entry and exit of the 'problem groups', which implies diversity within the working class, such as young people, older people, and family carers.

In short, the labour market embodies capitalist power asymmetries. Without state regulation, the market itself would eventually damage the exchange of labour power. Thus, modern states tend to balance the employment relations at varying levels, to ensure a sustainable accumulation of capital and its legitimacy. Offe (1985, p.46) proposes a conceptual framework of the employment and welfare policies of state intervention in order to manage both the supply of and demand for labour market (Table 4.1). In his framework, the main targets of labour market regulation are the amount of labour supply and the level of labour demand. In this connection, social policy enables the supply and demand of the labour market, and shapes relative strengths within employment relations by the provision of social wages and the regulation of the rules of employment. More specifically, different ways of workfarist reforms, enhancing workless welfare users' work motivation and promoting training and skill formation, will lead to varying quantities and qualities of labour supply along with the bargaining power of labour.

Table 4.1 Welfare and employment policies of labour market intervention

	Positive rewards (incentives)	Negative sanctions (penalties)
Prevention of employment entry and promotion of employment exit		
Demand side	Early retirement scheme	Legislation of prohibiting of child labour
Supply side	Maternity leave, subsidies for self-employed	Extension of compulsory education
Enhancement of employment entry and reduction of employment exit		
Demand side	Wage subsidies to employers, tax reduction for hiring disadvantaged	Employment quotas for hiring disabled workers, maximum working hours
Supply side	Retraining, work allowance, continuing education	Suspending of unemployment benefits

(Source: adapted from Offe, 1985)

The changing welfare-work nexus in liberal welfare regimes

While different sets of welfare-work nexus are embedded in the institutional configurations of state, market, and society in the liberal, conservative, and social democratic regimes (Esping-Andersen, 1990), they together undergo substantial structural pressures brought by post-industrialisation that reshapes the public costs of (un)employment, entry into and exit of labour market, and the welfare-work transition (Esping-Andersen, 1999).

Drawing on the cost-disease of the service economy thesis of Baumol (1967), Esping-Andersen (1999) argues that the capacity of low-end and labour-intensive service economies to absorb low-skilled workers is weaker than that of manufacturing economies owing to the limited space for productivity growth. The

expansion of tertiary economies is accompanied by the rise of low-skilled services, marketised household services, and the outsourced business services. These services are relatively contingent upon the purchasing power of middle class and their demands are elastic as they are competing with self-servicing and are sensitive to any changes of disposable income and relative prices (Esping-Andersen, 1999). Within service economies, the flexibility of skilled labour is more likely functional while the unskilled workers manifest more numerical and wage flexibility (Clasen & Clegg, 2012). As the occupational hierarchy of service economy tends to be polarised between professionalised and unskilled jobs, conventional social and labour protection is revolved around stable employment which increases the risk of dualisation of labour market. As a result, the pressure of triple integration is experienced across welfare regimes: the homogenisation and reduction of unemployment benefits, the re-categorisation of social groups at new risks, and the activation measures for (re)employment promotion. Given that the tertiarisation of employment leads to the service-driven growth without a net increase of low-skilled jobs, Esping-Andersen (1999) suggests that a 'post-industrial' trilemma emerges across welfare regimes, in which the welfare regimes have to 'choose' two out of three options: job growth, equality, and fiscal discipline. Whilst the macro-economic conditions matter to policy choices, welfare regimes are marked by different routes to the adaptation of post-industrialisation (Clasen & Clegg, 2012). The liberal regime tends to focus on job growth and fiscal discipline at the expense of equality. It continues to allow weak wage regulation to stimulate the low-waged job growth in private sectors and to adopt means-tested wage supplements for alleviating the undermined aggregate demands. Therefore, a relatively buoyant labour market appears in line with the rise of in-work poverty. The social democratic regime emphasises wage protection and subsidised public services to ensure quality female employment, accompanied by high social spending. The conservative regime, except the more liberal way of Germany, sticks to wage regulation and prices out the low productivity and labour-intensive service jobs.

Some of the Anglo-American states may reflect the dualisation and the exclusion of outsiders due to their continual dominance of familialisation and the bread-winner model, instead of the employment protection. In sum, de-commodification and de-familialisation both shape the changing paths of welfare-work nexus across welfare regimes (Esping-Andersen, 1999). While there is a closer connection between social policy and the labour market under the post-industrial pressure, Bonoli (2003) argues that some of the social policy goals can be realised through labour market participation for wage-earners to balance the needs of economic efficiency and security. This optimistic narrative of the enhanced welfare-work nexus will be examined in the case study (Chapter 5 to 7).

Changes and continuity in liberal welfare regimes

Due to the research purposes this section primarily focuses on the welfare-work nexus of liberal welfare regimes. Deeming (2017) concludes that 'liberalism' in the welfare regimes refers to the absence of strong class coalition, belief in work ethic, commodity logic, supremacy of private market, competitive individualism, and the dominance of means-tested safety net. While Esping-Andersen's classification is rather European-centred and over-generalised, Deeming argues that the liberal welfare regime of Anglo-American countries is heterogeneous. The Antipodes pay more attention to the primary level of distribution wage-earners' benefits via wage-employment regulation and safety net, instead of universal welfare state provision. The NHS in the UK and its post-war welfare state governed by the Labour Party should not be considered as minimalist. Also, the role of tax credits as fiscal welfare in the US is constantly hidden and overlooked (Hacker, 2004). Despite the presence of diverging spending patterns and welfare arrangements, there is some convergence among liberal regimes for the work-first strategies, which are characterised by the incorporation of labour in the low pay and precarious jobs, along with the residualisation of safety net (Deeming, 2017). Some argue that the rise of the working poor and precarious employment is the unintended consequences of workfarist reforms in liberal regimes (Häusermann & Palier, 2008). Hall (2015) suggests that the liberal welfare regimes in line with liberal market

economies favour work-oriented welfare reforms that imitate the English Poor Law underpinned by market imperatives to discipline the poor. The introduction of welfare conditionality in these countries undermines social citizenship by upholding the contractarian obligation in terms of paid employment over the status-based social rights (Handler, 2004).

The labour parties in the UK and Australia both brought in punitive and socially liberal policy instruments to incentivise workers' employment in low pay and low skill sectors, in return they opted to support and encourage low pay employment instead of enhancing redistribution (Wilson & Spies-Butcher, 2016). The full employment commitment of past two decades was achieved by supply-side intervention and the market-driven approach (Obinger & Starke, 2015). Whilst market stability, corporate confidence, and fiscal constraints are prioritised, an ineffective industrial policy, especially in the UK, hits the traditional working class with low skill in the era of de-industrialisation. Under the rhetoric of 'make work pay', these governments basically support the mild growth of the minimum wage, yet some kinds of labour market deregulation were allowed. Due to the veto-points of political institutions, the UK government can implement neoliberal reforms more radically than the Australian government. McEnhill and Taylor-Gooby (2017) hold that working-age benefits in the UK show some continuities of the activation elements in unemployment benefits and the usage of tax credits for wage top-up between the New Labour and Coalition government. There are also some incremental changes towards more work-oriented and short-term benefits with stronger individualised obligation, owing to the 'layering' of austerity-driven benefit caps and the enhancement of work conditionality and pro-market flexibility. This can be attributed to New Labour's recognition of the importance of welfare spending whilst the Coalition government saw it as fiscal burden, although the latter did not entirely dismantle welfare provision. Against the backdrop of austerity measures, the 'drifting' of in-work and out-work benefits appears as these welfare measures are lagged behind the intensification of precarious labour market and low pay jobs (Heins & Bennett, 2018), resulting in the weakened protection of

workers and proliferated risks of precariousness. On the one hand, stricter conditionality and retrenchment are imposed upon out-of-work benefits but they are relatively protected as a social security; on the other hand, the real wage decline and increasing employment insecurity is perpetuated under the finance-led recovery and fiscal consolidation (Lavery, 2018). As a result, the antagonism towards workless welfare users is fuelled and the deserving-undeserving divide is entrenched.

Moreover, American social security has also undergone sea changes since the 1980s. The Aid to Families with Dependent Children (AFDC) was changed to the Temporary Assistance for Needy Families (TANF), with the modified Earned Income Tax Credits (EITC) for the low-income families. The retrenchment of out-of-work benefits was accompanied by the expansion of in-work benefits and the stagnated minimum wage. However, the labour market inequalities and insecurity could not be alleviated by the newly expanded protection, especially after the global financial crisis due to institutional constraints and the business-conservative alliance (Daguerre, 2011). While the US welfare state increasingly grounds the social contract as an employment contract, the income floor, ladder, and safety net, which were strengthened in the post-war period, are eroded (Bertram, 2013). Social provision, thus, is losing its power to protect workers and the poor against the growth of low quality jobs in low pay sectors, despite the ascendancy of the EITC (Hacker; 2016; Tach & Edin, 2017) (see below).

Nevertheless, there is a surprising expansion of minimum wages in the liberal welfare regimes. Given the workfarist reforms and the make-work-pay rhetoric, some liberal states have introduced or uplifted the minimum wage to respond to the social support for stronger wage protection under electoral pressures (Wilson, 2017). This unexpected move of liberal states can be attributed to the pressure of austerity, in which the minimum wage was seen by the government to shift the fiscal burden of poverty alleviation to employers. In general, there are increments of benefit and protection for low wage-earners via moderate wage regulation and

in-work benefits (IWBs). There is no guaranteed impact of minimum wage and IWBs but depends on the dynamics of class power and the labour market institutions.

In a nutshell, all welfare regimes face the common pressure generated by the post-industrialisation and tertiarisation of employment, yet they respond in diverse ways. For liberal welfare regimes, their welfare-work nexus is continually marked by coercive and paternalistic commodification, through which the workless and working poor are pushed in the low-end labour market and disciplined by the behavioural power of welfare (Dukelow & Kennett, 2018). This can be attributed to their institutionalised disciplinary neoliberalism that boosts the structural power of international capital whilst restricting the capacity of national state in market regulation. Although countries with liberal regimes introduced some IWBs for wage-earners as the market buffer (Dukelow & Kennett, p.4), these new policy tools cannot alleviate working poverty and low wages as they principally act as the 'buffer' to fix market failures. More importantly, the neoliberal version of activation measures and their emphasis on employability has contributed to the emergence of the working poor in the liberal regimes.

Political economy of the neoliberal activation and the new welfare paradigm

Informed by the neo-Marxian perspective, the shift from Fordist-Keynesian welfare to post-Fordist workfare regime indicates the responses of the capitalist state to the structural crisis and strategic dilemma that forces the state to revive profitability and flexibility in labour market (Jessop, 2018). Accordingly, no welfare regime could escape the pressure of neoliberalisation and the need to minimise the negative consequences of social protection on wage relations and capital accumulation, despite the upside. The neoliberal shift of social policy in social democratic and conservative regimes is accommodated with the Schumpeterian workfarist reforms, focusing on the innovation and productivity as the accumulation strategies. In contrast, the workfarist reforms in liberal welfare regime are embedded in the finance-dominated accumulation, which is characterised by the 'Ricardian' regime that primarily aims at minimising the costs of wage and social wage and maximising the freedom of capital in the market. This

distinction of workfarist models is echoed by the spectrum of activation, with the two extremes between the work-first workfare and the train-first enablement (Dingeldey, 2007; Bonoli, 2010). Hence, the liberal welfare regime follows a strongly neoliberal approach to work-first activation that further undermines the structural bargaining power of labour (Silver, 2003).

It is argued that neoliberal workfare places central emphasis on building the working-class discipline and setting wage constraints (Grover & Stewart, 1999; Peck & Theodore, 2000). The work-first approach to employment mainly has two implications. First, it aims to expedite employment entry and push down the reservation wage, the lowest wage level for the unemployed to work, by tightening the conditionality of out-of-work benefits. It is also shown that minimum protection for the poor is increasingly insufficient and unjust due to the decline of real generosity in relation to the workfarist reforms (Nelson, 2011). Second, it attempts to stabilise and ensure the labour supply for the low wage market by channelling more labour power to take up the jobs available in the market as quick as possible. As a result, there is a more competitive labour supply and the downward pressure on wage (Wiggan, 2015; Umney et al., 2018). By enhancing the work-readiness and incentives as the employability of labour, the neoliberal activation puts market efficiency and corporate flexibility over the job quality and wage equality. This way of supply-side intervention is seen as a 'good weather' policy as it heavily relies on the market conditions without strong counter-cyclical effects (Raffass, 2017). Consistent with the growth model of liberal market economies (Hall & Soskice, 2001b), the activation in liberal welfare regime, which pursues quantity rather than quality of employment, demonstrates the path of 'low-road investment' for the competitiveness (Kalleberg, 2009; Berry, 2014), with the disincentive for enterprises to raise productivity and innovation.

In addition, the power of financial capital dominating the market is in line with the domination of recommodified and coercive welfare under disciplinary neoliberalism (Dukelow & Kennett, 2018), together they lead to the intensified sanctions and surveillance to sustain a disciplined workforce in the name of self-reliance. The

market discipline and behavioural control reinforce the social insecurity as the undermined social rights and more labour market participation shift the workers from out-of-work poverty to in-work poverty and precarious employment (Wacquant, 2010; Patrick, 2017). Dean (2007) terms the ethical basis of work-first model as the contractarian-competitive individualism and authoritative-coercive behaviourism, which claims to control and regulate the behaviour of the poor for their long-term interests.

Neoliberal paternalism embraces the welfare 'nudge' to change the behaviour and attitudes of the poor by certain kinds of punishment and reward (Leggett, 2014; Whitworth, 2016). Not only are the workless poor the target of the welfare surveillance, the working poor are also monitored by the work-test to ensure they remain in low paid jobs (Dostal, 2008). The work-first workfare tied to low wage work is the result of the institutional reconfiguration promoted by neoliberal governments in order to revive business' profitability by dismantling the organised bargaining power of labour and deepening of contractual citizenship (Collins & Mayer, 2010). As such, welfare re-commodification on the one hand results in an undermined social citizenship that has to be earned by the poor via low paid employment; and, on the other hand, the highly marketised activation endangers the working poor in greater precarity of both work and welfare (Greer, 2016). It is evidenced that the marketised employment services in the liberal regimes not only weaken confidence in and commitment to work, but also display the effects of creaming and parking (Carter & Whitworth, 2015; Greer et al., 2018). While these services tend to help and benefit the poor with higher skill and employability in face of funding sustainability and competition, they can lead to a bad quality of job search for the less skilled under the work-first principle (Raffass, 2016).

The social investment and active welfare paradigm

Recently a body of literature proposes another welfare paradigm linking welfare to work but as an alternative to neoliberal activation. The social investment approach to welfare highlights its differences to both the Keynesian and neoliberal models in that it can balance the needs of production for economy and protection for society

(Jenson, 2012; Morel et al., 2012; Bonoli, 2013). By classifying social security as 'passive welfare', the social investment school addresses the importance of developing 'active welfare' or 'new welfare'. Passive welfare points to the social and labour protection with compensatory functions, such as unemployment benefits; active welfare refers to the social policies with investment purposes mainly on the human capital of the workers and the poor. This echoes the notion of co-existed productive and protective functions of social welfare (Hudson & Kühner, 2009). It is argued that the linkage between welfare institutions and the labour market in the industrial age is obsolete in the era of globalisation, service-economy, female employment, and ageing population (Häusermann & Palier, 2008). Therefore, the new social risks of structural unemployment and precarious employment generate new needs for social policies to support the poor (Taylor-Gooby, 2004; Bonoli, 2005). In this connection, the social investment approach fills the gaps to encourage paid employment by social policy in a more humanised way. As a new welfare paradigm it aims at smoothing the 'flow' of labour over life-course transitions, upgrading the stock of human capitals and skills, and buffering the market inequalities by minimum income protection (Hemerijck, 2018). Conceptually the social investment approach challenges the neoliberal notion of a trade-off between welfare and economy and abandons the retrenchment strategy and idea of minimalist state. Given structural market inequalities, it promotes employment and productivity by activating and capacitating services and policies to better equip workers' human capital. Social spending in this sense should be seen as a productive investment for boosting economic growth and competitiveness instead of an unnecessary cost (Jenson, 2012; Morel et al., 2012). New social policies include employment-friendly provision (Häusermann, 2012), for instance, child care and parental leave policies, work-life balanced working hours, skills training.

While the social investment and active welfare approach has become a policy discourse in Europe, it is heterogeneously institutionalised based on the national path dependence with various emphasis (Bonoli, 2010). The social democratic regime shows a stronger tendency towards human capital investment for skill

advancement in line with expanded childcare services; the conservative regime displays a stronger dualisation of market owing to the continual strength of unions but low pay jobs increasingly appear for the unorganised workers; the liberal regime furthers the residualisation of welfare and protection by de-regulating the labour market and adopting the work-first strategy (Thelen, 2012). Despite the various politics of welfare and labour in these regimes (Clasen & Clegg, 2012), the relief for the working poor, activation for the unemployed, and employment services are commonly found in all countries in different degrees and forms.

Whilst the assumptions and goals of this new welfare paradigm are appealing to both the centre-right and centre-left, there are some limitations for it to achieve a balance of equality and efficiency in relation to labour market. First, the dilemma between minimum income protection and activation has yet to be solved (Moreira, 2008). On the one hand, minimum income protection as a needs-based safety net ensures the income of all society members not below the floor, which is inevitably at odds with any conditional workfare measures with sanctions. On the other hand, the policy package suggested by the social investment approach tends to be supply-side intervention. Without demand-side intervention, it is difficult to increase the quality of employment and make it attractive for the poor, especially for the liberal regime and liberal market economies. Second, despite the promises of skill and training in employment, the trajectories of labour market policy in advanced economies since the global financial crisis show little sign of an investment element, such as upskilling (Bengtsson et al., 2017). In contrast, employment policies are directed towards the incentive enhancement and employment assistance with work-first purposes. Social investment goals are waning due to the primacy of austerity in particular to the liberal regime. Third, the market-dependent and economy-focused social investment paradigm possibly engenders Matthew effects, or at least fails to reduce labour market inequalities (Cantillon & Van Lancker, 2013). This is because the employment-centred notion of human capital investment does not necessarily improve the wages of the least advantaged in the labour market. Finally, the new welfare agenda promotes labour market participation at the

individual level and fosters more and better jobs at the policy level. However, the outcomes of the social investment inputs prove that the new welfare can facilitate the quantity of employment but not necessarily the quality (Taylor-Gooby et al., 2015). Without paying attention to the macro-intervention and regulatory arrangements, such as wage bargaining and employment protection, the deep-rooted power imbalance between labour and capital is overlooked.

Hence, the social investment approach rightly addresses the new poor without giving adequate solutions. Because of its technical explanation of social risks, it puts social and labour protection as the source of problems instead of neoliberal capitalism and de-politicise the welfare reforms. Laruffa (2018) therefore argues that this welfare paradigm unintendedly shares some elements of neoliberalism, i.e. the dominance of economic over the social needs and subordination of social policy to the labour market. Apart from the neoliberal activation and social investment paradigm, there are some structural and institutional factors giving rise to low pay and in-work poverty.

The rise of low pay and in-work poverty in advanced capitalist economies

Before going into the discussion of low pay and in-work poverty it is of vital importance to clarify the overlap and differences among them as distinct concepts. Lohmann (2018) suggests that low pay refers to the individual-based description of low wage in the labour market while in-work poverty implies the household-based measurement of poverty with working family members. Whilst low pay can be one of the determinants of in-work poverty, the two are not necessarily equivalent and connected. Low paid workers may not be regarded as poor if they are not living in the families with total income lower than the poverty threshold, except for the families with single breadwinner. Women are more likely to be hit by low wages and men are more affected by in-work poverty due to the gendered division of labour and expected income pooling within families (Lohmann, 2018). Overall, in-work poverty is more morally appealing and politically sensitive than low wages because the latter is not always taken seriously by the government as a policy problem but as a reflection of low productivity in the market mechanism.

In-work poverty is commonly defined as the household with employed person(s) whose equivalised disposable income is below 60% of the median income (Marx & Nolan, 2012; Lohmann & Crettaz, 2018). In-work poverty is generally associated with the macroeconomic-institutional level and the individual-household level contributors. The macro factors include globalisation, technology, and de-industrialisation; institutional factors are the interdependence between minimum wage, means-tested transfer, and childcare policy supporting dual-earner. For individual-household factors, there are three possibilities of greater risks related to inadequate income: a low wage in full-time employment, underemployment with low work intensity, and above-average family needs (Gautié & Ponthieux, 2016; Lohmann & Crettaz, 2018). While the labour market institutions can shape the outcomes of in-work poverty and low wage in pre-distribution, social policy can mediate the outcomes by redistribution. Regarding low pay, it is a cross-country phenomenon concentrated in some services sectors (Marx & Nolan, 2012), for instance, the catering, hotel, and care services. Given the general increasing trend of low pay among countries (King & Rueda, 2008), it is the highest in the Anglo-American countries and relatively lower in Continental countries except Germany, and the lowest is found in Nordic countries except Sweden (Marx & Nolan, 2012). The minimum wage, centralised wage bargaining, and unionisation of labour are the significant institutional arrangements preventing a rise of low pay in the post-industrial economies. In addition, particular socio-economic groups are more vulnerable to the risks of low pay: women, young workers, and migrants (Grimshaw, 2011; Marx & Nolan, 2012). The reasons for gendered low paid employment may be due to the undervaluing of female work by the market and the uneven wage-setting institution that benefits more to the male breadwinner core labour.

It is argued that research on working poverty predominantly focuses on demographic characteristics and employment status, overlooking the roles of institutions and power relations giving birth to low pay and in-work poverty (Brady et al., 2013). Drawing on the Varieties of Capitalism (VoC) theories, Appelbaum and Schmitt (2009) reveal four paths to low wage employment. The first of which is

about labour market institutions and the organisation of market economies. Liberal market economies (LMEs) depending on market mechanism for competition foster low-road investment that individualises and externalises the risks and costs of labour market without strong enough minimum wage and collective bargaining of wage-setting. Second, gender regimes matter to the extent of maternal employment and the gender segregation of occupations. The prevalence of the breadwinner model may limit the supply of low paid workers whilst the adult worker model may increase them. Also, reliance on the public sector for job creation reduces the risks of low pay but the private market can increase them. Third, the types of industry and the exposure to global market affects to what extent the sectors are sensitivity to external shock and competitive pressures. Finally, firms' strategic choices to pursue profits, organise production, and invest on skills of employees, shapes the wage structure and the remuneration levels of the firms. It is argued that there is no straightforward trade-off between wages and employment (Appelbaum & Schmitt, 2009). As the coordinated market economies (CMEs) regard higher labour costs as the high-road investment for long-term productivity and innovation (Bosch, 2009), some LMEs government directly subsidises and indirectly compensate for low-wage employers via training and benefits for employees.

Apart from the institutions and business strategies, Vidal (2013b) argues that post-Fordism as a contemporary accumulation regime of capitalism which favours employment relations constraining the wage levels in low-skilled service jobs, while stimulates their structural demands. In addition to the reduced profit rate of Fordism and international competition pressure, post-Fordism revives the profitability of corporate via reorganising the production, resulting in the stagnated pay rise, intensified job polarisation, broken internal market, and job ladders. Despite cross-country and within-country differences, the overriding logic of post-Fordism is to externalise employment relations, in which workers are losing control over the working process (Pradella, 2015). This brings us to the power resources perspective as the declining wage share of labour is correlated to the waning

collective power of labour and unions. The stronger street-level unionisation is associated with the lower possibilities of the working poor (Brady et al., 2013), as organised labour tends to promote more egalitarian policy development and governance of the labour market. Consequently, the bad jobs emerge in the context of financialisation, de-unionisation, and tertiarisation. Despite the absolute wage growth, as the calculation of low pay and in-work poverty is in relative terms (Lohmann, 2018), the real wage levels in Anglo-American countries have dropped significantly.

For the relationship between social policies and low pay, it is common for advanced economies to restructure their labour market institutions and welfare policy. King and Rueda (2008) suggest that 'cheap labour' is a macroeconomic strategy combined with neo-liberal ideologies, de/re-regulated labour market, and workfarist reforms. These structural reforms go beyond the spending cut to the retrenchment of public sectors by job and wage cuts, pay freeze, and the promotion of precarious employment (Hermann, 2014). In particular, the labour market and social protection re-commodification are in line with fiscal crisis and austerity measures (Shahidi, 2015). For instance, the rise of low pay sectors and precarious jobs in the UK is due to the pro-business corporate restructuring driven by financialisation and the labour market deregulation in favour of employers' interests (Grady, 2017). This mirrors the policy choice of neoliberal labour market policies that endorse the 'use' of zero-hour contracts. Ironically, the emergence of in-work poverty and low pay contradicts the neoliberal imperative of 'work as the best route out of poverty' (Pradella, 2015). It is evidenced that the work-first conditionality and stronger sanctions are positively correlated to the levels of in-work poverty (Seikel & Spannagel, 2018), while the poverty-reduction effect of the train-first strategy is positively related to the expenditure of Active Labour Market Policies. Education and training only can be effective in alleviating poverty when their quality is high enough and the skills are relevant to the labour market institutions (McKnight et al., 2016).

Therefore, the promotion of work is not necessarily a solution to poverty but it more likely results in 'no pay, low pay' and the welfare-work cycle with precarious jobs (Newman, 2011; McCollum, 2012; Shildrick et al., 2012). In-work poverty and low pay could lead to negative impacts on income insecurity, housing, human capital, trust, citizenship, and so forth, associated with the undermined social quality (Tomlinson et al., 2016). While there is growing evidence of low wages and in-work poverty as a global phenomenon in both high-income and middle-income countries (Grimshaw, 2011; Lee & Sobeck, 2012), a variety of policy tools are adopted to combat them in various policy contexts.

The institutional arrangement and development of in-work benefits

In-work poverty and low pay emerged on the policy agenda in the late 1990s in Europe due to their increasing size and intensity, in alignment with the policy focus of work insertion. Marchal and Marx (2018) suggest that the labour market and income policies for the working poor in the recent decade emphasise providing working incentives and speeding up the welfare-work transition, yet this approach to employment inevitably generates downward pressure of wage in the era of economic crisis and restructuring. As such, governments in general claim to adopt the make-work-pay measures for fulfilling the obligation of the state so that it is morally justified to impose stricter welfare conditionality and increasing the rewards and attractiveness of work to the poor. Given the pressure of the shift from breadwinner model to adult worker model owing to the decline of family wage and changes of household composition, this provokes the new target groups of working poor, for instance the lone parents and young people. Because of the complexities of in-work poverty in the post-industrial era, there should not be one-size-fits-all solution of wage and income policies targeting the households with low earnings (Crettaz, 2011; Gautie & Ponthieux, 2016). For this reason, the measures for reducing low pay and in-work poverty are different in terms of their goals and mechanisms.

To combat the low pay phenomenon in the labour market, there are two types of wage-setting institutions protecting the wage levels of workers as a whole (Bosch,

2009; Grimshaw, 2011; McKnight et al., 2016). The first of which is the minimum wage (MW) in line with many make-work-pay strategies. The MW is an effective tool to prevent the incidence of low pay jobs (Grimshaw, 2011), especially for the US and UK which use statutory and national MW where collective bargaining is less important than the MW to regulate the income floor. Despite its increasing prevalence even in the Anglo-liberal regimes (Wilson, 2017), the adjustment mechanism of MW in relation to average earnings can sustain or undermine its power on supporting the low pay employment. While the MW is expanded in some new EU countries and there is stable minimum wage growth in relative terms among old EU countries (Marchal & Marx, 2018), the MW *per se* cannot reduce in-work poverty by only uplifting wages in the pre-distribution phase (Ferrarini et al., 2013).

Second, the institutions of collective bargaining, including the forms of coordination, level of centralisation, participation and representation of unions, and the coverage of bargaining do shape the extent of low pay labour market. The main principle of wage bargaining is to take wages out of competition and to prevent downward pressure on wages as a cost-reduction strategy (Grimshaw, 2011). In countries with exit options for employers in the collective bargaining institutions there is likely to be a rise of low paid jobs (Bosch, 2009; Lee & Sobeck, 2012).

The limitation of the MW and collective bargaining institutions to deal with in-work poverty is that they do not consider dependents' needs, especially for the households with larger size (Neumark & Wascher, 2011). Consequently, the interaction between wage policies and other income maintenance policies is crucial in protecting low-income households and low paid workers and lifting more families with children out of poverty. In addition, low pay and in-work poverty are also associated with part-time or temporary jobs (McKnight et al., 2016). Policy measures to increase household's work intensity and maternal employment, for instance, paid maternity leave and childcare services, can ensure income security in the shift to adult worker models.

Mapping and sketching the in-work benefits

As an emerging form of income maintenance (McKay & Rowlingson, 2016), in-work benefits (IWBs) can also be taken as the labour market policies across Europe to make work pay and strengthen the labour supply for low pay sectors (Clegg, 2017). Owing to the claimed weak incentive for unemployed welfare users with children to take up the low pay jobs, IWBs are promoted to solve the activation-protection dilemma (Marchal & Marx, 2018). On the one hand, there are limitations for incentivising the poor by further cuts and sanctions of out-of-work benefits; on the other hand, the continual rise of the MW may undermine business' short-term interests. IWBs, therefore, could increase take-home pay without boosting the pressure for MW growth and undermining the work incentives of the poor.

IWBs are defined as 'permanent work-contingent tax credits, tax allowances or equivalent work-contingent benefit schemes designed with the dual purposes of alleviating in-work poverty and increasing work incentives for low-income workers' (OECD, 2011, p.67). In this regard, IWBs are constantly regarded as the income tax concession or employment-related social benefits: while the MW is paid by employers for the employed persons on the individual basis, IWBs are paid by the state targeting on different types of households with working persons (Marchal et al., 2018). IWBs can also be classified into individual-based and household-based forms. The individual-based approach aims at enhancing work incentive and supporting the low paid workers in non-poor families; the household-based are attempts to reduce working families in poverty. Therefore, family composition is key to the entitlement of the household-based IWBs and some of them combine with specific child benefits. On the one hand, IWBs are similar to a social safety net as they are both need-based welfare considering the aggregate needs of family and the received benefits also depends on their income. Some IWBs require means-tests but some uses the tax system to assess the income of claimants. On the other hand, IWBs are conditional on claimants' labour market participation while some safety nets with work requirements are implemented by sanctions.

There are three main types of IWBs identified in advanced economies (Kenworthy, 2015). The first of which is refundable tax credit or cash transfer with phase-in and phase-out range, with prevalence in Anglo-liberal countries (Marchal & Marx, 2018). Second is the reduction in workers' tax payment or social security contribution, which can be found in Germany. The final one is tax credits or cash transfers without phase-out which only exists in Sweden, i.e. a nearly universal welfare to working families. Overall, the trend of IWBs is towards more 'fiscalisation' of child benefits and income support for the working poor (Ferrarini et al., 2013; McCable, 2018). Apart from these institutionalised measures with specific emphasis on the working poor, other IWBs in rather small-scale, temporary, and integrated with unemployment benefits will not be focused in this chapter. In addition, the design characteristics of IWBs shape users' decisions on working hours because the threshold of means-tests would undermine the marginal income of the working poor in the phase-out range (Vandelannote & Verbist, 2017). Thus, it is important to examine the architecture of IWBs by four categories. First, the individual-unit and/or household unit of assessment; second, the income-related eligibility based on hourly and/or monthly basis of the threshold; third, the employment-related conditionality defining minimum working hours for qualification; finally, the generosity premised on the household types, number of children, and lone parenthood.

The possible effects of IWBs should be understood in their policy context. Central to the make-work-pay and work-first strategy, IWBs are designed to boost the employment for low-skilled workers and to expedite employment entry (Immervoll & Pearson, 2009; Jeroslow, 2013). Different from out-of-work benefits' transitional basis, IWBs could permanently enlarge the income gap between in-work and out-of-work by relatively reducing the reservation wage for the unemployed, without any time-limits. Yet other policy measures and their interaction also shape this gap and structure of labour market, or even offset IWBs' efforts, such as low minimum wage and housing benefits (Immervoll & Pearson, 2009; Cousins, 2014; Vandelannote & Verbist, 2017). In general, there are positive effects of in-work

benefits on labour market participation and work incentives but the effects on the overall employment conditions are minor (Immervoll & Pearson, 2009; Cousins, 2014; Kenworthy, 2015). Positive effects can be found on particular social groups, for instance, lone mother and immigrant women (Andersson, 2011; Cousins, 2014). In the comparison of IWBs in Belgium, Italy, Poland, and Sweden, they all show positive effects for the 'extensive margin' of workers, the decision whether working or not; however, the effects on workers' 'intensive margin', the number of working hours, are mixed or even slightly negative (Andren & Andren, 2016; Neumark, 2016; Vandelanotte & Verbist, 2017). It is because low paid workers have stronger capacity to decide whether to enter the labour market or not than to decide the working hours (Maag, 2015). Moreover, IWBs may engender disincentives on second earners due to the benefits loss brought by additional income (Blundell, 2000; Immervoll & Pearson, 2009; Maag, 2015; McKnight et al., 2016).

Given the inconclusive evidence of IWBs' effects on employment, policy design and context arguably matter to the outcomes of IWBs (Immervoll & Pearson, 2009; Vandelanotte & Verbist, 2017). The individual-based IWBs can prevent the disincentive even in the context of familialism (Figari, 2015), but the poverty reduction effects are stronger for household-based unit of assessment than the individual-based. While the single cut-off threshold may keep the gross family income the same and reduce the welfare-work gap, the phase-in range may also weaken the incentives to work longer. A longer phase-out range could minimise the marginal tax rate of additional income despite the higher costs of the programme. Derived from these evaluations, there will be a dilemma within IWBs. As the broader targeted IWBs, the less work disincentive and stigma, it will possibly exert greater budgetary pressure and Matthew effects. Narrowing the IWBs can reinforce the targeting effects but it will negatively affect the work incentives. It should be noted however that many of these evaluations of IWBs are based on econometric predictions in various scenarios (Immervoll & Pearson, 2009; Vandelanotte & Verbist, 2017). They are conceptually and methodologically inadequate to provide a full understanding of IWBs as they are based on the rational and individualistic

assumptions that claimants are perfectly informed and mechanically responsive to different designs of IWBs.

The following sections focus on IWBs in the UK and US as they are most relevant to studying IWBs in HK (with a relatively similar socio-economic context). It is argued that IWBs in corporatist countries with stronger unionisation and higher wage floor tend to be small-scale and sector-based tentative measures only for the marginal workers, so they are not enough to generate significant effects on total employment and income (Kenworthy, 2015). In contrast, IWBs in liberal regimes could increase employment in the bottom of labour market with weak collective bargaining. Between the 1980s and 2000s, there was a growth of IWBs expenditure, increase of generosity and coverage, and relaxation of eligibility, in line with the sluggish wage growth (Cousins, 2014; Kenworthy, 2015). Being the largest welfare policy for working-age people, it is worthwhile to examine their development.

Features and roles of EITC in the US

Earned Income Tax Credits (EITC) were introduced in 1975 for the low wage workers. This is currently an annually refunded tax credit with slow phase-in and phase-out ranges that target families with low and medium working income (Cousins, 2014). The amount of assistance depends on the wage and numbers of qualifying children. The EITC is widely recognised to successfully enhance employment and boost the income of the in-work poverty, especially for lone mothers. (Leigh, 2010; Meyer, 2010; Chetty et al., 2013, Maag, 2015; Neumark, 2016). Furthermore, the expanded EITC recipients have enjoyed earnings growth since the mid-1990s and there was no sign of pushing them into dead-end jobs (Dahl et al., 2009). However, there are still some direct and indirect drawbacks of the EITC. First, the expanded workforce driven by EITC at the bottom of labour market arguably exerts keener competition among other EITC ineligible low paid workers, which results in the downward pressure on wages and shifts the benefits towards employers through wage cut (Leigh, 2010; Rothstein, 2010; Maag, 2015; Neumark, 2016). Despite the claimed objectives of fostering employment and work incentives, the EITC may harm the employment of secondary earners (mainly

female) in partnered families as additional work income will be offset by the EITC (Tach & Edin, 2017). Moffitt (2013) reveals that the EITC does not help the least disadvantaged in the labour market as it favours those families with middle-low income the most but is less progressive within the working poor populations. While the evidence of positive effects on lone mothers' employment is significant, the effects on the reduction of in-work poverty are more mixed, despite the fact that EITC uplift the income of the claimants and maintain them in low pay jobs (Kenworthy, 2015).

Some qualitative analysis of EITC portray a more optimistic picture. It is evidenced that the EITC, as a tax rebate implemented by the Internal Revenue Service, is different from the conventional means-tested welfare applied at the Welfare Office and reduces claimants' stigma (Sykes et al., 2015). In addition, the delivery of EITC is on the year-based lump sum during tax time, it was appreciated by the claimants as the money acted as a fiscal relief for them to pay debt and renew some durable goods. Therefore, some EITC users put their annual tax refund to mitigate the economic insecurity as an individual safety net (Jones & Michelmore, 2018; Tach et al., 2018). Moreover, some working parents were satisfied with new hope brought by the money to 'indulge' children's wants or even to start small-scale asset-building; they regarded the EITC as the 'springboard' for income mobility though without any proof. More importantly, claimants hold the identity of worker instead of welfare dependant and they could be fairly rewarded for work by EITC. Unsurprisingly, some former Temporary Assistance for Needy Families (TANF) users regained the feeling of dignity as they were fear of being accused of lazy and undeserving. It comes with a conclusion that EITC can improve the self-perceived citizenship by the conditional access to social rights and social inclusion in terms of employment (Sykes et al., 2015). Some claimants did not consider EITC as the welfare as the TANF, and they criticised the so-called 'welfare lifestyle' of TANF users, 'to claim welfare, poor households must cease to be citizens in the social sense' (Halpern-Meekin et al., 2015, p.112). Welfare in this sense can be separated

from citizenship and social rights as the moral hierarchy within welfare stratifies the working poor at higher rank than other undeserving poor.

Nevertheless, the EITC cannot avoid criticisms for both its effects and social meaning. First, on the one hand, the EITC is found to be modestly countercyclical as it cushions the income and employment reduction of partnered families with children and adults without children, i.e. these families' employment records still meet the work requirements of EITC (Bitler et al., 2017). Yet, the effects on lone parents, the main EITC user group, are negative as they could not meet the eligibility of the EITC due to job loss. Thus, the EITC is more likely to act as a safety net for married couples and workers with medium income and higher skill profile, while it fails to protect the single-earner families in the economic downturn. Second, despite the general work incentives offered by the EITC, claimants' responses and employment patterns were not simply determined by the credits maximisation for two reasons (Tach & Halpern-Meekin, 2014): owing to the system complexity users could not estimate the amount of credits in case of working more (Maag, 2015); the intensity of employment is still shaped by structural barriers that are unchallenged by the EITC. Third, the relative popularity of EITC manifests the power and 'victory' of workfare ideology that further downplays the needs and undermine the rights of unemployed and families with precarious employment (Bertram, 2015). Finally, the EITC arguably operates as a palliative rather than cure for in-work poverty (Jeroslow, 2013), as the effects of EITC on poverty-alleviation are somewhat exaggerated under the measurement of absolute poverty in the US. Thus, the claimed impacts of EITC on poverty reduction do not fully reflect the improvements of relative in-work poverty, as the latter is shaped by the labour market conditions and there is no sign of training and skill advancement for upward mobility labour driven by the EITC (Jeroslow, 2013). In addition, the 'churning' of working poor around low quality jobs in and out of the EITC appears along with the steadily chronic low wage and in-work poverty (Dowd & Horowitz, 2011).

Features and roles of tax credits in the UK

'Modern' tax credits were introduced by New Labour (Grover, 2016), with their roots in the wage supplement for full-time low paid workers with children in the 1970s and the lessons of IWBs' politics from the American EITC (Clegg, 2015). Tax credits underwent several expansions in the 1980s and 1990s, shifted from the means-tested in-work social security, Family Income Supplement, to the Family Credits. New Labour distinctively put the Working Families Tax Credits (WFTC) in 1999 as an integral part of the make-work-pay strategy to promote employment and reduce child poverty along with the minimum wage. The WFTC was renewed in 2003 and divided into the Child Tax Credit (CTC) and the Working Tax Credit (WTC), with substantial changes. It is argued that the expansion of tax credits manifests a certain degree of 'progressive universalism' (Millar, 2008), as most of working families received the CTC and the lower income claimants were given the additional 'child element' and children in non-working families were also entitled. Meanwhile, the WTC was specifically targeted on low paid workers with and without children, in particular to increase working lone parents' employment and income. Despite some administrative obstacles, their flexibility in deciding the time of care and work was enhanced (Wiggan, 2010). Due to the innovative design of the assessment, benefit level, payment system, and coverage, the government successfully conveyed a message that welfare is a reward for hard work instead of dependency through the substantial changes in policies and ideas (Millar, 2008).

Since 2013 the WTC and CTC have been combined as the Universal Credits (UC) under the Coalition government, yet the UC was still not fully implemented in 2018. The UC reforms were characterised by three aspects (Spicker, 2013): minimising the welfare costs as an austerity measure, imposing new conditionality to reconstruct the workability and tighten the sanctions, and redesigning the means-tested benefits for those of working age, with simplified administration and increased tapers. UC indeed increases the labour market participation of lone parents as the effective marginal tax rates (EMTR) was reduced whilst the employment of second earners in partnered families will be negatively affected owing to the increased

EMTR (Cousins, 2014). Arguably, UC moves towards a 'work-like' welfare through monthly direct payment mimic to fulltime work, and claimants' employment commitment is strengthened through stronger sanctions for non-compliance (Millar & Bennett, 2017). However, this assessment method assumes a monthly regular payment for fulltime working claimants, which is not necessarily the case as many of them are employed in zero-hour contracts in the gig economy and falsely labelled as self-employed (Gregory, 2017). As a result, the payment system finds it hard to deal with the income instability associated with precarious jobs (Spicker, 2013). The implication is that UC's new arrangement implicitly promotes an ideal model of *fulltime working* families and/or adults through increasing the work conditionality and moral obligation. However, civil society narrowly focused on the problems revolving around delivery and administration, keeping the underlying assumptions unquestioned (Millar & Bennett, 2017). Despite these policy problems, it is argued that the tax credit curtailment brought by the Coalition government undermined IWBs' coverage and effectiveness in poverty alleviation, being especially detrimental to the childless working families (Hick & Lanau, 2019). While many studies of in-work benefits investigated users' experiences and work motivation, claimants' perceptions on work received less attention. Dean (2012a) revealed that some claimants internalised the workfarist discourses to be as economically productive and self-reliant as possible. With the condemnation of the 'imagined' welfare abusers, the tax credits users classified themselves as virtuous workers and many held pragmatic views on benefits and work.

Criticisms of tax credits in the UK can be divided into the instrumental and normative. For the instrumental perspective, the surge of IWBs spending signals the rise of wage stagnation and tax credits as part of the make-work-pay strategy mirror the 'carrot' side of workfarist reforms (Dean, 2012b; Clegg, 2015). Under the neoliberal work-first doctrine, motivating the poor to take any jobs available in the market inevitably reproduces employment-related precariousness. The pursuit of economic independence and in-work conditionality are in fact contradictory (Millar & Bennett, 2017). As the former attempts to minimise the reliance of the poor on

state support whilst the latter inevitably entrenches the long-term reliance of the working poor on IWBs. This paradox dismisses the neoliberal myths of self-reliance and economic dependence in the absence of strong demand-side intervention and collective bargaining institutions. The personalised conditionality promoted in the UC reforms can be regarded as a means of active proletarianisation (Offe, 1984; Grover, 2012), in which the state plays a key role in crafting the low wage labour via the intensified work conditionality, meeting the needs of capital for stable labour supply in precarious and low pay jobs.

From the normative perspective, the UC embodies the deep-seated 'less eligibility' principle by introducing benefit caps to drive welfare income lower than wages (Spicker, 2013). It is a form of social security emphasising the individualistic work ethic on employment, poverty, and welfare (Gregory, 2017). While tax credits top up low wages, they do little to alleviate and even institutionalised the bad jobs. On the one hand, they are deemed as a welcome relief, on the other hand, they are *per se* an ethically-flawed subsidy as it reproduced the exploitative employment relations and downplayed the ethical foundation of employers' obligations (Dean, 2012a).

Implications of the IWBs' development

There are some common problems of IWB in the UK and US, including the administrative hurdles, complicated procedures, and lack of awareness of potential claimants (Cousins, 2014). In general, the goal of fostering employment is achieved more successfully than that of combating in-work poverty in the light of mixed results (Marx & Nolan, 2012). However, if the IWBs become a policy tool with the sole purpose of encouraging (low pay) employment, to what extent it is different from the neoliberal activation? This is not to suggest that IWBs are the simple extension of neoliberal activation and should be entirely abandoned by the left. In contrast, IWBs rightly address the issues of in-work poverty and adopt a less punitive way to compensate the market failure. Yet this policy tool cannot be separated from the broader policy and political contexts that interact with IWBs.

Considering the liberal welfare regime and liberal market economies of the US and UK, two implications of IWBs can be drawn.

First, as labour market conditions matter to the labour demands, the employment effects of IWBs will be weakened during the economic downturn and high unemployment (Immervoll & Pearson, 2009; Cousins, 2014). Without changes in conditionality IWBs would intensify the competition of low paid workers and further dampen the wage levels. In other words, IWBs with the reliance on market will heavily absorb the market-related risks and volatility, which potentially makes IWBs as a 'good weather policy' can only function in the strong economy Raffass (2017). The design characteristics may change the capacity of IWBs to generate counter-cyclical buffer effects (Bitler et al., 2017), but this requires less pro-market conditionality. Unless the higher wage floor exists, it is argued that IWBs will face a dilemma in targeting the poorest workers (Kenworthy, 2015). If IWBs have to encourage more employment, their eligibility has to be relaxed in order to cover more working poor. This will increase the costs and particularly subsidise some low paying employers. The objectives of fostering employment and minimising work disincentives are tensional with the targeted welfare via a sharp-cut threshold for eligibility. IWBs can incentivise the low paid workforce yet they may also incentivise low paying employers to constrain wage growth due to the presence of taxpayer-sponsored and state-funded benefits for their employees (McKnight et al., 2016). Although employers are not necessarily aware of the details of IWBs and cut wages accordingly, claimants may be more willing to take the low paid jobs with the assistance from the government. This could institutionalise the 'low-road' business models that dampen productivity, skill advancement, and job quality. In order to reduce the possible adverse effects of IWBs, other labour market and social policies are of vital importance to prevent the employers' incentives to cut wages.

Second, widespread support of IWBs and the work ethic, and antagonism towards the safety net and out-of-work benefits can be two sides of the same coin. The expanded IWBs and the entrenched welfare conditionality are coupled with the retrenchment of out-of-work benefits. Whilst the 'conditional citizenship' is

appreciated by the claimants (Sykes et al., 2015), the over-emphasis on labour market participation to justify the entitlement of IWBs potentially wipes out the right-based foundation of social protection. The so-called 'improved self-perceived citizenship' replaces the social solidarity and mutualism with the status in market supported by contractarianism. However, this 'contract' is never equal between state-citizen and employer-employee as some claimants have negative interpretation of IWBs as they perceived a broken reciprocity when employers refused to pay adequate wages (Krug, 2009). Without balancing discourses, this underlying ideology of IWBs can unintentionally stigmatise non-working welfare users and discredit out-of-work benefits. The inclusionary narrative could result in an exclusionary divide between the deserving and undeserving. Like the 'cruel optimism' suggested by Berlant (2011), the hope brought by IWBs to claimants may hide the fact that their socio-economic conditions would not be advanced unless there is real structural change in labour market institutions. On the one hand, IWBs can uplift the family income of the working poor in monetary terms; on the other hand, their indifference to the quality and decency of jobs reinforces the subordination of low paid workers to the employers in relational sense (Dean, 2012a). As a pro-market intervention IWBs accept any labour market injustice and unequal treatment through financially supporting users to stay in bad jobs. This wipes out the protective capacity of social welfare and puts (re)commodification before de-commodification.

Political economy of in-work benefits in the neoliberal states

Many authorities analyse IWBs from the social administrative (instrumental policy responses), econometric (effectiveness and efficiency), and implementation (the gap between policy and practice) perspectives, yet the political economy approach to examining IWBs is less developed (Grover, 2016). This section situates IWBs in the broader political economy of capitalism by revisiting the disputes on the Speenhamland system and suggesting the relationship between IWBs and the neoliberal context. IWBs as wage supplements are by nature fraught with tensions in relation to the conflicting needs and power between employers and workers. The

neo-classical economic theories put wages as the market price of labour, reflecting the demand and supply conditions of labour, whilst the wage *de facto* embodies the social practice associated with needs of social reproduction and normative expectations (Grover, 2016).

Revisiting the Speenhamland and wage supplement disputes

The first debate about IWBs in Anglo-American contexts can be traced to Speenhamland and many misinterpretations of this modified Old Poor Law. Implemented by parishes, it was the first systematic poor relief acting as an income and wage subsidy for those whose wages lagged behind bread prices, even for able-bodied families (Polanyi, 1944; Grover, 2016). Indeed, some contemporary conservative attacks on modern social protection are ironically drawn from Polanyi's account of Speenhamland (Block & Somers, 2003). One of the criticisms of Speenhamland as an IWB was that it caused low wages and productivity decline as employers abused the system to cut wages under the subsistence level. The opposition of classical political economists was derived from abstract classical economic theories which argued that the 'aid-in-wage' both undermined the work and moral discipline of the poor, leading to pauperised rural labour (Grover, 2016). Despite the inadequate evidence, the Royal Commission Report of 1834 was inspired by two elitist theoretical roots (Block & Somers, 2003). First, the Malthusian perspective on population suggested that the moral discipline of the poor needed to be regulated by constraining their living standards, otherwise they would irresponsibly indulge their sexual desire and boost the population growth over the available resources. Second, the Ricardian bias on wages argued that once the self-regulated market was disrupted by state intervention the equilibrium of demand and supply would be destroyed and the rationally utility-maximising behaviour of labour force seller and buyer would be distorted. As a result, the efficiency brought by the private market was undermined. Even the old leftists, Marx and Engels, also believed that the Poor Law acted as a mechanism exerting downward pressure on wages and as an incentive for employers to shift labour costs onto the parish (Block & Somers, 2003).

Nevertheless, the broader socio-economic contexts in the 1790s giving rise to the rural impoverishment has been downplayed (Block and Somers, 2003; Grover, 2016), including the poor harvest, negative effects of the Napoleonic war, population growth, decline of cottage industries, and enclosure movement. Consequently, the real wages of agricultural workers lagged behind rising living costs (Dean, 2012a), which generated new social needs and pressure for wage supplements in line with the political-religious needs to prohibit population flow between parishes. Due to the flawed historical evidence available to Polanyi (1944), his views on Speenhamland were limited by the problematic interpretation of histories. Block and Somers (2003) combined more recent historical evidence and revealed that the prevalence of 'bread scale' was exaggerated, and the rural impoverishment was not caused by Speenhamland but the aforementioned structural causes, in which the poor relief buffered the loss of agricultural income and employment.

There are two implications of revisiting Speenhamland. First, the disputes about wage subsidies have been sustained for a long time with similar arguments. Derived from the case of Speenhamland, some of the assumptions and predictions on wage supplement were based on the micro-economic model that de-contextualise the economic behaviour and market exchange out of their broader societal basis (Polanyi, 1944). The mainstream narratives shifted attention from agricultural crisis to the so-called rural pauperisation led by poor relief (Block & Somers, 2003). In other words, the economic impact of wage supplements, social protection, and state regulation are inter-related and cannot be reduced to the 'law' of the market. Second, the replacement of Speenhamland with the New Poor Law in 1834 was characterised by the institutionalisation of fictitious labour commodification due to the abolition of out-door relief for the workable adults (Polanyi, 1944; Piven, 1998; Grover, 2016). This implied that there was no choice for livelihood other than being employed and the disadvantaged status of workers in employment relations allowed for the squeezing of wages for profit maximization. Without Victorian warehouses for the poor, the 'less eligibility' principle to leave the undeserving

unemployed welfare users worse off than deserving low pay workers is still alive and further embedded in the neoliberal ideas and institutions (Piven, 1998; Block & Somers, 2003). Hence, IWBs and out-of-work benefits should be considered not only as forms of social protection, but also as the crystallised form of class relations intersected with the gender, age, and ethnic relation, (re)distributing power, resources, and meanings. Social policy should go beyond the individualistic focus on employment entry and incentives to the dynamics between structure, institution, and collective agency.

In-work benefits: the dual faces of wage-earner and employer welfare

Besides the emphasis on the roles of wage-earner welfare of IWBs, another line of analysis criticises IWBs' economic functions on meeting employers' needs (Dean, 2012a; Jeroslow, 2013). Given that the business tends to cleanse surplus labour in the post-industrial era (Bonoli, 2005), activation is the means to maximise the labour competition in the lowest end of the labour market and IWBs are the instruments to compensate for the growing precariousness of employment (Rubery et al., 2018). Whilst the costs of Speenhamland were mainly borne by property owners and agricultural employers, the financing of IWBs in liberal welfare regimes basically comes from taxation. This subsidised labour (re)commodification shifts the burden from employers to taxpayers but employers are in fact the beneficiaries of IWBs (Dean, 2012a). The IWBs are argued to be captured by employers by wage cut and restraint due to the intensified competition and taxpayer-funded subsidises to employees (Leigh, 2010; Rothstein, 2010; Maag, 2015; Neumark, 2016). These benefits directly delivered to working poor families are 'indefinite subsidies' to employers as their payment is invisible (Clegg, 2017). Employer representatives in the US did not actively oppose the EITC as they did to other welfare measures as it 'comes at absolutely no cost to the employer' (Bertram, 2013, p.55). Calnitsky (2018) holds that employers' attitudes are negative towards unconditional benefits but are generally positive to in-work and conditional welfare that favours labour supply. Despite their diverse understanding and presentation of IWBs, there is a cross-class alliance for IWBs among the political right and left, the unions and

employers (Vlandas, 2013). The 'consensus' on and 'tolerance' of IWBs to the Conservatives was attributed to the use of 'carrot' for justifying the big stick of punitive conditionality for the workless (Millar & Bennett, 2017). Yet the coalition for IWBs depends on the fiscal status of a government and it is unstable due to the deep-rooted conflicting interests between employees and employers, especially in the era of austerity and fiscal consolidation.

These arguments and analyses bring us to the notion of corporate welfare (Titmuss, 1976). In contrast to the neoliberal doctrines of the self-regulating market and minimal state, neo-Marxian welfare analysts argued that corporations require state intervention to ensure their profitability for the whole and the individuals (Chapter 1). In particular, Farnsworth (2013, p.5) defines corporate welfare as 'various benefits and services that directly, or indirectly, meet the needs of business', in which the pro-market and pro-corporate intervention is embedded in the social policies. By reiterating the hidden beneficiary of welfare, the business, social policy studies can examine the reliance of business and market on the state, and more importantly, can map out how the welfare state (re)distributes the power and resources between labour and capital. In this connection, more attention should be paid to the specific individual firms or particular sectors instead of the over-generalised business as a whole. In Titmuss's (1976) classification of three welfare strategies: social, fiscal, and occupational, welfare for business was mainly in terms of fiscal measures. Nevertheless, some hybrid forms of welfare can be defined by the recipient groups and thus some fiscal and occupational welfare should also be taken as corporate welfare (Sinfield, 2013).

Despite the rather one-sided criticism of IWBs as corporate welfare, the relationship between wage-earners' and employers' welfare is far from a straightforward trade-off. Informed by neo-Marxian analysis, Grover (2016) suggests a political economy approach to the studying of IWBs by putting them as a 'policy fix' in response to the contradiction between capitalist welfare and market in the post-industrial era. On the one hand, the state has to ensure the profitability of low pay employers and sectors (Jeroslow, 2013); the state is also required, on the

other, to respond to the pressing needs of working poor families. While wage regulation and collective bargaining are opposed by business in the neoliberal regimes, IWBs can stabilise low paid workforce for employers and uplift the income via wage top-up. It is the most 'fast' and 'convenient' way for neoliberal states to speed up the flow of labour market without any short-term violation of capital's interests and long-term costly investment on skill advancement. As many types of welfare provision render benefits to corporations, employees, and citizens at different scale. Consequently, there are complexities and tensions within the employer welfare as well as wage-earner welfare, with competing goals, interests, and power between groups and firms (Farnsworth, 2013). Arguably, the Speenhamland case shows that the power of employers to adjust the wage was relative and constrained by many factors, such as the competition of labour supply and economic conditions (Block & Somers, 2003). The existence of wage supplements could not simply lead to employers' unilateral wages cut. Grover (2016) postulates that IWBs play a role in supporting flexploitation in labour market, whereas its emergence cannot be simply reduced to the functional needs of corporate. It is because IWBs may discourage employment due to their thresholds of means-tests and increase the fiscal burden of the state. The 'marriage' of wage-earner and employer welfare is not necessarily stable and perfectly predicted by employers and policy makers (Grover, 2016). Hence, the outcomes and consequences of IWBs are not determined. The problem is how these contradictory and/or complementary functions operate in a particular political economy and generate new meanings for welfare and work. The dynamics of IWBs between wage-earner and employer welfare depends on the particular institutional contexts and arrangements.

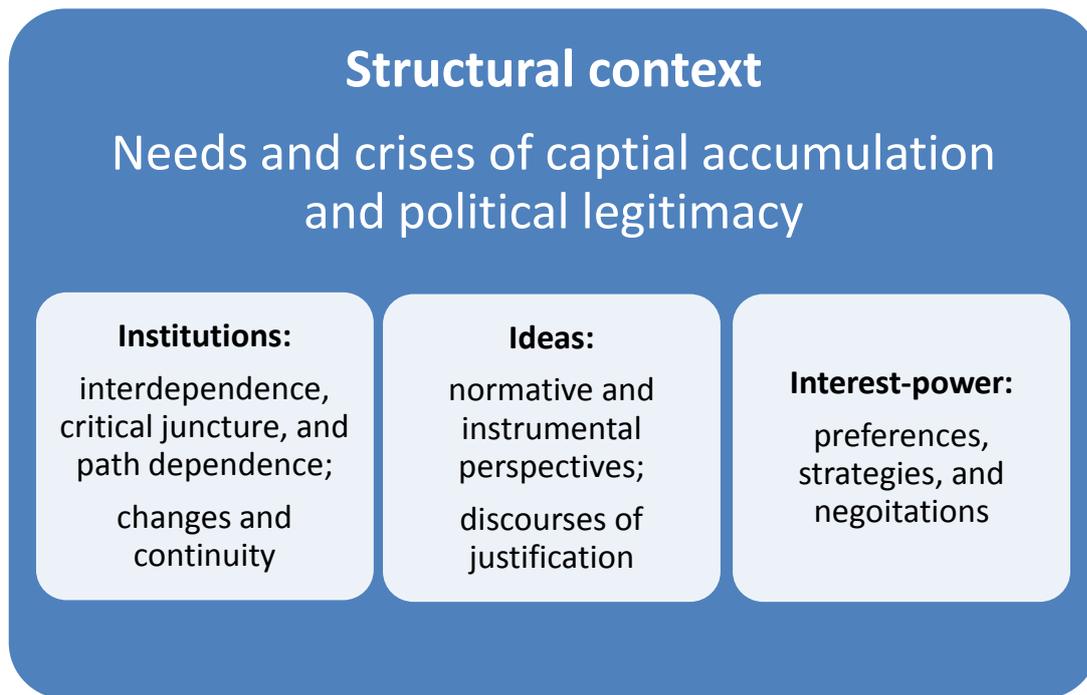
Conclusion

Due to the tensions and complexities embedded in IWBs, it is argued for a more dynamic and meticulous analysis instead of a one-side wage-earner or employer welfare perspectives. However, the existing literature on IWBs mainly focuses on their socio-economic impact and meanings, with less emphasis on the explanation

of IWBs in relation to the broader policy contexts. A deeper knowledge on IWBs requires a fine-grained empirical study based on a critical and multi-dimensional re-conceptualisation of IWBs. Drawing on the review of Chapter 2 and 3, it is argued that a political economy approach to explaining and understanding the emergence of IWBs is the best way to bring together the dynamics between structure and agency in the era of post-industrialisation against the backdrop of neoliberalisation.

While the IWBs in Western liberal regimes receive increasing attention in social policy studies, their counterparts in East Asia plays a greater role in welfare provision but are under-studied. Hence, IWBs in East Asian contexts need deeper investigation, in particular in relation to their so-called 'productivist' ideologies (Chapter 1). In addition, the institutional political economy approach to studying the IWBs is under-developed. This calls for the theorisation of IWBs to explain their emergence and understand their implications for social policy development. Viewed from the political economy approach and the framework of policy regimes (Chapter 2), the investigation IWBs is linked to the encompassing structural context in relation to the needs and crises of capital accumulation and political legitimacy, and the three pillars that constitute the policy regime of IWBs: (1) the interdependence, critical juncture, and path dependence of the institutional changes and continuities; (2) the ideas possesses and promoted by policy and everyday discourses; (3) the interests and strategies pursued by and power negotiated through collective actors. This contextualised multi-dimensional framework is shown as Figure 4.1.

Figure 4.1 The Contextualised Policy Regime of IWBs



Chapter 5

Methodology and Methods: A Critical Realist Approach

Introduction

From the review of the literature and the research goals, three specific research questions emerge: (1) What are the nature and features of in-work benefits (IWBs) in Hong Kong; (2) What are the main factors in the emergence of in-work benefits in Hong Kong; (3) What are the theoretical and policy implications of in-work benefits in Hong Kong. In order to answer them the research adopted a methodology and methods informed by the paradigm of social science philosophy, critical realism (CR). This chapter firstly focuses on how CR could ground the research ontologically and epistemologically. Second, it discusses the critical realist methodological approach to the case study of social policy. Finally, it reports the methods, including data collection and analysis, employed by this study, coupled with the overview of the data.

Ontological and epistemological underpinnings: a critical realist approach

In the historical development of social science, positivism was a pivotal paradigm originating from natural science to describe and explain the social world (Benton & Craib, 2011). Accordingly, the natural world could be explained and even predicted through scientific experiments, leading to the law-liked generalisation that could be universally applied. After the induction of natural phenomenon, the regularities of natural objects and events could be deducted to understand similar natural circumstances. As a result, a factor/variable in the causal-relation could be singled out. Positivist social science transplants such world view and so-called objectivist knowledge making into social studies. However, there are several shortcomings to positivism in conceptualising the nature of the social. First, the social world is fundamentally different from the natural world, in which the interaction of social structure and agency is more complicated. Whilst humans are not passive in the cause-effect relations, positivism tends to downplay the human agency with intentionality and sense-making of social objects. Therefore, social events could be

explained but not predicted as easily as in the natural world (Dean et al., 2006; Benton & Craib, 2011). Second, positivism is not sensitive to social inequalities since it only understands the social world by technical and static means that ignore the dynamic and invisible power relations underlying the social world. Finally, positivism excludes philosophy in its epistemology as it over-emphasizes the naturalism and scientificity in striving for the technical strictness and depreciates philosophy merely as concept-maintenance knowledge (Dean et al., 2006).

Social constructionism, originated from hermeneutics and the linguistic turn of interpretivist social science inspired by post-structuralism (Potter & Lopez, 2005), and appeared to counter the positivist paradigm (Benton & Craib, 2011). Despite its diversity, this school generally rejects the idea of an objective and single social reality. In contrast, many realities can be constructed by discourses based on hegemonic knowledge. Thus, interpretation and meaning-making matters because they produce and reproduce different social facts. Realities are then understood as the dominating norms promoted by scientific knowledge from the professional power and state apparatus. Social constructionism addresses the role of agency in that actors are active in shaping the society and are not subordinated to the deterministic regularities of the social world (Dean et al., 2006). Yet, there are also several defects in social constructionism. First, its approach to knowledge rejects the existence of relative truth (especially for strong constructionists) and reduces knowledge to a product of language. Second, the nature of idealist relativism dismisses the possibility of knowledge comparison and evaluation in terms of validity and veracity (Danermark et al., 2002). Third, the material dimension of the social world is overlooked by constructionism as a relativist scepticism (Potter & Lopez, 2005); this interpretivist and subjectivist ontology and epistemology is inadequate to fully understand and address the interrelation between meaning and structure (Danermark et al., 2002). Arguably, the recent development of this school is not only far away from science but also appears to be anti-science (Dean et al., 2006).

While positivism dis-embeds science from society, interpretivism uncouples society from science (Bhaskar, 1998a). In contrast, CR attempts to preserve the principles of the Enlightenment and modern science in liberating knowledge and human beings. Science, as the making of knowledge, is regarded as a practical social activity, which is necessarily bound with concepts, language and meaning (Danermark et al., 2002). Critical realist perspectives suggest that social phenomena could not be completely predicted due to their non-deterministic assumptions (Dean et al., 2006). There is a distinction between the 'intransitive' reality and 'transitive' knowledge. The former is composed of structures and mechanisms generating different social phenomena, and the latter comes from the construction of language and power (Collier, 1994; Bhaskar, 1998a, 2008; Danermark et al., 2002). As CR distinguishes varieties of natural science and social science, it is only partly naturalist and could be studied by scientific methods with limitations (Sayer, 2000).

What differentiates CR from other paradigms is its distinct conceptions of the levels of reality (Benton & Craib, 2011). First, it assumes that social realities could exist independently of people's cognitive practices, yet the reflexivity of social agents is indispensable for reproducing realities. Second, as a 'deep' or 'transcendental' realism CR focuses on the underlying meanings and complexities of social events (Porter & Lopez, 2005), which goes beyond the superficiality of so-called objective facts emphasised by the empirical realism (Danermark et al., 2002; Dean et al., 2006). As CR acknowledges the existence and complexities of reality by embedding social events into social relations, social science knowledge could be generated through systematic methods as a form of sciences (Danermark et al., 2002). Put another way, CR absorbs the critiques of social constructionism as anti-positivist but goes beyond its nihilist danger to identify the real impacts of social structures upon humans (Potter & Lopez, 2005).

Nature of realities

CR argues that there are three levels of reality (Bhaskar, 1991, 1998a, 2008; Sayer, 2000; Benton & Craib, 2011). First, is the 'empirical' level at the lowest rank of

realities that is characterised by observable and experienced events. These observable events or phenomena are in the domain of experience by agents. Second, is the 'actual' level of realities at the middle-level, including actual movements of various experienceable and unobserved events in the complex social world that are not automatically identified by objectivist methods. Third, is the 'real' level manifested by unobservable real system that is constituted by causal-relations and tendencies among social realities. It represents the operation of extra-experienced social structures and power, such as capitalism and neoliberalisation. Consequently, the existence of the stratified and ordered realities does not depend on observability but are shaped by both agency and structure (Sayer, 2000). This dualist nature of ontology of CR could be defined as a 'transcendental realist version of relativism' (Potter & Lopez, 2005, p.12).

According to CR, the social system is open due to the multi-layered realities, uncertainty, instability and contingency in explaining the operation of various mechanisms (Archer et al., 1998; Bhaskar, 1998a, 2008). Its causality, structure and objects do not pre-determine social action and events (Sayer, 2000), which implies the possibility for contingencies. CR is, on the one hand, a non-deterministic structuralist perspective that underscores the essence of structures as part of the realities which influences and shapes agency. On the other hand, CR involves agential dimensions as structures and tendencies both can be bounded and mediated by agents.

As Bhaskar (1998a, p.3) puts it, 'the nature of the object that determines the form of its possible science'. Collier (1994) argues that as the highest level of the reality, structure endows social objects with the power, such power results in the emergence of mechanisms which cause various events. In this process, the relation of the structure, causal power and mechanism is basically 'internal and necessary', pointing to a more stable condition within these levels of reality. Meanwhile, the relations between mechanisms, events, and effects tends to be more external and contingent.

Nature of knowledge

The core epistemological question of CR lies on the conditions for social science to make it possible (Danermark et al., 2002), and how society could be studied in social scientific ways (Sayer, 2000). While social phenomena are partly idea-dependent and partly structured, the meaning could be understood and causal explanation is attainable. In other words, CR searches for necessary preconditions and open causation rather than regularity: questioning the conditional existence of objects is central to this philosophy. Derived from structures at the 'real' level, the causal explanation relies on generative mechanisms that provide the conditions inducing various social phenomena (Danermark et al., 2002). This precludes absolute regularities in the social world and invariant connection between causes and effects. By highlighting the importance and limitation of relativity and contingency, CR puts human knowledge as fallible and minimises the dangers of structural determinism (Roberts, 2006).

Therefore, CR as a kind of science focuses on the discovery process rather than experimental generalisation, and comparative explanation and meaning-coding is possible. Due to the fallibility of knowledge, the space to modify and complement previous arguments is opened for competing thoughts. Reasoning and making sense of human action and social structure, is grounded into structural contexts with unintended consequences and conditions (Sayer, 2000). The idea-dependent dimension justifies the value judgement and normative investigation of CR comparing to positivism (Bhaskar, 1998a). To conclude, CR aims 'to combine and reconcile ontological realism, epistemological relativism and judgemental rationality' (Bhaskar, 1998b, p.xi).

Generative mechanism for explanation

There are three levels of analysis in CR: context, mechanism and outcome, which are causally-ordered and causally-linked (Danermark et al., 2002). Mechanism refers to a hierarchal entity of causal process generating particular effects, and its architecture may be invisible or hided by social complexities (Hedström & Ylikoski, 2010). Thus, the critical realist understandings include the selective descriptions of relevant properties, activities, and relations. However, it is argued that mechanism-

based causation cannot be separated from the context, which is the setting that triggers the mechanism leading to outcomes under certain pre-existing social conditions (Collier, 1994; Bhaskar, 1998a; Falletti & Lynch, 2009). There could be multi-layered contexts, such as political, temporal, spatial, and institutional. From the perspective of CR, social events are the result of the underlying real mechanism in a given context, in which the interaction of human actions and structures could be investigated by scientific methods, such as a detailed case study (Little, 2015). Through developing the linkage between different actors and structures in a meaningful way, it is to identify the context-dependent and open-end mechanism instead of seeking regularities or laws (Roberts, 2006).

In a nutshell, CR as critical social science should not be value-free (neutral) but challenges the existing ideologies, dominating relationships, and oppressive structures (Bhaskar, 1991; Danermark et al., 2002). Arguably, CR is based on a normative critique of distorted ideologies, and appeals to social transformation in which feasible alternative as utopian social theories are key to the criticalness of CR. The normative foundation contributing to human emancipation makes CR different forms of realism, and is highly compatible with other critical social theories, such as Marxism and feminism (Benton & Craib, 2011).

Linking critical realism to the qualitative approach

There are at least two reasons for suggesting CR could contribute to social policy studies. First, the intransitive nature of the real world independent of agency confirms the needs for a policy analysis to look at the interplay between structure and agency. Second, the investigation of mechanism suggests social policy studies should focus on the casual relations within particular set of policies and their impacts over time (Weber, 2007). The following question is how to translate CR's philosophical foundations into methodological implications for empirical research.

Methodological pluralism and the intensive qualitative approach

Indeed, some argue that there is a gap between critical realist philosophy, methodology, and empirical studies. Many scholars have tried to fill in this gap in

different ways (Yeung, 1997; Carter & New, 2004; Wuisman, 2005; Easton, 2010; Miller & Tsang, 2010; Eide, 2012). CR as a meta-theory generally focuses on the conceptualisation of the substantial relationship between various social realities (Sayer, 2000). Owing to CR's realist ontology and interpretivist epistemology, it is argued for a methodological pluralism and inclusiveness of CR (Danermark et al., 2002; O'Mahoney & Vincent, 2014). Accordingly, CR is compatible with a wide range of research methods, depending on the subject matter and the objectives of the research. Some echo this claim and suggest for diversified research methods and processes of inference of CR (Patomäki & Wight, 2000; Wuisman, 2005; Miller & Tsang, 2010). In methodological terms both qualitative and quantitative methods could be compatible with CR (Yeung, 1997; Archer, 2003). Rather than implying a methodological pragmatism and eclecticism, it is held that methodology should be guided by the nature of ontology and epistemology. Put another way, quantitative and qualitative methods are not necessarily epistemologically contradictory under a paradigm-led methodology, in which ontological contradictions of meta-theories could not be confused with the technical method. (Guba & Lincoln, 1994).

Generally, there are two forms of research orientation that CR could adopt (Sayer, 2000; Danermark et al., 2002; Wuisman, 2005; Miller & Tsang, 2010): intensive and extensive. Intensive methods point to identifying interacting actors, institutions and discourses, in which causal mechanisms and relations are identified in a qualitative way. By studying context, using interactive interviews, ethnography and qualitative analysis, they may understand the social process of social events and interpret meaning from agents. Extensive methods look for general patterns of social realities, categorising in a quantitative perspective and identifying similarities and difference between variables (Roberts, 2006). In other words, the pattern of different social groups is generated by surveys based on representative samples and statistical analysis. These two approaches to empirical studies are similar to the common divide between quantitative-qualitative methods but in a complementary manner. The choice of approach depends on the research objectives and questions. This arrangement echoes the classic argument of Bryman (1984) for justifying the mixed

method approach premised on a particular epistemology rather than methodology as such. Hence, what are incompatible are the competing epistemological foundations, not the methods.

The goals of intensive-qualitative methods are to figure out and depict the generative mechanisms working in particular cases (Yeung, 1997). As the aforementioned research questions are about the nature, factors of emergence, and implications of IWBs in HK, they are in alignment with the qualitative approach to intensive understandings of social policy. Consequently, this research adopted qualitative methods for data collection and analysis. CR-informed qualitative study generally begins with research questions and is guided by initial theories in order to map out the causal connections, tendencies, and patterns of dynamics among the real, actual, and empirical levels (Fletcher, 2017).

Qualitative social policy research and case study

These realist perspectives of qualitative social research are receiving increasing attention in social policy. By classifying three levels of explanation of mechanisms composed of institutional, political, and social relation perspectives, it is argued that the capitalist economic development structurally restricts the political choices and institutional designs of EU social policy, resulting in the absence of a 'Social Europe' policy among European countries (Bailey, 2008). Some borrow the notion of generative mechanism to explain different social phenomena (Fitzpatrick, 2005; Fleetwood, 2011), such as homeless and labour market. The framework of context-mechanism-outcome is also useful to analyse the business case for diversity in the NHS systems (Powell & Johns, 2015). Drawing on the policy documents and policy discourses, Parr (2017) demonstrates how a CR-informed qualitative study on the 'Troubled Families Programme' could explain the introduction of the policies by identifying necessary and contingent conditions for the mechanisms; also it also provides new understandings of how the frontline workers interact with the policies at the implementation level by interpreting the in-depth interviews.

It is common for these qualitative social policy studies to focus on different forms of case study as the objects of analysis. While Hammersley (2012) suggests that case studies in social policy can be referred to an event or an institution, Rohlving (2012) defines case as something derived from the population sharing some similarities. They together imply that a case of an event or institution is circumscribed by multiple-boundaries, such as temporal and substantive bound. Case study denotes the 'in-depth exploration from multiple perspectives of the complexity and uniqueness of a particular project, policy, institution, programme or system in a 'real life' context' (Simons, 2009, p.21); it could be theory-led to examine the issues through particular perspectives but is different from theory-testing as the former approach is more open to apply theories in the data collection and analysis of the case. Case study produces context-dependent theory for the human world that could not be made by predictive and universalised hypothesis-testing on numerous sampling. The knowledge and generalisability of a case study depends on how the case is chosen and interpreted, not by the number of cases and the representativeness (Flyvbjerg, 2006).

The 'casing' as a research act draws the relevant evidence for analysis from the infinity and complexity, which benefits policy studies as 'a social policy is most capable of decisive intervention when it is grounded in explicit case-oriented knowledge about specific sets of cases' (Ragin, 2009, p.533). Hence, case study is the 'empirical analysis of a small sample of bounded phenomena that are instances of a population of similar phenomena' (Rohlving, 2012, p.27), and it could be applied in both qualitative and quantitative research. By in-depth investigation and inferences of the set of unstructured data, the qualitative case study builds up theoretical insights, portrays and explains the situations of policies and their contexts, and informs a general conclusion (Hammersley, 2012). It is argued that the qualitative case-based methods could bring about generalising insights but not necessarily lead to universalising results (Byrne, 2009); with specific applicability and thick description, qualitative case study for social inquiry is significant to the conceptualisation and practice of social policy and other cross-disciplinary studies.

The research subject of a qualitative case study is scrutinised under a natural context rather than a controlled experiment or hypothesis testing. Thus, the case study method could be an alternative to the metatheory of positivism and interpretivism in explaining the social world. Some argue that case study is more than observation and testing hypothesis (Gerring, 2004; Flybjerg, 2006), in which historical periods and unseen relations are acknowledged with different social forces and mechanisms to enhance the validity of the analysis, characterised as an in-depth process analysis rather than variable analysis (Hall, 2006).

A qualitative case study is then always tied to the within-case analysis and causal process observation, focusing on at least three sets of relationship between conditions and outcomes (Rohlfing, 2012). First, sufficient conditions imply that the presence of the conditions will inevitably lead to the presence of the outcomes, without ruling out other factors leading to the same outcomes. Second, necessary conditions mean that the outcomes exist only if the conditions appear. Finally, the necessary and sufficient conditions denote that the outcomes occur if and only if the conditions appear, and the conditions and outcomes basically overlap. In contrast to the quantitative case study, qualitative case study generally emphasises on comparability rather than representativeness, causal mechanism rather than causal effect, causal power rather than probability, and exploration rather than confirmation (Gerring, 2004).

Based on the literature on qualitative case studies, this research takes the expansion of IWBs in HK as a case study of neoliberal welfare policy development. In other words, it situates the analysis of HK's IWBs in the international context of social policy.

Data collection and data analysis

Drawing on the critical realist approach to qualitative case studies, this research targeted the intensive and in-depth interpretive data (Fletcher, 2017). This section first describes the methods used for data collection, including the sampling, access, and background of the data. Second, it delineates the analytic strategies adopted

for coding and thematic analysis, which categorised the findings and grounded the interpretations.

Purposive sampling of in-depth interviews and policy documents

While Flybjerg (2006) distinguishes random selection and information-oriented selection of case, the latter is more relevant to gather 'expected' content from the examples and answer particular research questions. This echoes what Bennett and Elman (2006) suggest for the purposive case selection with historical importance. Therefore, sampling for qualitative case study is far from the concern of probability and empirical generalisation, but places emphasis on theoretical generalisation (Seale, 2012).

For these reasons, this research employed purposive sampling, with strategies of theoretical sampling and criterion sampling, for choosing data. The overall strategy of purposive sampling points to the selection of data driven by research questions, to maximise the richness and variety of information (Maxwell, 2013; Flick, 2014; Schreier, 2018), which is regarded as a pragmatic strategy of sampling (Emmel, 2013). Derived from the research questions, the purposive sampling guided the selection of data most relevant to the IWBs development in HK from different perspectives. Hence, the official documents related to IWBs were chosen to be examined and the policy-makers involved in the policy process of IWBs were also targeted. In addition, theoretical and criterion sampling are two of purposive sampling strategies (Schreier, 2018). First, theoretical sampling refers to the selection of data based on the theoretical framework, through which the emerging data may compare, extend, and/or challenge the theories and concepts (Seale, 2012). Informed by the theories of welfare political economy and the literature on IWBs (Chapters 1 to 3), the research focused on the roles and views of government, business, NGOs, and welfare users. Through studying their views and experiences, information about institutions, ideas, and interest-power was gathered. Second, criterion sampling means the selection according to a predefined profile for in-depth investigation (Patton, 2015; Schreier, 2018), such as a set of attributes. Some of the sample might be homogenous in certain aspects whereas some might be

heterogeneous. Consequently, this research devised two methods of data collection: policy documents and in-depth interviews.

(1) Sampling and using policy documents

The first set of data most relevant to IWBs came from the official policy documents, 2007-2017. Policy documents generally includes the officially written document, such as policy reports, papers, administrative record (Finnegan, 2006), which constantly represent the dominant and official definitions of the problems and solutions. These documents are taken as docile documents because they are the containers of static and one-way content (Rapley & Rees, 2018). The usefulness of documents depends on how they are consistent with research purposes with specific foci, coupled with the ordering and tracking of different forms of printed and digital materials (Lewis, 2012). Based on theoretical sampling, the documents fell into two arenas. The first of which was the government's policy documents about the objectives, rationale, and institutional design of IWBs as they were key to understand the policy context, content, instruments, and discourses. Second, the documentary data could display the politics of IWBs related to ideas, interest-power of different parties, such as business, social welfare sector, government officials (Chapters 2 & 3). Also guided by criterion sampling, the research examined three types of official documents: the printed government policy statements, the online speeches and blog posts of government officials, and the recordings of Legislative Council's meetings. These documents were chosen for critical analysis of policy to meet four criteria for authenticity, creditability, representativeness, and meaning (Jupp, 2006). All policy documents were related to IWBs and accessed through the websites as online materials. The quotes in Chapters 5 to 7 were extracted from the policy documents listed in Appendix I.

The first group included the overall policy statements issued by the main government officials, namely the Policy Address and Budget, and also the policy and statistical reports for particular purposes. As the main policy announcements for HKSAR every year, Policy Address and Budget entail the endorsement of new policies and the maintenance of existing policies, with different policy goals and

fiscal implications. Other than the regularly launched policy documents, some documents are occasionally released by several government bodies, such as the Commission on Poverty, Minimum Wage Commission and Social Welfare Advisory Committee. These policy reports have a range of purposes from facilitating public consultation to performance monitor of policies. In addition, government's policy papers presented at the LegCo were also included as they recorded how government responded to the society's concerns.

The second group of texts was derived from official speeches, blog posts and press releases of the Chief Executive (CE), Chief Secretary for Administration (CS) and the Secretary for Labour and Welfare Bureau (SLW), from 2007 to 2017. These three government officials were chosen due to their significant roles in determining IWBs and related policies. The CE is the highest ranking official position in the government who has the principal power of decision-making across different policy fields in the HKSAR's executive-led regime. The CS resembles the deputy of CE and is the Chairperson of the Commission on Poverty. Also, the SLW is in charge of labour and welfare policies from set-up to delivery. Although these texts were not designed and used officially as policy documents, they did mirror the policy ideas and signal the ways how the officials frame and justify those policy arrangements.

The last set of documents were the recordings of the LegCo's meetings. The policy papers included the government's replies to the questions of Legislative Councillors on various policy items and statistical data. In addition, the government would initiate new policies and report the policy progress to the panels of LegCo. Thus the minutes of the meetings of Panel on Welfare Services and Panel on Manpower coupled with related papers can also be regarded as the policy documents relevant to IWBs. How these documents were analysed is discussed below.

(2) Sampling and using in-depth interviews

The second part of the data collection and analysis was the semi-structured interviews that created the space and allowed respondents to 'speak for themselves' (Irvine, 2012). As a CR-informed qualitative interview this research

focused on capturing the formation of 'inner dialogue' of people as a social agent mediating between human rationality and social norms (Archer, 2003). It, therefore, identified the complex phenomena and unobservable causal mechanism over the factors leading to the institutionalisation of IWBs and social changes (Easton, 2010; Miller & Tsang, 2010). Different from the methodological individualism, the in-depth interviews could provide information on how individual's intention and reason became part of the causal power behind the generative mechanism (Bhaskar, 1998a). In practical terms, the interviews placed emphasis on the experiences, perceptions, and meanings of interviewees (Irvine, 2012; Roulston & Choi, 2018), which echoed another definition of in-depth interview, 'with the purpose of obtaining descriptions of the life world of the interviewee in order to interpret the meaning of the described phenomena' (Brinkmann, 2013, p.21). The questionnaires covered a series of topics that generally invited respondents to provide descriptions of what, how, and why questions; these aspects helped explore the meanings and explain the reasoning in relation to their experienced phenomenon (Guest et al., 2013), in which they acted in response to the emergence of IWBs.

The sample of interviewees was divided into five groups of policy stakeholders of IWBs based on purposive sampling: the policy-makers, IWBs claimants, campaigners, employers, and practitioners. Informed by the literature on IWBs (Chapter 3), they represented the key roles and voices in the making of IWBs in HK. These sampling criteria of this research were informed by theories and research questions, which guided the sampling process to prevent any sampling bias. The questionnaires were pre-designed as the interview guidelines with general and specific questions for different groups, and all questions were asked in flexible orders (Appendix III). Therefore, 'on-the-spot' adjustment was allowed (Irvine, 2012), such as changing the wordings of questions depending on the circumstances. For the semi-structured interviews all questions were open-ended and conversational via one-on-one interviews. All interviewees were recruited and contacted before the interviews with information sheets which introduced the

research and its background. The signed consent forms were collected at the beginning of the interview and a further brief introduction of the research was provided. Interviewees acknowledged that they could refuse to answer any questions and terminate the interviews at any times. The researcher contacted all respondents at least twice: the first call/email to introduce the researcher and schedule the interview time, and second contacts were the interviews. All interviews were conducted between May 2016 and January 2017, and each of them took 1 to 1.5 hours. They were recorded and transcribed by the researcher with precaution. There was a total of 30 respondents across from five categories, and their distributions and brief background were summarised in Tables 5.1 to 5.3. The recruitment of interviews was stopped while the data started to be saturated (Schreier, 2018).

Sampling criteria and recruitment process

The first group of respondents came from 13 claimants of three types of IWBs: Low-income Working Family Allowance (LIFA), Working Incentive Transport Subsidy (WITS) and the Low-earnings Comprehensive Social Security Assistance (LECSSA). The types of IWBs were the primary sampling criteria as they represented the use of IWBs with contrasting needs and contexts. In order to increase the heterogeneity of the interviewees, researcher recruited the respondents from various district, organisations, sectors, and family composition as the secondary sampling criteria but in a flexible manner. The qualifying criteria of the claimant group were (1) currently using one of the IWBs; (2) aged 18 or above; (3) verbally communicable. They were implemented because of research feasibility and availability of respondents. As a result, all interviewees were referred by the local NGOs and trade unions, namely the Alliance for Protection of Low-income Families, Neighbourhood and Workers' Service Centre, Hong Kong Women Workers' Association, and the Hong Kong Confederation of Trade Unions. The researcher contacted the organisers and social workers of NGOs to recruit interviewees alongside the snowball sampling.

Table 5.1 Five Categories of Participants

	In-work benefits claimants (n=13)	Employers of low pay jobs (n=3)	Employment services practitioners (n=3)	Campaigners of advocacy NGOs (n=3)	Policy makers (n=7)	Total (n=30)
Male	6	3	3	2	6	20
Female	7	1	0	1	1	10
<i>Total</i>	13	4	3	3	7	30

Table 5.2 Roles of the Six Policy Makers

	A	B	C	D	E	F	Total
Current or ex-councillors of LegCo and Welfare Panel;				●	●	●	3
LegCo member of Subcommittee on Poverty;					●	●	2
Current or former member of Commission on Poverty;	●	●	●	●	●		5
Former government officials;	●						1
Members of Minimum Wage Commission				●			1

Table 5.3 Characteristics of the IWBs Users

	LIFA users (n=6)	WITA users (n=4)	LECSSA users (n=3)	Total (n=13)
Standard full-time jobs	2	2	0	5
Non-standard jobs:	3	2	3	8
Part-time	1	1	2	4
Casual	2	1	1	4
Carers without jobs	1	0	0	0
<i>Total</i>	6	4	3	13
Breadwinner family	4	1	1	6
Dual-earner family	2	1	0	3
Lone parent partially employed family	0	0	2	2
Single person family	0	2	0	2
<i>Total</i>	6	4	3	13
Aged below 50	5	1	3	9
Aged over 50	1	3	0	4
<i>Total</i>	6	4	3	13

The second group of respondents was the four employers providing low paid jobs from the labour-intensive service sectors. The qualifying criteria of this group were (1) employing low wage workers; (2) doing business in/with the commercial sectors. They were implemented because the employers in or with private sectors tended to be profit-oriented and competition-based, who were most sensitive to wage and workforce pressure. These interviewees employed more than 20 low pay workers across catering, cleaning, Chinese restaurant and logistics services, who were successfully recruited via the researcher's personal network and snowball sampling. While the catering employer was the owner of a small-size enterprise, the employer of the Chinese restaurant came from a large chain. The employer of logistics services was the head of a social enterprise referred by the Hong Kong Council of Social Service.

The third group of respondents was the practitioners of employment services for able-bodied welfare users. The qualifying criteria of this group were (1) employed in the state-funded employment services (2) working with either unemployed welfare users or low pay workers. It was because they were more informative to the relationship and trends between welfare and work. All of them were referred by the researcher's network and expanded by the snowball method. They offered compulsory employment services to the unemployed and lone parents using social assistance without full-time jobs.

The fourth group of interviewees was three campaigners from the Oxfam Hong Kong, Hong Kong Council of Social Service and Hong Kong Confederation of Trade Unions. The qualifying criteria of this group were (1) engaged in the advocacy of any types of IWBs in HK; (2) representatives of particular organisations in civil society. It was because they could represent the general voices and preferences of the grassroots based on their organising and networking experiences. All of them had engaged in the advocacy of minimum wage, social assistance and IWBs. They were invited by the researcher to join the interviews.

The last group of the respondents was the policy-makers. The qualifying criteria of this group were optional either (1) current or former government officials related to

IWB; or (2) current or former members of the governmental bodies related to IWBs, social welfare, and minimum wage. All of the interviewees in this group held or had held different key positions in the relevant governmental bodies: Social Welfare Department, LegCo, Commission on Poverty (CoP), and Minimum Wage Commission (Table 5.2). These interviewees were invited through formal invitation by emails and/or phone calls to the members of those bodies.

Purposive sampling as a type of non-probability sampling methods may invite the criticism of the possibility of researcher bias and cherry-picking. While employing it in this research inevitably involved a certain subjective element, it did not necessarily lead to those drawbacks (Oliver, 2014). The recruitment of respondents from five groups reflected the efforts of researcher to minimise such risks. First, the researcher invited the current and former members of CoP and LegCo whose contact methods were shown in their web sites, without specific preferences. However, the researcher found it difficult to reach most of CoP members due to the lack of contact methods on CoP's web site. As a result, 6 current and former members of CoP and LegCo agreed to take part in the research. They were from different institutions, political parties, and NGOs, who upheld various political and economic views.

Second, the invitation for incumbent government officials to participate in the research was universally rejected, which may be due to confidentiality or distance from the researcher. While only one former head of the government department was successfully recruited, who was also a member of CoP. In order to reduce the impact of the lack of voices from government, the researcher had to take stock of other policy-makers' interpretation of government.

Third, the invitations to employers' associations and the pro-business legislative councillors and parties also failed. Notwithstanding the clarification of research purposes and background by information sheet and invitation calls, the employers' associations and their members of LegCo still refused to be interviewed. Consequently, the researcher resorted to the recordings of LegCo meetings instead of interviews to examine business' views on IWBs. Meanwhile, individual employers

were successfully recruited via convenient and snowball sampling which ensured the involvement of employers in the research. The difficulties of recruiting policy-makers and employers' representatives may limit the 'generalisation' of research findings (Chapter 9), but they did not lead to research bias and cherry-picking.

Finally, many respondents, including benefit claimants, practitioners, and campaigners, were referred by NGOs engaged in the development of IWBs. Some of them were connected via snowball methods based on the sampling criteria. Therefore, interviewees' experiences and perception were surely relevant to the research but were not predicted by the researcher for intended results.

Research ethics, methodological difficulties and sampling limitations

Data collection started after ethics approval had been received from the university (ref: 002409). Throughout the research process, there were different ways to practise research ethics. First, the researcher confirmed that there was no physical, mental harm, and discomfort to the participants as the interviews were taken place in a very safe and quiet environment. Meanwhile, the researcher was aware of the questions that might be sensitive for the interviewees. For those low paid workers, they were not required to disclose any interpersonal issues, such as family relationship. As the interviews focused on their perception and experience over IWBs, the researcher was sensitive to whether the questions would induce their hard feelings, and let the interviewee knew that they could pause the interview at any time and choose what to tell. Based on the interview experiences, there was no risk that was detrimental to the participants and the research process was prioritised by the interest of the interviewees.

Second, the researcher met the confidentiality requirement by ensuring all interviewees that no real names were used for the study and all audio records were numbered according to the sequence of the interview instead of using full names. As there were some serious criticisms made by the policy-maker and campaigner respondents to the third parties, the researcher prevented any chance allowing easy identification by coding their names to make sure that they would not be

traced after the publication of the thesis. Moreover, the researcher was the only person who had access to the raw data (recordings and original transcripts) and the data was used under the university Research and Data Management Policy and the code of ethics of British Sociological Association. In addition, the real names of the interviewees were translated into codes as an anonymous in the transcripts and quotations in the data analysis. Thus, other people could not identify the real person. All these arrangements were informed to the participants in order to acquire their consent. Although 100% confidentiality was not possible as some of the opinions from the well-known persons might be relatively unique and therefore distinguishable, the researcher carefully quoted verbatim and avoided over-personalised quotations. In this connection, the data was stored by different strategies. First, the data was stored in the personal laptop, which was password protected, and the data were not exposed in the public area and accessed in publicly used computers. Second, the recordings of the interviews were kept as soft-copies to reduce the possibility of accidental loss. All the data gathered was only used in this research project and the raw data (recordings) was deleted after finishing the project. Only the translated and anonymised data was kept carefully for potential further use.

Throughout the data collection period, there were some methodological difficulties encountered and the researcher adopted corresponding strategies to minimise the possibly negative impact on the quality of the data. The first hurdle in conducting the policy analysis was the presence and formality of the policy documents. Under Hong Kong's political regime and policy-making traditions, it is common for the government to launch new policies without a coherent narrative and explanatory policy papers, and also without proper policy consultation. As a result, this study of IWBs tended to be tricky and relied on relatively fragmented documents derived from different sites. The completeness and formality of some texts, such as blog posts and press releases, were not as the same as the policy documents found in other democratic countries or jurisdictions where formal policy papers and consultation took place. Thus, the policy means and ends, evaluating indicators, and

the ways of delivery were not always explicit for examination. Second, apart from the minutes of LegCo meetings, access to the minutes of other significant government bodies was restricted. Thus, some internal dynamics in the policy-making among different parties could not be easily captured via analysis of the existing documents. Confronted by these inevitable difficulties, the research included semi-structured interviews to enrich the extent and depth of the data. Yet there were a few problems encountered in the interview process.

For the semi-structured interviews, the first difficulty was that some interviewees were less talkative and they had no experiences of participating in interviews, especially for the IWBs claimants. In this situation the researcher started from the background questions as a warm-up to relax the respondents. Also, the researcher reframed the ways of questioning to avoid the user of jargons, and asked them to give some examples from their lived experiences. Second, some employer respondents were hesitant and sensitive to the questions about their views on wages as they were afraid of being quoted in the mass media. The researcher reiterated the academic purposes and confidentiality rules of the research, with an emphasis on their right not to answer. This comforted the employers to freely express their opinions. Third, the gender distribution among respondents of policy-makers and employers was uneven mainly due to the actual imbalanced gender participation in these sectors. Yet the researcher still brought up gender concerns with the male respondents in order to maintain a gender perspective in the research. Finally, whilst the research focuses on IWBs and the welfare-work nexus, the sampling of policy stakeholders did not include unemployed workers and claimants of unemployment benefits due to the time and resources consideration. This might help focusing on the research questions and IWB-related issues but the views of unemployed workers were inevitably downplayed, which should be addressed elsewhere in the future.

Thematic analysis and coding

As the raw data set of this research, policy documents and the transcripts were processed through different procedures. While not all policy documents sampled

were relevant to research questions, researcher first used keyword searching to include those with 'welfare', 'employment', 'social security', 'in-work poverty', 'in-work benefits', and their variants. As a result, there were a set of documents screened out and the rest of them went to the next step of analysis. All transcripts of interviews underwent the analytic process as they were sampled as the policy stakeholders' opinions.

This research devised thematic analysis for both policy documents and transcripts as it is the mainstream methods for scrutinising qualitative and textual materials (Bryman & Becker, 2012). Also, thematic analysis was conducive to link the intended meanings of policy documents and the perceived meanings of interviewees on IWBs (Coffey, 2014). Thematic analysis could be defined as the 'systematic approach to the analysis of qualitative data that involves identifying themes or patterns of cultural meaning; coding and classifying data, usually textual, according to themes; and interpreting the resulting thematic structures by seeking commonalities, relationships, overarching patterns, theoretical constructs, or explanatory principles' (Lapadat, 2010, p.925-926). This all-embracing quotation emphasises that thematic analysis is a making-sense process to reduce and manage the complexity of textual data for a sophisticated analysis.

The practical strategy of thematic analysis is coding. Codes are the themes marked by the researcher during the reading of texts in order to figure out the surfaced and underlying ideas, significant events, and linkage, forming conceptual categories and thematic patterns (Lapadat, 2010). It aims at connecting the raw data to concepts and comparing the relative importance of codes after the coding (Guest et al., 2012). This research employed both the theoretical and open coding for deductive and induction purposes (Fletcher, 2017). Theoretical coding refers to a deductive approach to making codes inspired by the theories and pre-existing concepts, which could test or modify the current theories (Bryman & Becker, 2012). Open coding is the deductive and data-driven coding that is potential for theoretical-generating (Lapadat, 2010). It is noteworthy that the relationship between data and concepts in qualitative studies is not as straightforward as the quantitative data; its linkage

between data collection and analysis is more flexible and subject to changes through the thematic analysis afterwards. Hence, qualitative data and concepts could be meaningfully tied for a coherent analysis and conceptualisation (Bryman & Becker, 2012; Fletcher, 2017).

This research first developed several themes and sub-themes informed by the theories, such as the sub-themes of 'eligibility', 'conditionality', and 'generosity' under the theme of 'welfare institutions'. However, there were also some emerging themes appeared during the coding process, for instance, the 'work ethic', 'insecurity', 'consensus'. The researcher then weighted the worthiness of different themes as some of less relevant themes were put aside and filtered the themes most significant to the research questions. Afterwards, the useful themes were reorganised and stratified under the three domains of the welfare political economy theoretical framework: institutions, ideas, and interest-power of IWBs. In order to ensure the quality and reliability of thematic analysis, the researcher paid attention to any repetition, similarities, and controversies of narratives (Guest et al, 2012); also the second round of coding was conducted after the first round of thematic identification to alert any missing data. Finally, some verbatim quotations were carefully extracted for the evidence of themes and interpreted in Chapters 5 to 7 (Bryman & Becker, 2012).

Theorisation: connecting the data to new concepts

This last section focuses on how the research reconceptualised and theorised the findings. After the procedures of data collection and analysis, different themes emerged for the researcher to further organise them into a meaningful manner for explanation. Qualitative analysis generally provides a framework for induction from the data and attempts to formulate some interpretations 'from below', yet it does not necessarily bring about new knowledge as induction tend to generalise the already known facts (Reichertz, 2014). Thus, more analytical tools are needed in order to create new knowledge or concepts.

For this reason, CR proposes additional strategies of induction and deduction for the abstraction of social scientific theory, to produce a dynamic relation between empirical analysis and conceptualisation. Methodologically speaking, the theorisation process should be implemented through abduction and retroduction that grasp the transfactual abstraction, which prevents the risks engendered by the all-embracing inductive and over-simplified deductive process (Danermark et al., 2002). The first step of theorisation could be traced back to the outset of the research where starts from the existing theories to formulate research questions and theoretical framework. After gathering the saturated data, it is to make generalisation and conceptualisation by its own language and terminology, and involves the established theories subjected to modification. It is suggested to evaluate the new or modified theories by their explanatory power, i.e. the capacity to logically and consistently integrate different theories with the emphasis on generative mechanism and tendencies of social phenomena. This is a non-dogmatic theoretical process to interpret the already-conceptualised data by on-going re-contextualisation and re-conceptualisation until no new knowledge can be generated.

From deduction-induction to abduction-retroduction

According to Miller & Tsang (2010), there are two barriers concerning the logic of inference that critical realist has to overcome: the unobservable mechanisms and the contingent effect of mechanisms. While data collection and analysis are a double movement, concrete phenomena should be the point of departure of the abstraction and then going back to concrete again. As a way to modify existing theories to form new concepts about the concreteness of the objects (Sayer, 1992), this explanatory cycle includes: (1) the concrete description to identify the complexities and features of the events; (2) the analytical resolution to classify and distinguish different domains of the study object; (3) the abduction and re-description to interpret and re-describe the social events within new contexts and theoretical framework in terms of structure and relation; (4) the retroduction to abstract the generative mechanism; (5) the comparison between various theories

and perspectives judged by explanatory power; (6) the concretisation and contextualisation to formulate and place the new theory in the concrete context in terms of structural conditions and contingent circumstances. These ideal procedures of abstraction guided the qualitative analysis in a non-mechanical way.

‘Abstraction’ is a process to decide the nature of the research object in the preliminary theorisation and the structure here is not limit to the social structure, but a set of internally related objects (Danermark et al., 2002). It is to identify constitutive features and conditions which are necessary and contingent to the events; and classify formal and substantive relations in/between objects. The substantive relations show the underlying connections among the objects associated with internal-necessary conditions and external-contingent conditions. They are of vital importance to the CR-informed causal analysis. While the induction and deduction mode of inference only could satisfy the scientific justification (hypothesis forming and testing), they fall short of a scientific discovery as they tend to de-contextualised at the empirical level (Wuisman, 2005). To explain social events and the intangible power operated through mechanisms rather than observing them empirically, four types of analysis methods are integral parts of a scientific explanation adopted: deduction, induction, abduction, and retroduction (Sayer, 1992; Archer et al., 1998; Bhaskar, 1998a; Danermark et al., 2002; Wuisman, 2005; Easton, 2010). They are illustrated below how this research practised them.

Deduction and induction of data analysis

Broadly speaking, deduction is a process of inference from general to particular for truth-confirming, which aims not at giving new knowledge (Wuisman, 2005; Reichertz, 2014). Induction is an inference from particular to general for content-increasing, which shows something is actually happening (Wuisman, 2005). Arguably, qualitative induction ‘supplements the observed features of a sample with others that are not perceived’, (Reichertz, 2014, p.129). Therefore, it generalises the qualitative properties of research object to the others and allows the transcendence of features or experiences appeared in the data.

As theory-informed research, the existing literature set the scene and suggested the theoretical framework guiding the inquiry of IWBs in HK, through which the three dimensions of institution, idea, and interest-power was applied to examine the case of HK in a non-testing analytic approach. In the aftermath of data collection, the researcher identified the overall relations among the themes derived from the inductive coding. Consequently, a preliminary summary of induction was made at the end of each chapter of data analysis. This constituted the first part of the qualitative analysis.

Abduction and retroduction of conceptualisation

Fletcher (2017) holds that abduction is known as the ‘theoretical re-description’, to reformulate the relationship between contexts and events, and new meanings emerge through re-interpretative process. The transitive-subjective explanation of the relatively intransitive-objective structure opens up the possibility for acquiring new knowledge of IWBs. Reichertz (2014) puts abduction as an informed reasoning and a cognitive logic of discovery to map out new ideas fraught with causal power. Beginning with observation and reorganisation of empirical data, abduction re-describes, reinterprets, and re-contextualises social events in order to logically reach new ideas and meaningful conclusions of social phenomena. More clearly, abduction is the ‘selecting or inventing a provisional hypothesis to explain a particular empirical case or data set better than any other candidate hypothesis, and pursuing this hypothesis through further investigation’ (Kennedy & Thornberg, 2018, p.52). Hence, the abstraction of social events and generative mechanism is characterised by the interplay between data and theories, and the making of provisional new concepts.

While some use the terms of ‘abduction’ and ‘retroduction’ interchangeably (Wuisman, 2005), the latter could particularly mean the capturing of qualities or conditions that make social phenomena possible (Danermark et al., 2002). Abduction is a logic of inference ontologically grounded in the stratified realities and aims at identifying the generating causal mechanisms and necessities (Fletcher, 2017). In other words, abduction and retroduction translate the observable data

into new tranfactual knowledge by identifying the structural contexts, underlying features, constitutive elements, causal mechanisms, and the relations between different levels of reality (Danermark et al., 2002).

Abduction and retrodution in this research are shown in the discussion chapter, which abstracted the inductive analysis of previous chapters. Based on the themes emerged in documents and interviews, it explained the generative mechanism with necessary and sufficient conditions of IWBs in HK. In so doing, the driving forces of IWBs in relation to institution, idea, and interest-power were mapped out with stratified orders. Furthermore, the new understandings of IWBs was formulated by bringing together some surprising data and new concepts that problematised and de-familiarised the old ideas. Hence, deduction, induction, abduction, and retrodution were linked throughout the thesis in different locations.

Conclusion

This chapter discussed why critical realism was employed as the philosophical foundation of the research, on the basis of ontologically stratified realities and the interpretivist epistemology. Arguably, it is the most appropriate paradigm of social science to uncover the dynamics between structure and agency, with the explanatory potentials of generative mechanism. Informed by CR's methodological pluralism, this study devised an intensive-qualitative approach to the case study of IWBs in HK, to answer three research questions through the conceptual framework deduced from the literature. Accordingly, this research focused on policy documents and in-depth interviews as the sources of qualitative data. By purposive sampling, different types of data and interviewees were selected. The collected raw data was processed by thematic analysis with two rounds of coding. Emerging themes and sub-themes were reorganised and inducted for generalising some similarities, differences, and relations, which are shown in Chapters 5 to 7. Moreover, the abstraction and theorisation as abduction and retrodution is carried out in Chapter 8 that both explains the emergence of IWBs in HK and understands their roles in the context of welfare capitalism. In a nutshell, this research comprises a critical realist approach to a specific social policy case study.

Chapter 6

Institutional Analysis of In-work Benefits, 2007-2017

Introduction

The objectives of this chapter are two-fold. The first of which is to offer an analysis of the two types of in-work benefits (IWBs) by tracing the detailed process of policy formation negotiated between various actors from 2007 to 2017 during the Tsang's and Leung's government. The second is to locate the IWBs within HK's policy contexts in order to understand the dynamics between IWBs and their surrounding policies. The chapter begins with the evolution of the benefits which will be classified into different epochs with particular critical juncture, and policy goals and designs. This is followed by an examination of welfare users' profile and the public spending on the benefits for understanding the actual coverage and the relative importance of the newly established welfare. Finally, emphasis is placed on the possible institutional interdependence and contradictions between work and welfare that shaped the nature of IWBs.

The development of Transport Support Scheme and Work Incentive Transport Subsidy

The first IWB, apart from the social safety net, a transport subsidy namely the Transport Support Scheme (TSS), was recommended in the first-term of the Commission on Poverty and introduced in 2007. The existing Work Incentive Transport Subsidy (WITS) has experienced several changes under different political and social circumstances. Derived from the interviews, policy documents, and statistics from government and Legislative Council (LegCo) (Appendix I), the development of WITS is divided into four stages with distinct functions and dilemmas.

The introduction of the Transport Support Scheme (2007)

The origin of TSS can be traced to the 2006 Budget as the Financial Secretary (FS) introduced a short-term transport support to the trainees living in three remote

districts who completed the full-time retraining courses and attended job interviews and gained first-month employment (LegCo, 2009). Afterwards, FS as the chairperson of the Commission on Poverty adopted the latter's suggestion of a transport subsidy trial scheme and launched the proposal in June 2007, namely the TSS. At the initial stage, the TSS was introduced as a subsidy composed of two parts for workers living in four remote districts. The first part was a one-off Job Search Allowance for the unemployed, in which this work-related benefit was seen as an incentive for job-seekers and a reward to the act of job-seeking. The second was a time-limited Cross-district Transport Allowance granted per month up to six months. Eligible applicants should have a minimum working hours per month and pass the means-tests (see below). Put another way, the transport allowance as an IWB was designed for the low-income employees who needed to travel across districts.

These allowances are not meant to cover all transport costs incurred in job-hunting and working but to provide an incentive to eligible applicants to find jobs and work across districts. (Labour and Welfare Bureau (LWB), 2007a)

Given the Job Search Allowance only shared a small part of the expenditure of the TSS, the Cross-district Transport Allowance, was characterised as the primary function of TSS. Obviously the TSS was not a reimbursement of the actual costs incurred by workers, yet it did appear more or less as a compensation for the rising transport costs. One of the reasons for the government to provide the TSS was attributed to the relatively high unemployment rate and large number of unemployed Comprehensive Social Security Assistance (CSSA) cases found in those 'remote' districts, although the overall labour market had recovered from the previous economic downturn. The Commission on Poverty assumed that the geographical mismatch of the labour market between surplus supply in remote areas and unmet demand in the city centre was due to the high transportation costs. Therefore, the TSS partially compensated for the extra cost of commuting to and from work, and simultaneously prevented the low wage workers from exiting employment and applying for social assistance.

The point of departure of WITS is simply due to the transportation cost.....As the workers living in remote districts who worked in urban areas had to afford disproportionate transport costs and time. This might lead to workers giving up work and entering the safety net. (Policy-maker E)

WITS was originated from one incident of family violence happened in one of the remote districts. It was discussed in and suggested by the Commission on Poverty that intergenerational poverty could be caused by the transmission of poverty in the families using CSSA. Many advocacy organisations requested the government to offer this sort of subsidies instead of tightening the safety net. (Policy-maker B)

It is clear that the transport subsidy is a short-term relief. How could we successfully attract the workers residing in remote districts to take up the jobs available in urban areas? Transport subsidy is one of the relief to incentivise the unemployed to work cross district, especially for those low pay and precarious jobs which cannot fully support the workers' costs on transport and food. (Policy-maker D)

According to the policy-makers interviewed, the TSS was a 'positive' instrument to incentivise the unemployed and the employed in remote districts for entering into and staying in the urban labour market, rather than adopting negative punishment to the unemployed and welfare users. Derived from such a policy design the failure of the urban-remote labour market integration could be alleviated.

Relaxed TSS: from Cross-district to On-the-job Transport Allowance in remote districts (2008-2010)

Throughout the review conducted by the Labour Department (LD) focusing on the operational statistics and street-level experience, it was reported that the alleviation effect of the TSS on poverty and high transport cost was positive (LD, 2008). In response to the issues raised in the review, the FS decided to implement three relaxations of TSS. First, it lifted the monthly income ceiling to cover more

low-income employees and sustain their work habits. The second change was the extension of the duration of subsidy from 6 to 12 months. Despite TSS's 'short-term' nature initially defined by the government, many argued that prolonged application of a subsidy would 'promote sustained employment'. Last but not least, the eligibility for TSS was expanded to the workers paying intra-district commuting costs in those remote districts. Having recognised some of their intra-district transport costs were even higher than the inter-district costs, the government opted to support other workers commuting within-districts and paying high transport cost as well. Thus, the Cross-district Transport Allowance was replaced by the On-the-job Transport Allowance (LD, 2009).

The relaxations may be partially due to the unexpectedly low number of the applications (see below) and the pressure generated by the advocacy groups in the civil society. On the one hand, this relaxation could increase the take-up rate and coverage of the low pay workers in those remote districts. On the other hand, the enhanced TSS also invited many critics of the exclusion of other cross-district commuters living in other areas. Notwithstanding extensive voices asking for expansion, the government showed reluctance to further extend the TSS on a long-term and territory-wide basis as it would move its function away from incentives to income supplement apart from the safety net. This deviated from the TSS's initial purposes in dealing with regional unemployment and the potential disincentive of out-of-work benefits (LegCo, 2010).

I appreciate Members' wish for further relaxations of the Scheme to cover all districts and to raise the asset limit. But that deviates from the fundamental principles of the Scheme. (Secretary for Labour and Welfare Bureau (SLW), 2008)

As a result, the government stuck to the principle of transport subsidy for workers commuting inter-district and intra-district. Yet the next round of review on TSS's effectiveness and implementation was launched in July 2009, with an implication of future adjustment and amendment of TSS.

Towards a family-based Working Incentive Transport Subsidy (2011-2012)

In the Budget 2010, the FS set out a study on the ways to ease the burden of low-income employees, which paved the road for an expansion of IWBs endorsed by the government. Eventually, the government decided to replace the TSS with a territory-wide Work Incentive Transport Subsidy (WITS) in a family basis. The purposes of WITS were to relieve the burden of travelling expenses of low-income families and to promote sustained employment. Speaking of the changes on the nature of the subsidy, some agreed that the abolishment of TSS was inevitable since it was not well justified.

Why should not the government support those commuters with high travelling cost but living in urban areas as well? Finally, the government might find it practically non-sense to check how the low pay workers use transport and where they live. (Campaigner A)

The changes had two immediate implications to the new IWBs. First, the target of subsidising travelling expenses shifted from individual low-paid employees to the employees in the low-income families. Having adopted a family-based unit of application, the target group of the WITS implicitly altered from low wage workers towards working families in poverty. Second, the new form of IWBs was designed as a recurrent allowance rather than a duration of 12-month subsidy for the needy employees from all districts. The government endorsed eligibility based on transport needs irrespective of the travelling distance and expenses (LWB, 2010). As a result, the 'transport' element of the subsidy was further undermined and it increasingly switched from a regional transport subsidy scheme to a long-term income supplement for all employees. With a clearer goal of on-the-job allowance, the WITS abandoned the job-searching allowance and purely established as an IWB. In this connection, the WITS aimed at generally encouraging workers with families in poverty, not restricted to the lowest paid, to stay in employment.

This shift, however, de-entitled some low paid workers, in particular those with higher aggregate household incomes. The government assumed that those low paid

workers could be financially supported by other employed members. Therefore, only the workers whose household incomes lower than a threshold could be eligible as 'financially disadvantaged' (LWB, 2010). Whilst many advocacy groups and trade unions concurred with the advantage of territory-wide and family-based eligibility, they urged the government to adopt a 'dual-track' approach that allowed the applicants to choose either household-based or individual-based in order to preserve the benefits of those low paid workers.

On the one hand, the government adjusted the income limit of two-member and three-member households to pacify the hostility from the civil society. On the other hand, the Bureau stuck to the household-based means-test as it was both consistent with the conventional welfare model and was claimed more effective in targeting the most in need. The individual-based application was criticised as a potential trigger for welfare abuse by transferring the assets among members within families (LegCo, 2011a)

Our considered view is that a household-based means test is more equitable than one that assesses only the individuals' income and assets. This is because a household-based approach will enable a full assessment of the overall economic situation of the household. This will meet our policy objective of easing the financial burden of low-income families in greater need, especially those with a sole bread-winner. A household-based means test is also in line with other government financial assistance schemes. (SLW, 2011a)

Having confirmed the target group as the low-income and bread-winner families, the government stated that another policy objective of WITS was to 'encourage more substantive employment which entails longer working hours' (SLW, 2011a). At this stage, the government still stuck to the working hours requirement at not less than 72 hours per month. Yet the Bureau was indeed under great societal pressure over the eligibility for WITS because the policy proposal necessitated financial endorsement from the LegCo, in which many political parties were demanding that the Administration make further relaxations (LegCo, 2011a). Eventually, the

Administration conceded with minor increments on the income threshold of 2-member households. More surprisingly, the Bureau also introduced a half rate of WITS for part-time workers who worked between 72 and 36 hours. In the Secretary for Labour and Welfare Bureau's (SLW) explanation, the decision was made due to the 'proactive and people-based approach' showing their willingness to improve the livelihood of ordinary people (SLW, 2011b). These actions sought the approval of members of LegCo to the budget of WITS. Despite the denial of the individual-basis, the majority of the LegCo members still passed the budget and the WITS was launched.

After the implementation of WITS in October 2011, the members of LegCo passed a motion on 'Comprehensively reviewing and perfecting the Work Incentive Transport Subsidy Scheme' in November 2011 (LegCo, 2011b). There were several requests including simplifying the application procedures, relaxing the income and asset limits, reviewing the amount of monthly allowance, and using other means to compensate the workers excluded by the new WITS. One of the newest propositions was on the replacement of the WITS with a 'maintenance grant scheme for low-income families' in the long run, which somehow sowed the seed of the introduction of another IWB system on top of the social safety net. In short, the idea and design of WITS generally won the support from the LegCo across different political parties from pro-business to pro-workers, from pro-establishment to pro-democracy.

Expanded dual-track of WITS (2013-2017)

Before the mid-term review of WITS took place in October 2012, the new term of the Hong Kong Special Administrative Region (HKSAR) government had endorsed the individual-based application of WITS as an alternative to family-based eligibility. In his press release, the SLW abandoned what the government had done previously in sticking to targeting the 'most disadvantaged' families and preventing welfare abuse. In contrast, the SLW reiterated the newly accepted 'dual-track' application as a 'flexible, accessible and user-friendly' approach to the IWB (SLW, 2012). Again, the decision was basically welcomed by the members of LegCo and was authorised

via the financial approval. Obviously, the actual applicants of WITS since its emergence had been over-estimated and the Administration was more willing to expand it in order to increase the coverage of WITS. Some doubted that the timing of the relaxation was due to a political distraction over the hunger strike against the National Education, as the policy change was rarely issued prior to the result of mid-term review (SLW, 2012).

After this expansion of dual-track applications, the architecture of WITS was stabilised and maintained. The comprehensive review of WITS was finished in June 2016, examining the objectives, eligibility criteria, level of subsidy and the effectiveness of the benefit. Rather than examining the principles and implications of WITS, the findings of the review pointed to some minor administrative amendments (LD, 2016). Suggestions were made about the procedures of applications, communication with applicants and measures against abuse. Whilst the WITS review depicted a relatively positive picture at the operational level, the interface between WITS and the new IWB implemented in 2016, namely Low-income Working Family Allowance (LIFA), was addressed for further consideration in the review of LIFA in 2017.

In a nutshell, the expansionary logic of TSS and WITS could be understood as 'contingent incrementalism'. The more political pressure, the more negotiation with the Administration could call for relaxation of the benefits. The lower take-up rate and less fiscal pressure, the lower the eligibility level that could be set. This 'contingent incrementalism' pragmatically downplays the coherence of welfare philosophy and preventing from a long-term planning on welfare. Consequently, the instability and unpredictability of WITS might convey mixed and contradictory message to the public on how the government put the entitlement and eligibility of the IWBs. In addition, the latest trajectory of WITS was also shaped by the introduction of LIFA, in which both IWBs were inter-related and overlapped in terms of purpose and beneficiary.

The architecture and profile of TSS and WITS users

As summarised in Table 6.1, the policy design of TSS and WITS at different stages were slightly different. For the eligibility, the time-limited TSS was constantly individual-based and targeted for those cross-district commuting workers in the four remote districts. The relaxed TSS permitted the intra-district commuters' entitlement. In contrast, the initially family-based WITS has converted into dual-track application but maintained its recurrent nature. Also, WITS's target group has expanded to both low-wage employees and employees in low-income families commuting from home to workplace regardless of their living area. For the principles, TSS was to incentivise the unemployed in remote districts to 'go out' and take the jobs available in urban areas, as well as ensuring the low-paid workers stayed in employment. With regard to the relief of transport costs, the original TSS only subsidised cross district travel whilst the relaxed TSS accepted all applications with transport costs. Similarly, the key principles of WITS were to sustain employment and ease the transport cost burden.

Besides the income- and asset-tests, employment conditionality plays a central role in determining the entitlement for IWBs. The TSS required at least 72 working hours per month whilst the WITS was divided into two levels with two standards. Underemployed and part-time employees who worked between 36 to 72 hours per month could apply for the half-rate. Employees working more than 72 hours were entitled to the full-rate. According to the government, the benefit level of \$600 per month took the reference of cross-district transport costs estimated by the Census and Statistics Department (CSD) (SLW, 2011c). Different from the design of social assistance, the payment of TSS and WITS was delivered at a flat-rate and back-dated. Thus, the benefits were not paid to the users monthly but dated back for 6 to 12 months as a lump sum depending on the employment history of the applicants.

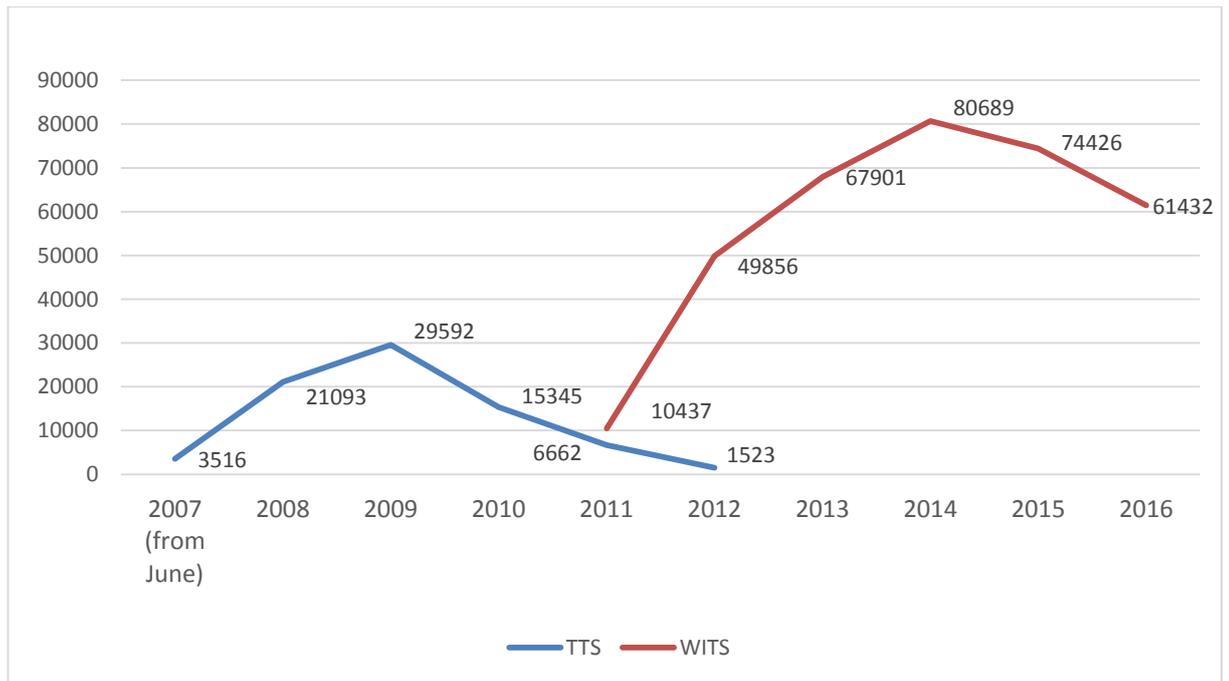
Table 6.1 TSS and WITS at Different Stages

Name (Year)	Eligibility	Principles	Conditionality
TSS Cross-district Transport Allowance (2007)	Individual-basis; Remote districts; Cross-district commuting workers; Time-limited benefit	'Going out' to work; Staying in employment; Relief of cross-district transport costs	Not less than 72 hours for \$600 per month
Relaxed TSS On-the-job Transport Allowance (2008- 2010)	Individual-based; Remote districts; Commuting with transport expenses; Time-limited benefit	'Going out to work'; Stay in employment; Relief of transport costs	
WITS (2011-2013)	Family-based; Territory-wide; Commuting with transport expenses; Non time-limited	Sustaining employment; Easing transport cost burden	Not less than 72 hours for full-rate \$600 per month; Under 72 but not less than 36 hours for half-rate \$300 per month
Enhanced WITS (2013-now)	Dual-track including family- and individual- based; Territory-wide; Commuting with transport expenses; Non time-limited	Sustaining employment; Easing transport cost burden	

While goal, eligibility, conditionality and generosity appear as the policy inputs, the profile of users and the actual expenditure comprise the policy outcome signalling the 'performance' of the policy. The number of TSS and WITS cases and their annual expenditure are shown in Figures 6.1 and 6.2. After the relaxation of TSS, the number of cases reached peak in 2009 and then gradually diminished until 2012 with its termination. The reason for the declining cases may be due to the recovery of the labour market and increased incomes. Since the WITS has replaced the TSS from 2011, the cases of WITS rose rapidly along with the introduction of minimum wage (MW) in May 2011. With the enactment of the 'dual-track' application, the use of WITS grew steadily to its peak in 2014. Afterwards, the use of WITS steadily dropped. The trend of the number of TSS and WITS cases was reflecting their

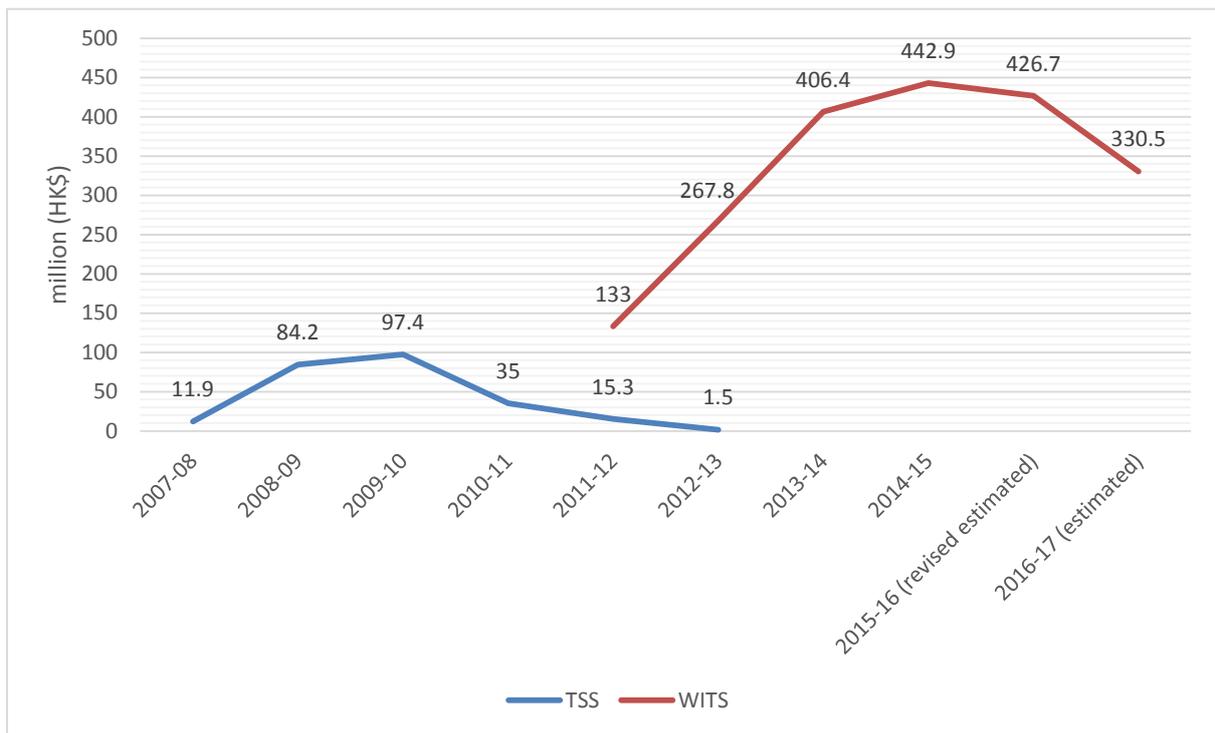
annual expenditure (Figure 6.2). It is reasonable to predict a further decrease in the coming years as the function of household-based WITS is overlapping with the newest IWBs, the LIFA, introduced in 2016. Still, the individual-based WITS may be perpetuated for single low-paid workers and the number may depend on the wage growth and the adjustment of the means-tests of WITS.

Figure 6.1 Number of TSS and WITS cases



Source: SLW, 2013c, 2014d, 2015a, 2016c, 2017b

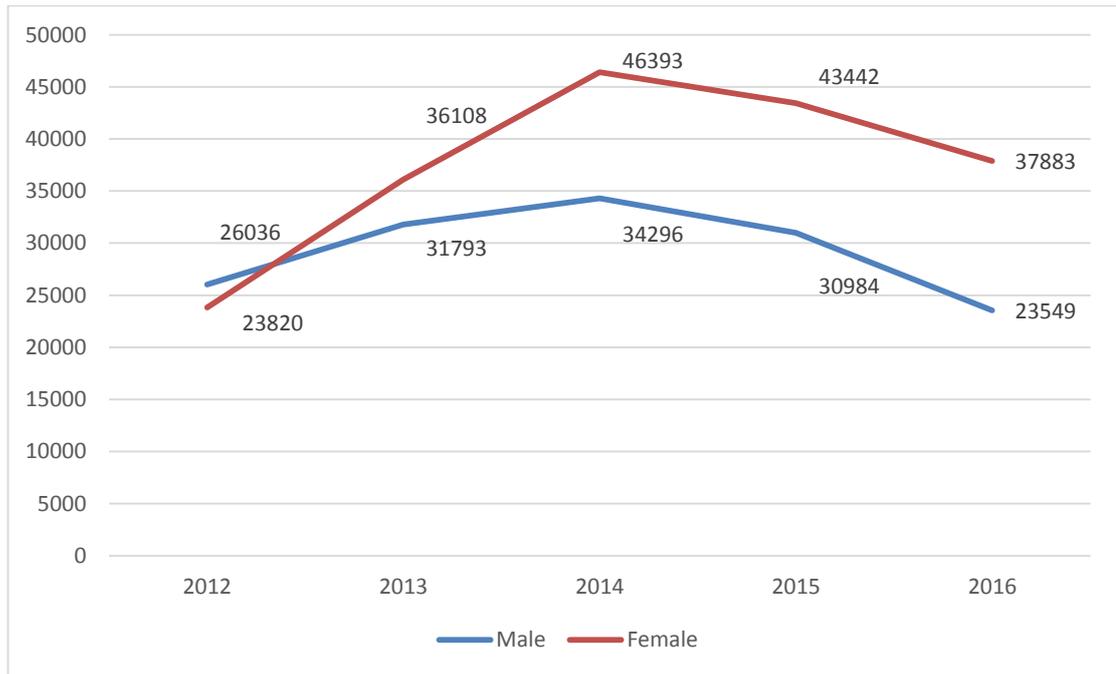
Figure 6.2 The annual expenditure of TSS and WITS



Source: SLW, 2013c, 2014d, 2015a, 2016c, 2017b

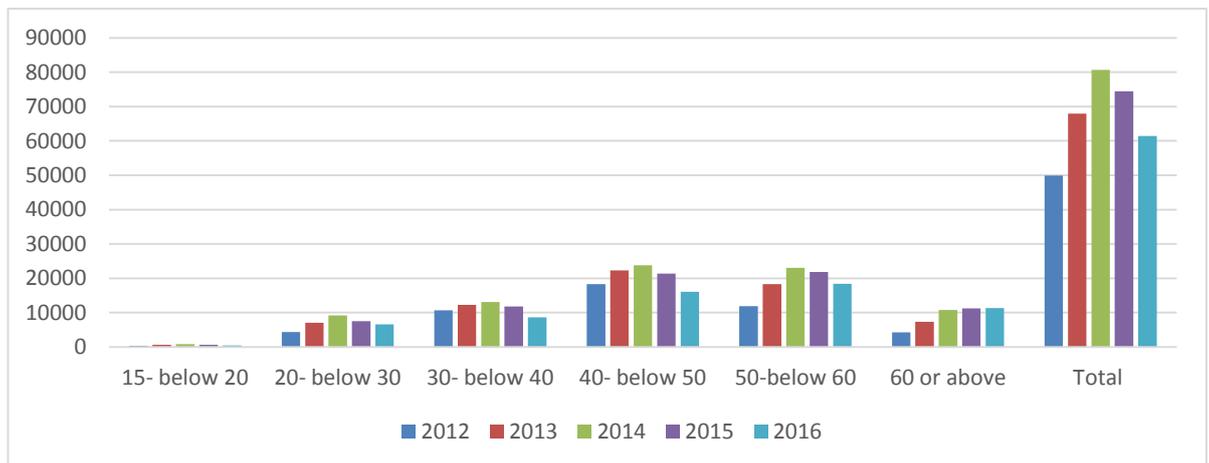
In respect of gender distribution (Figure 6.3), there were few female users at the beginning of WITS but the number increased more rapidly than that for men and kept maintaining a higher rate even when the general trend was in decline. For the age distribution (Figure 6.4), it has been clear that users of WITS were more concentrated between the ages 40 to 60 during the rise and fall. By contrast, those aged 60 or above was the group that has stood at above 10000 cases without an obvious reduction after 2014. Drawing on these figures, WITS tends to benefit the female and middle- to old-aged workers with low wages. Also, the number of older aged users is less likely to be affected by the changing conditions of labour market in general and the adjustment of the MW level in 2013 and 2015.

Figure 6.3 Gender trend of WITS users (2012-2016)



Source: SLW, 2013c, 2014d, 2015a, 2016c, 2017b

Figure 6.4 Age distribution of WITS users (2012-2016)

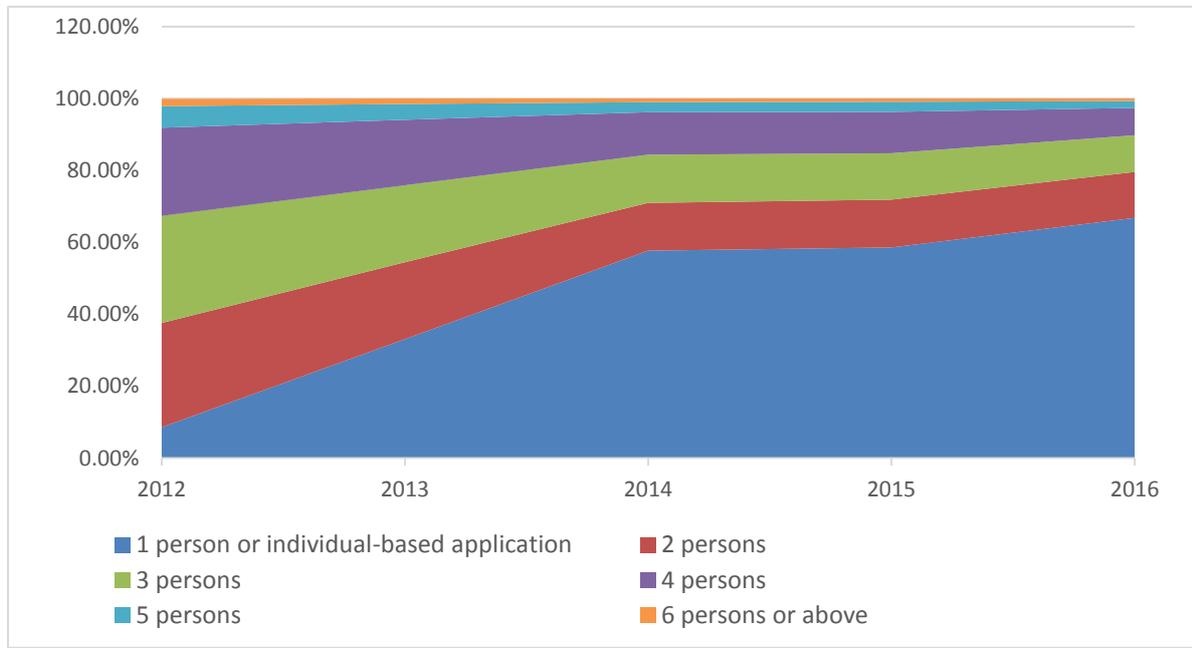


Source: SLW, 2013c, 2014d, 2015a, 2016c, 2017b

Turning to the household size of the WITS cases (Figure 6.5), the 1 person or individual-based application has gradually occupied the largest share of the users. Therefore, the change of WITS claimants' household size showed a reversed trend

over the past five years. Informed by the household background, the WITS has increasingly functioned towards an individual wage subsidy rather than a household income supplement.

Figure 6.5 Percentage of WITS cases by household size (2012-2016)



Source: SLW, 2013c, 2014d, 2015a, 2016c, 2017b

Given the rise in the proportion of individual and female cases, the falling trend of WITS can be partially attributed to the larger reduction of younger and household applicants. One may assume that the growth of wages in low paid occupations and of family income after 2014 exceeded the uprating of WITS's income limit. Another possible reason for the case reduction may lie on the reduced generosity of the benefits. Over the past decade, the full-rate of the subsidy has stayed at \$600 per month which implies reduced real purchasing power of WITS throughout ten years. The government claimed that the frozen adjustment was due to the slow actual growth of cross-district transport costs per month from \$460 in 2010 to \$481 in 2015 (LD, 2016). The indexation of the WITS adjustment limited the possibilities of more generous uprating and equal share of economic development. For the low-income family applicants, the IWBs were not as attractive and useful as before, let alone the complex process of means-tests. Without adequate adjustment of the

generosity and eligibility, the coverage and take-up of the IWB can be profoundly eroded over a longer period. This potential 'expelling effect' of the targeting of IWBs is characterised as one of the contradictions of residual-productivist welfare regime (Chapter 9). This argument will be considered in the next section with the critical examination of LIFA.

The development of Low-income Working Family Assistance (LIFA)

During the advocacy of the TSS and WITS, the seed was sown for a new IWB that aims at helping the low income families outside the social safety net. Thus, the introduction of LIFA was not ground-breaking but was intertwined with the original benefits. Having established the family-based WITS, the government surprisingly further initiated a different system with the similar target group who was not recognised over the decades. Yet this 'breakthrough' should be examined under the lens of welfare politics and government's socio-economic purposes.

From reluctance to open-mindedness (before 2013)

When the TSS was incentivising the workers living in remote areas for urban employment, low-income working families in HK were generally encouraged to use the Low-earnings Comprehensive Social Security Assistance (LECSSA). Therefore, the LECSSA was the only benefit targeting on the single low-paid workers and low-income families with employed members. The Administration had no intention to initiate any new family-based income supplement for the whole society at that time.

Individuals or families with incomes insufficient to meet their basic needs may consider applying for CSSA. These cases would be regarded as low-income cases. (LWB, 2007b)

For the 2007-2012 term of government, the CoP was ended and replaced by a Task Force on Poverty whose primary mission was to 'monitor the progress of implementing the recommendations of the CoP; coordinate the efforts across the Government in tackling poverty' (LWB, 2007b). Without a policy platform for poverty alleviation engaging the Administration, what the Task Force did was only

based on the CoP's suggestions. However, the government rolled out short-term food assistance in order to help those non-CSSA families and individuals in poverty coping with the food expenditure after the financial crash in 2008. Despite the announcement of the legislation of MW in the Policy Address 2008, the enactment of MW was in three years later. In other words, the measures for the working poor at this stage depended on the TSS and the tentative in-kind services, associated with other universal and means-tested social services.

For those non-CSSA low-income earners, the government also provides plenty of free or highly subsidised services in various policy areas, such as housing, medical and education etc., with a view to assisting them to meet the basic needs of their daily lives. (SLW, 2009)

The government paid most attention to the re-employment of low-income families by financing the employment and retraining programmes. Other than the permanent policy initiatives and services, some one-off relief measures were offered to the working poor, such as injecting \$6000 to the Mandatory Provident Fund (MPF) accounts, a privately managed compulsory saving account, of the low-income employees. The Administration relied on the pro-market and pro-employment tools to aid low-income earners and job seekers.

The LD adopts a variety of measures to promote labour market efficiency and dissemination of job vacancy information, with a view to facilitating job seekers to find jobs more expeditiously and in a more user-friendly manner. (SLW, 2010)

Put another way, the government tended to emphasise unemployment as a pressing problem to tackle rather than low pay because the consequences of wage reduction were rapidly alleviated and the real wage growth slightly recovered in the third quarter of 2009. Whilst there was no further expansion of in-cash benefits for the working poor, the Chief Executive (CE) initiated a Community Care Fund (CCF) in 2009, which was planned to be co-funded by the government and the business sector (Tsang, 2010), to help those disadvantaged groups outside the CSSA. On the

one hand, the 2009 Policy Address highlighted that the society was increasingly divided due to the wealth gap; some argued that the CCF was a compensation of the collusion between business and government on the other. In contrast, the government claimed that the CCF was also adopted to improve the overall social security system beyond CSSA.

the Fund is set up to complement the existing social security system. We hope the experience gained from the operation of the Fund will help the Government decide which services should be properly undertaken by the system. So the Committee will carry out evidence-based review of our assistance cases and come up with recommendations on how to further improve our safety net. (Chief Secretary of Administration (CS), 2010)

Although the responses from the business sector in the aftermath were not as supportive as expected, a policy window for advocating changes upon social security was partially opened. The CCF started to identify the previously unrecognised disadvantaged and then financially supported them by one-off lump sum of money, such as the new arrivals, ethnic minorities and the residents living in low-quality housing who came from low-income families not using the social assistance. Prior to the 2012 Chief Executive (CE) election, some assumed that the CCF could help the Chief Secretary of Administration (CS) who chaired the steering committee, Henry Tang, to gain more political reputation by being concerned more about the needs of the poor.

Another candidate running in the CE election, Chun-ying Leung, challenged Tang by spinning himself as a pro-poor leader and more committed to pro-poor policies. Although the constituency of that election was only 1200 persons and dominated by the business sectors and elites (Chapter 3), some poverty-related issues appeared to be on the agenda of the election under a 'limited' political competition. In his manifesto, Leung clearly pledged to reinstate the CoP and proposed a new policy to address the needs of working poor and the inter-generational poverty.

Examining whether we can further alleviate in-employment poverty and cross generational poverty through establishing a social system, for example, assessing how effective is the implementation of the MW in alleviating working poverty, studying the feasibility of providing a subsidy to cover part of the living expenses of low-income families. (Leung, 2012)

Leung had indeed incorporated some policy recommendations of the NGOs to improve the WITS and even to advocate a comprehensive income supplement or a second safety net. After the unexpected victory of Leung in the election, the manifesto brought the new 'social system' into the public agenda and Leung needed to realise what he promised. Meanwhile, Oxfam (Hong Kong) issued a 'Feasibility Study of Low-income Working Family Subsidy' in May 2012, whose consultant was a member of the Central Policy Unit in Leung's government. The proposal of a new IWB was arguably buttressed in the new term of government. In Oxfam's study (2012), they argued that the amount of money given to those low-income families were too limited for the sake of financial assistance, accompanied with the complex means-test procedures. Thus, a new income supplement programme would be better to replace the WITS. Such proposal of new employment living allowance for the working poor also emerged in and supported by the LegCo with a passed motion (LegCo, 2012).

Having reinstated the CoP, the government first determined to set up an official poverty line with three goals: 'quantifying the poverty stricken population for a focused analysis of the situation of various groups living below the poverty line'; 'thoroughly investigating the causes of poverty and serving as a guiding reference for policy formulation so that our poverty alleviation efforts can be more effective'; and 'assessing the effectiveness of our poverty alleviation policies against changes in the size of the poverty-stricken population' (Leung, 2013, p.34). As a result, the poverty line attaches great importance to identifying the 'not-yet-benefited' population and to figure out the underlying causes of poverty that informed further policy measures. In his first Policy Address, Leung showed a positive but cautious attitude towards any new IWBs.

There are also views that we should turn the WITS into a subsidy for low income families. These suggestions involve major policy considerations and may have far-reaching implications on our social security system and public finance. The Social Security and Retirement Protection Task Force under the CoP will study carefully the views from various sectors. (Leung, 2013)

In this connection, the expansion of a new IWB on the one hand lied on either changing the existing WITS or initiating a new subsidy for low-income families; and also depended on the design and outcome of the poverty line on the other.

Confirmation after the poverty line (2013)

While the poverty line was established by CoP in 2012, the simplest approach was adopted to the measurement of relative income poverty in the absence of relative deprivation and multi-dimensionality (Fong & Wong, 2015). There were two main reasons. The first of which was about the administrative consideration (Chapter 3). As one of the reasons to set up the poverty line was to quantify the number of households under the income threshold and to qualify the effectiveness of poverty alleviation. Therefore, the government only wanted a mono-indicator for an 'objective' measurement and evaluation, instead of allowing more spaces for public negotiation. Second, the government took the previous measurement (half of the median of household income) employed by the civil society and social welfare sector as a reference. Before the establishment of the official poverty line, many NGOs, such as Oxfam HK and the Hong Kong Council of Social Service, strategically used one simple income-based poverty line to clearly show the seriousness of poverty in HK as a point of departure in order to push for more state intervention on poverty. This prevented the government to escape from its responsibility in poverty alleviation due to multiple-indicators suggested by the first term of CoP in 2007. Therefore, this also inevitably excluded the dimensions of poverty other than income as the basis on poverty line at the outset.

After the CoP formally endorsed the start of the poverty line in January and March 2013, some consensus was reached among its members from different background. First, they accepted to use 'relative poverty' as a measurement of the threshold at the half of the median household income. Second, despite of the defining functions of the poverty line, it does not determine the eligibility criteria of the means-tested benefits as some NGOs worried about. Thus, the families with income slightly higher than the poverty line were still possible to be entitled for some kinds of benefits. As a tool for policy-informing analysis, the functions of poverty line paved the road for a new benefit targeting at a new beneficiary.

Its functions are to enable us to identify and target various groups of people, formulate poverty alleviation initiatives targeted at the specific characteristics and needs of the identified groups, and analyse and monitor the effectiveness of the initiatives through comparison of changes in the population below the poverty line before and after the implementation of the various poverty alleviation initiatives, thereby enabling the Government to assist the needy people in a more focused and targeted manner with better use of our limited public resources. (LWB, 2013a)

By 'hunting' the population below the official poverty line who were not covered by the CSSA, those people's welfare needs were acknowledged along with three policy implications. The first of which is the government's and society's shift towards a relative notion of poverty (LWB, 2013b), rather than only focusing on absolute poverty at a level for subsistence that could be simply tackled by the safety net. While CoP appointed the representatives of Oxfam and Hong Kong Social Service Council as members of committee, a relative poverty line with 50% of the median income previously advocated by the two NGOs was finally adopted. As a result, the material deprivation of the families who were not using CSSA or whose incomes were higher than CSSA level, was officially recognised and defined as being in poverty. The poverty line not only raised the social visibility of those working poor families but also signalled the failure of existing policies to lift their incomes.

Second, the boundary of welfare deservingness was potentially pushed as the 'needy people' were no longer restricted to the CSSA recipients, but extended to those could not share the prosperity of and lagged behind by the economic growth. Regardless of their employment status, more people statistically fell below the poverty line in relative terms. Third, as a 'liberal-residual welfare regime' inherited from the colonial era, the poverty line could not be taken as a paradigm shift on the welfare ideology but a betterment of the government's means-test benefit by identifying more social groups in specific circumstances.

Two crucial observations from the poverty line were made about children and the working households, which shaped the new policy development in addressing poverty.

Over 90% of the poor children are from CSSA families or non-CSSA working households. Despite the fact that they can benefit from the free education policy, they will inevitably be in a disadvantaged position in study and learning in view of their family circumstances.....Among the 300 000 non-CSSA households living below the poverty line, about 48% are economically active and in work. These working households are usually larger in size, have more dependents to support and are engaged in low-skilled jobs. Given their heavier financial burdens, employment alone is no guarantee for leaving the poverty line. They deserve our attention. (CS, 2013)

With regard to these identifications of the disadvantaged groups, the CoP conducted two strategies in poverty alleviation which further confirmed the principles of the IWBs. According to the poverty line and its implications, the future welfare policies should be employment- and children-related.

Employment is the best route out of poverty.....Any new measure helping needy poor working families should be pro-employment and pro-children. The support should be structured to sustain self-reliance of family

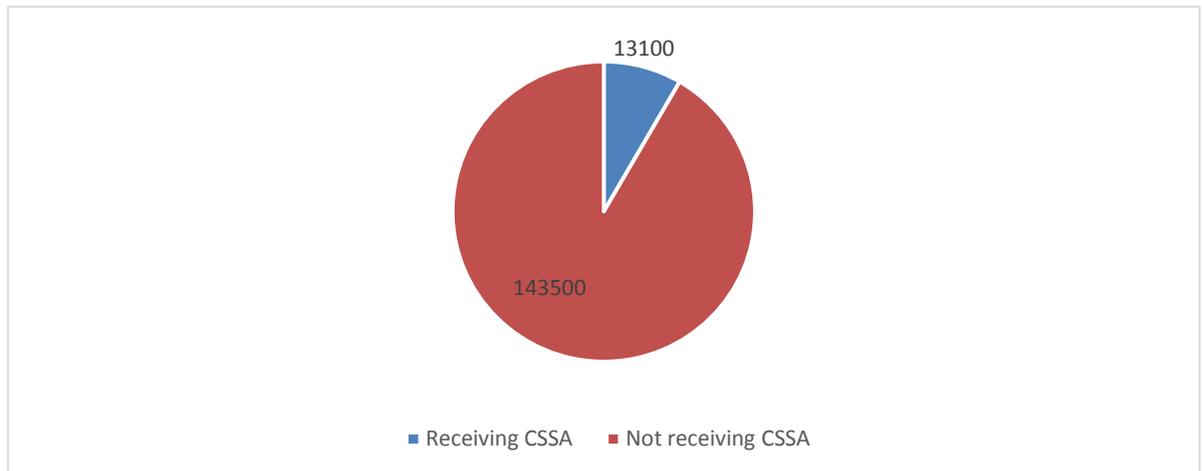
members while enhancing their opportunities for upward mobility. (CS, 2013)

Alongside the implementation of the poverty line, another line of discussions over the support of non-CSSA working families was deployed. In May 2013, the CoP initiated such discussions on how to subsidise those low-income households. The opinions on the new subsidy were inconclusive whether basing on the WITS for further amendments or introducing a new policy with new level of benefits depending on different family compositions (LWB, 2013c). At this moment, the proposal of the new subsidy was formally introduced and various NGOs took part in making suggestions in the LegCo's Subcommittee on Poverty although most of them could not engage in the CoP's framework. The LWB (2013c) claimed that extensive subsidies, in-kind services, and fee waiving schemes had been already provided for the unemployed and low-income households, despite the fact that some of these existing measures were not designed to alleviate in-work poverty. Therefore, these interventions could not replace a regular cash-benefit for the non-CSSA recipients and they did not prevent the government from introducing a new IWB. A motion calling on the Administration to introduce a territory-wide low-income family supplement was passed by the Subcommittee on Poverty of LegCo as well (LegCo, 2013a). Meanwhile, the government held a positive and open attitude towards the direction of expanding the allowance for low-income households, 'We keep an open mind on the issue and will listen carefully to the views from various sectors of the community' (SLW, 2013a).

Informed by the poverty line, it was evidenced that the rate of working households below the pre-intervention poverty line reached 11.9% and the poverty rate of working households was lower than the average poverty rate (LWB, 2013d). For those working households in poverty, only 8.4% of them were using CSSA (Figure 6.6), in which over 90% of the in-work poor were not protected by the safety net. On the one hand, the working households below the poverty line tended to be bigger families with more dependents or new arrivals but with fewer employed. On the other hand, most of these families had not received appropriate income

subsidies from the government. This was seen as a policy gap between in-work poverty and social assistance that should be addressed, in particular with regard to children's interest.

Figure 6.6 Distribution of working households in poverty (post-intervention) in 2012



Source: LWB, 2013d

This consensus was generally derived from the meetings of CoP and LegCo's Subcommittee on Poverty across NGOs despite their different views on the levels of means-test and the working hours requirement (LWB, 2013d). The request of the income supplement from civil society was in line with LegCo's support which reflected on another passed motion specifically on 'Establishing a low-income subsidy'.

That this Council urges the Government, following the setting of a poverty line, to expeditiously establish a low-income subsidy system to support poor families. (LegCo, 2013b)

Regardless of the councillors' divergence on the design of the subsidy, a cross-party consensus was built upon this issue and both pushed and allowed the Administration to put forward (Chapter 8). The Administration rapidly responded to the motion and highlighted its shared notions on the principles and emphasis of the new benefit.

However, they share one common point, that is, promoting employment and self-reliance — we share the same view and have absolutely no objection in this regard — as well as focusing on helping poor children and alleviating inter-generational poverty.....I note there is a general consensus that the low-income subsidy should be linked to employment. I believe that there is no dispute on this point. We also note the suggestion that low-income households should be encouraged to stay in employment by promoting the spirit of "work more, earn more". (SLW, 2013b)

Negotiation and rolling out of the LIFA (2014-2017)

After a year of discussion and negotiation, the CE finally determined to introduce the Low-Income Working Family Allowance (LIFA) in his second Policy Address with three objectives:

- To relieve the financial burden of non-CSSA low-income working households;
- To encourage working members in these households to stay in active employment to promote self-reliance and to prevent them from falling into the CSSA net; and
- To help alleviate inter-generational poverty and promote upward mobility in long run

(Leung, 2014)

As the Administration mentioned, the LIFA was targeted on those non-CSSA working families and with children in particular. Two points were made: first, the LIFA was linked to the CSSA, and the former was designed to prevent the latter by rewarding those households in employment. In other words, the government adopted the IWB to reduce the working poor's potential incentives to abandon work and to use the out-of-work benefit, which assumed that the behaviour of the poor with regard to employment and welfare was based on rational choice. Second, the government highlighted the role of children and put 'inter-generational poverty' and 'upward mobility' at the centre of LIFA. Despite the fact that the LIFA paid more attention and was relatively generous to the working poor households with children,

the government failed to explain how today's LIFA could reduce inter-generational poverty and raising upward mobility in the future. More accurately, the LIFA could top-up some working poor families' income and could possibly get them rid of poverty immediately. Leung (2014, p.15) put forward three principles of the LIFA:

- A basic allowance will be granted on a family basis and tied to employment and working hours to encourage self-reliance. More allowance will be granted to those who work more. Families with eligible children and young members will receive additional allowance;
- To ensure that limited public resources would be used to help those households most in need, there would be an income test and an asset test for the LIFA, but the thresholds would be more "generous"; and
- The structure of the LIFA would be as simple and easy to understand as possible, with appropriate safeguards against abuse to ensure prudent use of public resources.

Sticking to the previous welfare ideologies, the eligibility for the LIFA was based on the family and the conditionality rested on employment and the length of working hours. Although the means-test was claimed to be relatively generous, the government indeed dismissed the request of removing the asset test in order to keep the benefit serving the neediest. These means-tests and work-tests might inevitably undermine the take-up, accessibility and understandability of the LIFA. Thus, the LIFA basically carried the features of social services and benefit systems in the residual welfare model. The LIFA excluded the eligibility of single persons as the family was defined by at least two members, which was different from the dual-tracked WITS. Regardless of the disputes on eligibility, the SLW stressed that the LIFA as a policy outcome was derived from a deliberative negotiation and decision.

We have received opinions across the CoP, over 150 NGOs, two hearings and the Subcommittee in LegCo. After we had done many field visits, the proposal was emerged. So I think this is characterised as a collective wisdom and collective decision. (SLW, 2014a)

As well as the government some policy-makers also echoed that the CoP and the set-up of poverty line were key to the development of LIFA, which implies that the government's decision was to a certain degree intertwined with the voice of the NGOs, including the co-opted and outside the establishment.

During the preparation of CoP in 2012 several issues had been raised. One of them was the set-up of an official poverty line; another was to research on low-income family supplement. One of the CoP member claimed after the meeting that it was going to implement policies like Negative Income Tax, despite without a strong commitment of the government. Afterwards the CoP started to introduced the poverty line and simultaneously initiated the supplement. (Policy-maker C)

In February 2014, some key parameters of the LIFA were set out for discussions in LegCo. A more detailed policy proposal was later initiated by the Bureau in 12 May 2014 with the limits of income and asset, and the working hours requirement (see below). However, there was still some space for the public to negotiate as the Administration had to solicit the fiscal endorsement of the LegCo, 'We are finalising the key parameters of the scheme. We will seek necessary funding approval from the LegCo Finance Committee in due course with a view to implementing the scheme in 2015' (LWB, 2014a). Meanwhile, many NGOs and advocacy groups engaged in the Subcommittee on Poverty to urge the government to further relax the eligibility and conditionality of the LIFA (LegCo, 2014). These views exerted a certain degree of pressure upon the Administration to amend its proposal. As a result, the Bureau slightly reduced the working hours threshold for higher basic allowance from 208 to 192 hours without changes in other aspects of the LIFA proposal (LWB, 2014b). This was principally supported by the LegCo councillors even some suggestions of them were rejected. The application for LIFA's funding in the Finance Committee was first submitted to the Legco in July 2014. However, the approval of the funding was continually delayed until January 2015 due to the political filibuster in LegCo.

Having prepared for the administrative procedures over one year, the LIFA was eventually launched from the May 2016 with several phases for different household applicants. At the end of 2016, the government unexpectedly announced the abandonment of the absence rule to the LIFA applicants, i.e. 30 days of in six months of claiming period. The Administration reiterated the purposes of the LIFA to justify the unusual change since its implementation less than one year.

Having regard to the policy objectives of the LIFA Scheme to support working poor households, encourage self-reliance through employment and ease intergenerational poverty, we have decided to abolish the absence rule. (SLW, 2016a)

This relaxation could be partially attributed to the low take-up rate of the LIFA. The government admitted that applications for the LIFA were far below the government estimated at the outset. Only about 30000 families were claimants the LIFA by June 2017, which lagged behind the 200000 income-eligible households (SLW, 2017a).

First of all, the projections we made two years ago may not be entirely correct because, over the last two years, some families' wages might have already increased, exceeding the level required. Secondly, we don't know the assets of individual families in Hong Kong. We don't know their assets at all. Therefore, some families may have their assets above the eligibility limit. (SLW, 2016b)

Whilst the under-use of LIFA was associated with the unknown assets and willingness of the low-income families, the Administration claimed that the LIFA's eligibility and conditionality would be examined in its mid-term review in 2017 summer. Again, further changes or relaxation could be expected in the case of low take-up and of government's failure to claim credits by the LIFA.

The architecture of the LIFA

The LIFA has two eligibility tests for assessing the economic conditions of the applicants. The first of which is the means-test on income and assets (Table 6.2).

Whilst some NGOs urged the government to undo the asset-test or uplift the asset limits in order to reduce the administrative procedures of the applications, the government insisted that the asset-test was effective in differentiating who were the most in need. The asset limits of the LIFA were more generous than others of social security systems.

Table 6.2 The two-level means-test of LIFA

No. of family members	Full-rate Family income limit (\$) per month (does not exceed 50% of MMDHI)	Half-rate Family income limit per month (between 50% to 60% of MMDHI)	Family asset limits (\$)
2	≤9000	>9000 - 10800	320000
3	≤14100	>14100 – 16900	417000
4	≤17700	>17700 – 21200	487000
5	≤18300	>18300 – 22000	541000
6	≤20200	>20200 - 24200	585000

Source: LWB, 2015

Our purpose is to help the persons in needs, so it is inappropriate to subsidise “aimlessly” just because we haven’t reach the original target number of users. Maybe some people have other reasons (not using LIFA), for instance, owning much assets, then probably they are not the neediest persons we want to help. (SLW, 2017a)

Moreover, the income limit was set at the poverty line, 50% of the Median Monthly Domestic Household Income (MMDHI), for the full-rate allowance; families with MMDHI between 50% to 60% could be entitled to the half-rate. Therefore, the LIFA was designed as a two-level subsidy.

According to the government, single persons are not the group that the LIFA is targeting as the individual-based WITS should have helped them alongside the MW. Principally, the dual-adult families are also not the beneficiary of the LIFA as these families with two earners tend not to be in poverty.

For those single persons who choose to work as full-time, they are protected by the MW and subsidised by the WITS, which equals to the basic allowance of the LIFA.....We attempt to help the most disadvantaged who want to work in order to encourage employment and self-reliance. (SLW, 2014a)

The LIFA’s second eligibility test is the number of working hours. Different from the WITS (72 hours), the LIFA imposes a stronger working hours requirement at 144 upon households for being entitled to the basic allowance of \$600 per month. On top of this, the government adds a higher allowance \$1000 to ‘reward’ those working not less than 192 hours per month. For the lone parent households, the minimum working hours for basic and higher allowance are both reduced (Table 6.3).

Table 6.3 The two-tiered working hours requirement

	Higher allowance (\$1000)	Basic allowance (\$600)
General households	192	144
Lone parent households	72	36

Source: LWB, 2015

The government supports the longer working hours of the poor by introducing a bonus-like allowance and demanding full-time job. In other words, it is assumed that the disincentive effect of welfare not only appears in out-of-work benefits, like CSSA, but also IWBs. Regarding to the original conditionality of higher allowance at 208 hours, some criticised that the strict requirement technically excludes full-time workers with marginal working hours in February or the months with more public holidays, not to mention the part-time workers. The government later on clarified that ‘Paid holidays/leave/absence from duty’ are regarded as working hours requirement in the conditionality assessment’ (LegCo, 2015). Despite the clarification and the reduced hours for the higher allowance, the government stuck to the LIFA eligibility on a full-time basis.

Many people even are working around 208 hours. Having considered the society's request and the distribution of resources, we have adjusted the minimum working hours of high allowance. I reiterate that our baseline is set at 192 hours.....If the work hours are too low, then it may discourage employment. (SLW, 2014b)

Besides the full/half rate determined by the means-test eligibility and the higher/basic allowance depended on the working hours conditionality, an additional child allowance was also introduced to the LIFA as the government said it attaches importance to alleviating and preventing intergenerational poverty. The child allowance is for each person aged below 15 or aged between 15-21 receiving full-time education, with \$800 for full-time applicants and \$400 for half-rate applicants.

In sum, the structure of the LIFA is shown in Figure 6.8 and there are a few questions about its work conditionality. Whilst the design of conditionality is premised on a 'more work, more allowance' principle, it is a somewhat regressive and exclusive benefit rather than a threshold-based wage/income top-up. This means-tested IWB combined with the use of higher allowance has two implications. First, the work principle of LIFA does not generally focus on whether the applicants are employed or not but it classifies various forms of work as the conditionality. In this connection, precarious employment is not regarded as proper work entitled to the IWB. Even for more diverse forms of 'standard' employment, they are divided into the 'longer working hours' and 'near-to-full time work' that deserve different levels of subsidises. The two-tiered time conditionality of the LIFA is linking to the two-tiered welfare generosity amounting to a beneficiary hierarchy (Figure 6.7). Under the policy framing of 'encouraging self-reliance and employment', the LIFA *de facto* subsidises the lowest hourly pay jobs the most. In the case of two applicants with the same income level under the poverty line, one's benefit may be higher than other due to longer working hours. Put another way, the time conditionality technically rewards the full-time low pay jobs, even at the MW level.

Figure 6.7 The hierarchy of LIFA's beneficiary and generosity

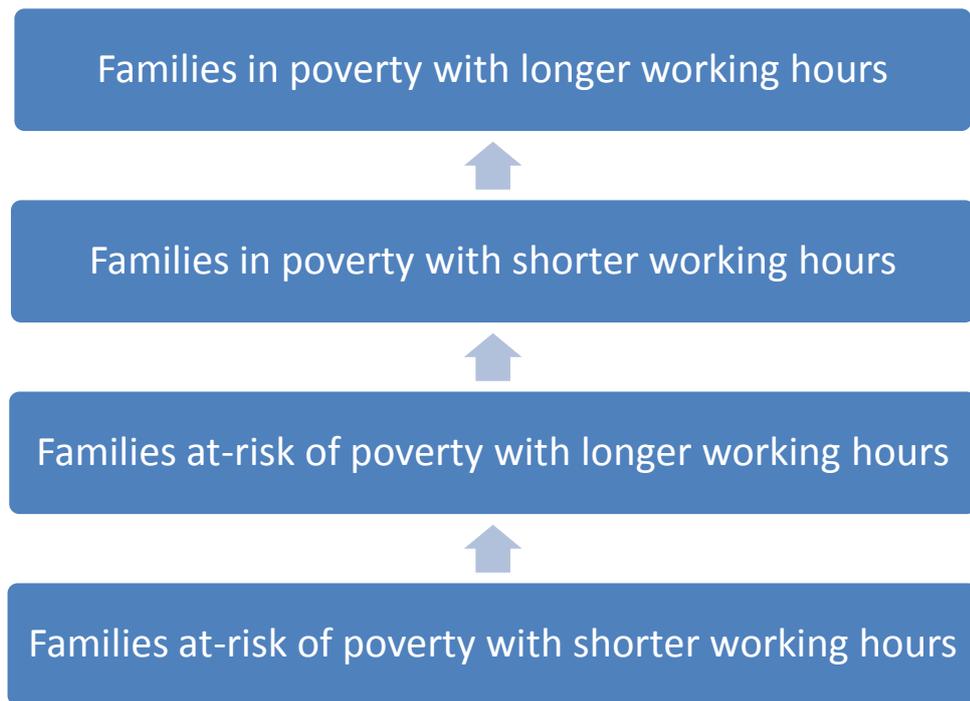
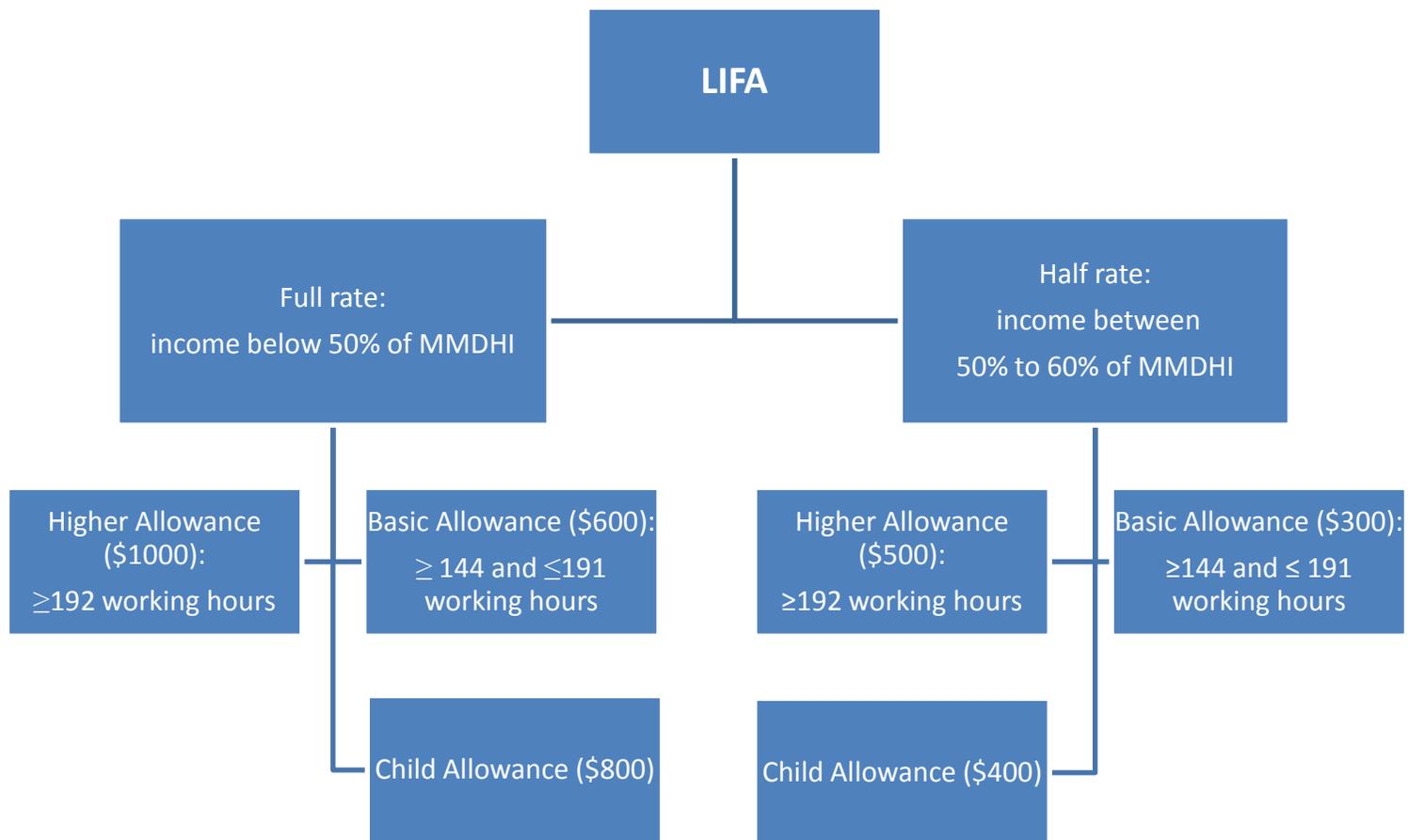


Figure 6.8 The structure of the LIFA for general households



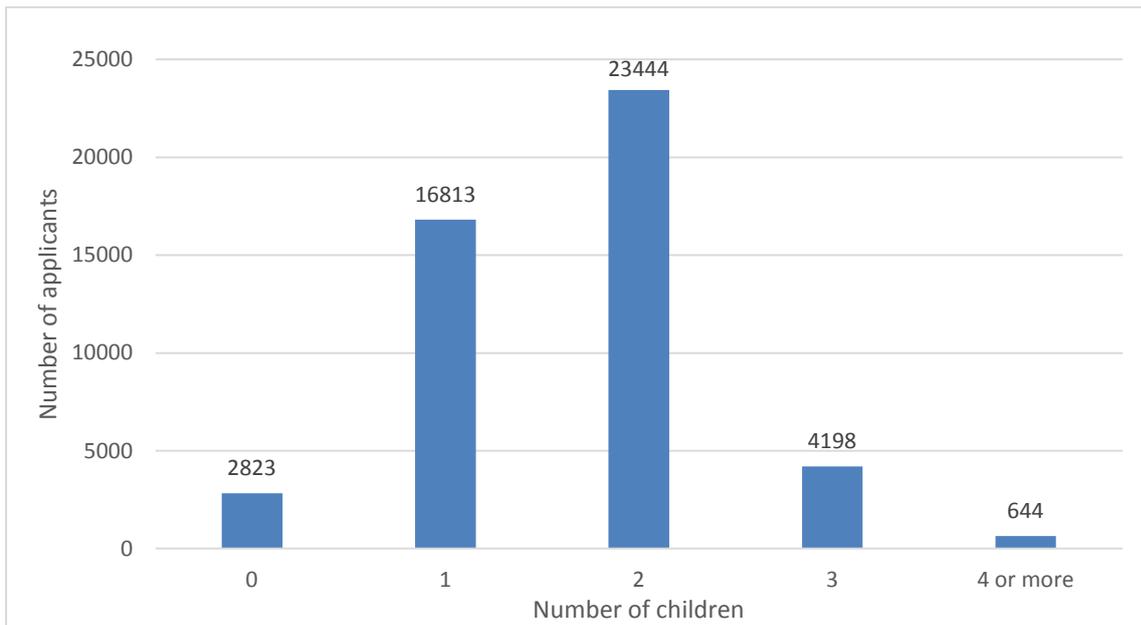
Source: LWB, 2015

The second implication is that the LIFA's calculation method for working hours adopts an individual-basis, rather than a joint assessment of the aggregate working hours of households' members. Coupled with its means-test, the LIFA tends to benefit the breadwinner-model families because any additional employment from the second earner may push the families' income beyond the limit while the working hours are not counted for higher allowance. Indeed, the breadwinner families are those the government planned to help but this may ironically undermine the second earners' work incentive, probably affecting women more than men. With family-based eligibility, the LIFA plays a central role in channelling breadwinners to low pay and long hours employment while restricting the child carers to gain more employment. This eligibility in tandem with the conditionality inevitably excludes a large portion of the working families although the government had predicted over 200000 families could benefit.

Profile of the LIFA users

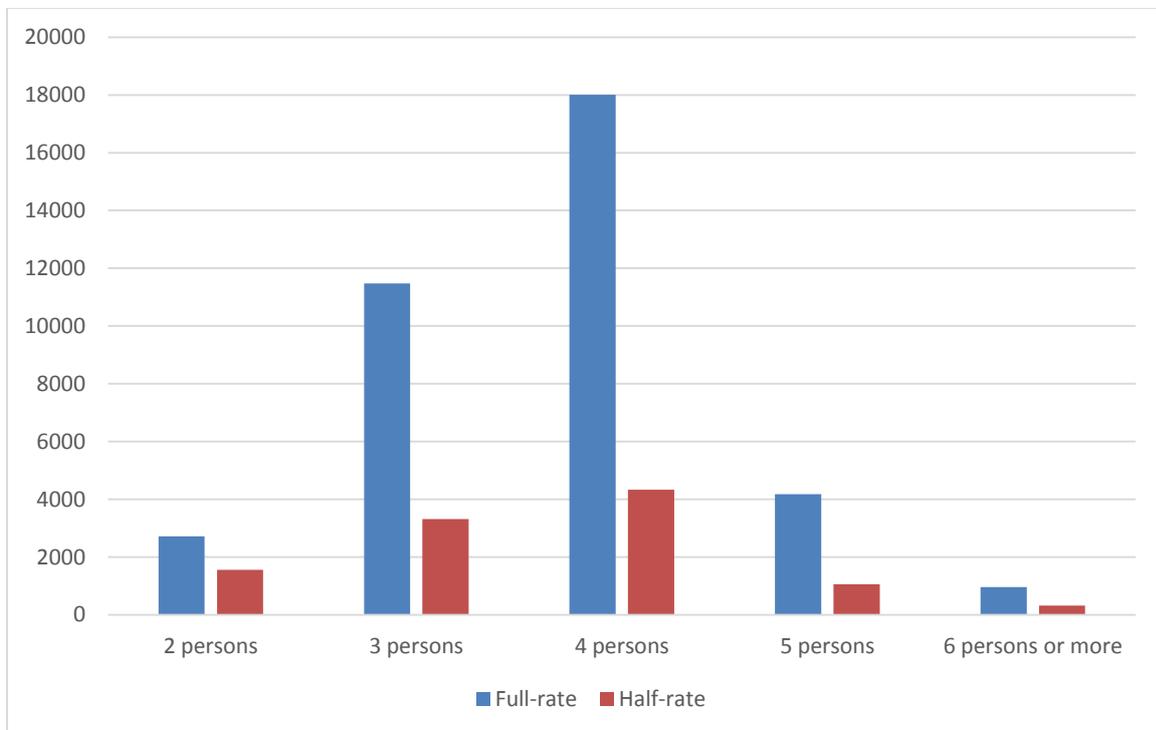
Against the backdrop of a low take-up rate (15%) (SLW, 2017a), the first year's profile of LIFA users can offer some insights into the actual functions and performance of the IWB. Throughout the year a total of 47922 applications were approved which included repeat applications for the same households. Therefore, the actual number of the households using LIFA is lower than the number of applications. As shown in Figure 6.11, 89% of the LIFA users came from two parent households and 11% from lone parent families. Overall, 77% were full-rate users and 88% were entitled the higher allowance. The LIFA was mainly supporting working families under the poverty line and a large part of them were working long hours. Only 2823 applications did not use the child allowance (Figure 6.9), while most of the applicants had two or one children eligible for the allowance. This reflected that many LIFA users had younger child to take care, which reduce the possibility of a second earner. The number of 4 and 3 person households were greater than other household sizes (Figure 6.10).

Figure 6.9 Number of children of applicants using child allowance



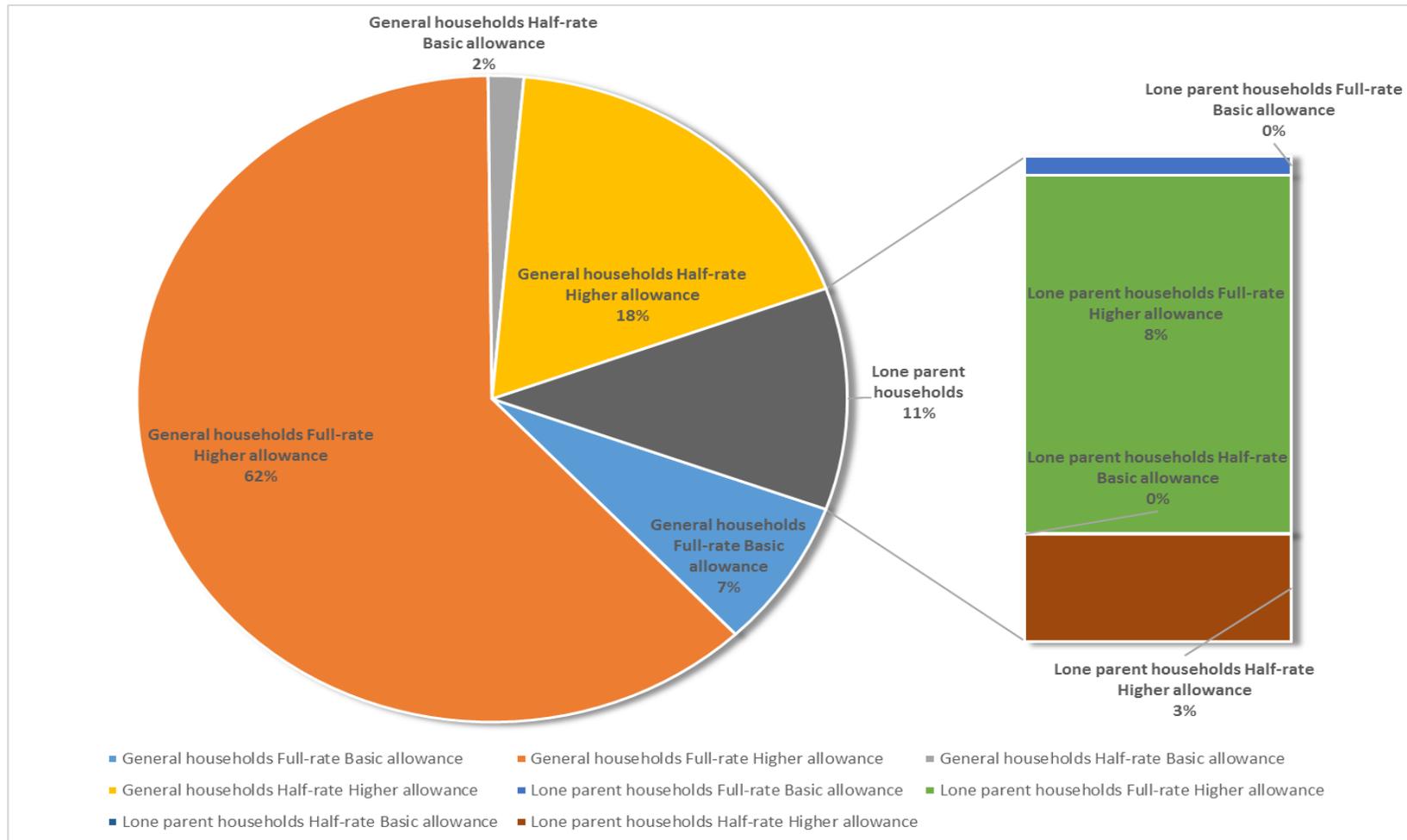
Source: SLW, 2017b

Figure 6.10 Number of LIFA users by family size



Source: SLW, 2017b

Figure 6.11 Composition of the LIFA users by allowance types (May 2016 to Feb 2017)



Source: SLW, 2017b

For the working hours of applicants, the median working hours between full-rate and half-rate were close but with large differences between basic and higher allowance claimants (Table 6.4). While the median working hours of lone parent families were lower than the general households as expected, the median working hours of lone parent’s higher allowance were near to the minimum hours of general households’ higher allowance.

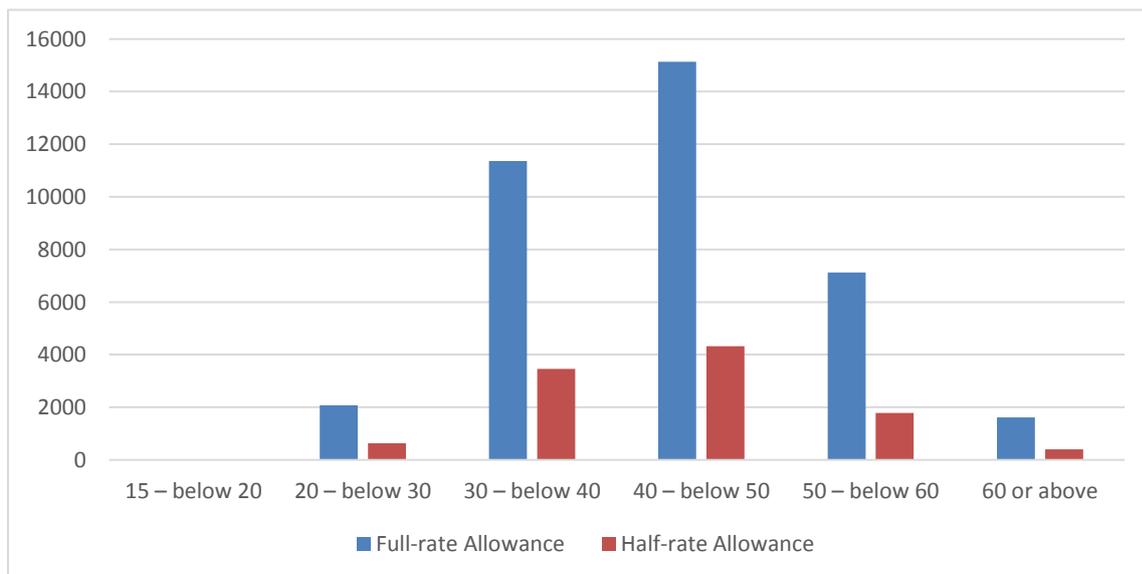
Table 6.4 Median working hours of the LIFA applications

	Median working hours per month			
	General households		Lone parent households	
	Full-rate	Half-rate	Full rate	Half rate
Basic allowance	173	176	52	62
Higher allowance	227	234	189	208

Source: SLW, 2017b

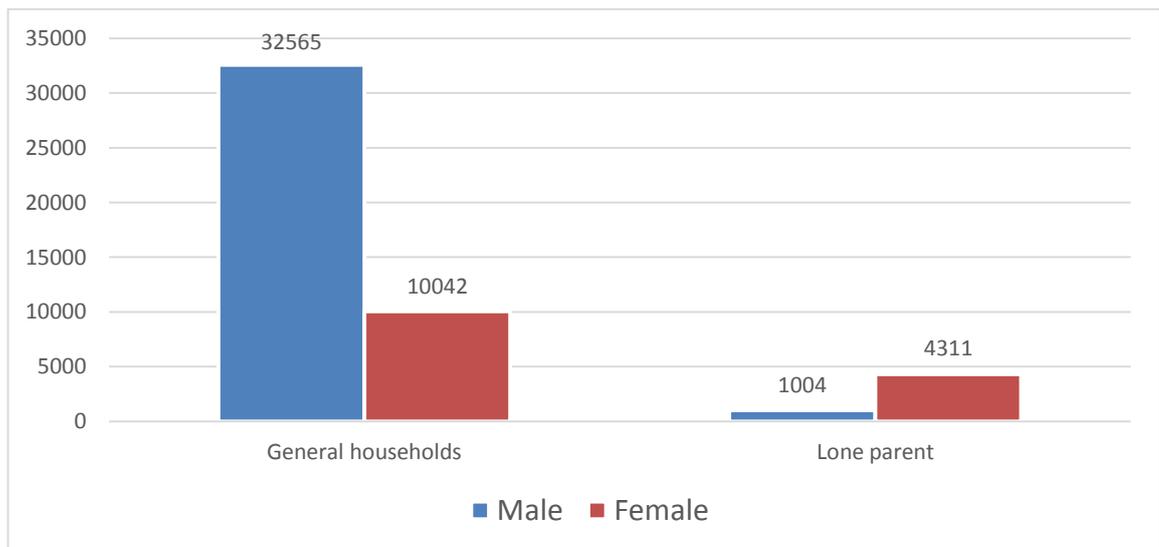
For the breakdown of age, both full-rate and half-rate LIFA users were more concentrated in the age group of 40-below 50 and 30-below 40, followed by the group of 50-below 60 (Figure 6.12). Furthermore, almost 70% of the LIFA claimants were male (Figure 6.13), but women were four-fifths of the lone parent cases.

Figure 6.12 The age distribution of LIFA claimants



Source: SLW, 2017b

Figure 6.13 Gender distribution of LIFA claimants



Source: SLW, 2017b

Overall, the data suggest two main features of the LIFA claimants. First, the family structure of LIFA applicants tended to be a breadwinner-model with young children aged below 12. Among the two parent households, men were more likely to be the earner while women were more likely to be so in lone parent families. Therefore, the LIFA as a family-based IWB is biased towards child-bearing families with a non-employed usually female carer. In contrast, the main WITS users were women. Second, the LIFA and WITS are tackling two employment-related phenomena in HK's labour market: wage poverty and in-work poverty. Wage poverty is the inadequacy of the wage to meet individual need, which is subsidised by the WITS. In-work poverty on the basis of family need was not necessarily low pay but the fact that the breadwinners' wage was not enough to cover household expenditure, in which the LIFA specifically supplements the child-bearing families as a means-tested and conditional child benefit.

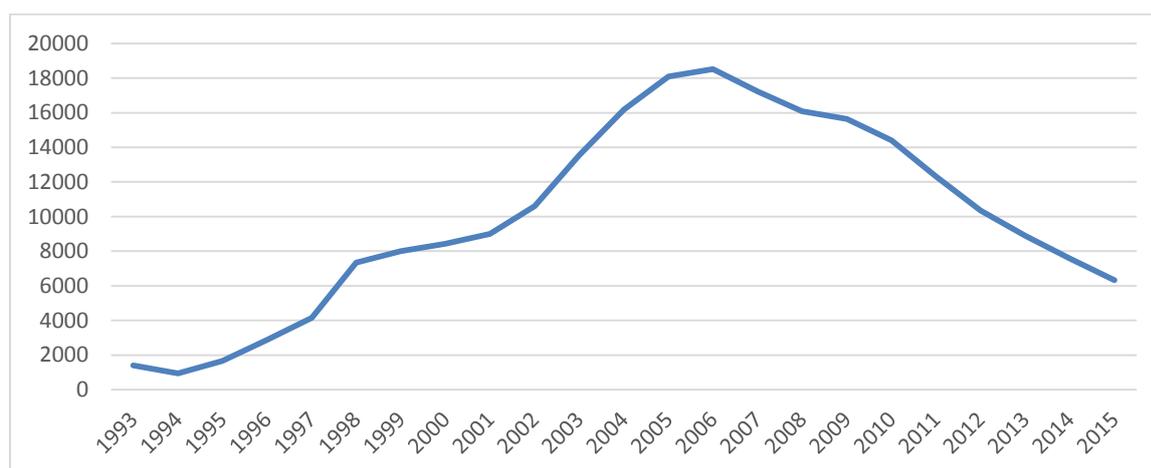
Comparing in-work benefits and the safety net

The trajectories and the functions of the WITS and LIFA may be identified via tracing the history of their emergence and scrutinising their performance. This section first compares and contrasts the new IWBs and the social assistance. Informed by their

development paths, it is to critically examine how the new benefits are institutionally connected to HK's welfare system.

The CSSA is officially defined as 'a safety net for those who cannot support themselves financially. It is designed to bring their income up to a prescribed level to meet their basic needs' (Social Welfare Department, 2018). Therefore, this social safety net is by nature a top-up for those with no or limited income below a threshold, even for the abled persons and families with jobs. Notwithstanding the unclear definition of 'basic needs', it serves as minimum income protection that ensures a basic living standard of the society. The category of Low-earnings CSSA (LECSSA) is a branch of the social assistance that tops-up the inadequate income of many families to their prescribed needs. Whilst CSSA was originally designed for the people with disabilities and the elderly in 1970s, the number of LECSSA cases has risen since the 1990s. Arguably, the rise was associated with the economic restructuring and de-industrialisation of HK. There were two surges of LECSSA (Figure 6.14): the first was in 1998 after the Asian financial crisis and the second in 2006 since the SARS epidemic and economic downturn. After 2006, the number of LECSSA cases have been dropping steadily.

Figure 6.14 The number of Low-earnings CSSA cases (1993-2015)



Source: CSD, 2004, 2015; SLW, 2016c

LECSSA could be taken as the first IWB in HK as it provides financial assistance to needy working families. The HKSAR government redefined the meaning of LECSSA

after the introduction of workfare measures upon the unemployed claimants in 1999. Thus, any CSSA recipients who worked more than 120 hours per month and earned more than the CSSA standard rate of an adult, were exempt from joining employment programmes and community work. In other words, the LECSSA has been targeting the users of near-fulltime employment and is differentiated from the out-of-work benefit as the unemployed CSSA. As a familial social assistance, the CSSA lifts different users' income to a threshold regardless of their earnings, so the sum of a working family's wage and welfare will be the same. If they have pay rise, the CSSA system will give less to meet the threshold. In response to the possible work disincentives, the government relaxed the 'disregarded earning' scheme in CSSA so as to reduce the money being deducted by the system and let the working users preserve more benefits and incentives. In sum, the LECSSA adopts a threshold-supplement approach to aid some of the working families in an absolute poverty sense, regardless of working hours.

Nevertheless, the LECSSA was different from the WITS and LIFA in terms of goals, eligibility, conditionality, generosity and so forth (Table 6.5). It is of significance to identify their similarities and differences to understand the nature of their institutional arrangements. As shown in Table 6.5, the three kinds of IWB have different purposes. The LIFA is an on-the-job allowance for working families with children under poverty line used to sustain their employment and reduce intergenerational poverty; the WITS is used to subsidise low paid workers' transport costs and to encourage them to stay in employment; the LECSSA functions as minimum income protection to maintain a basic standard of the working poor families. Whilst the LIFA and CSSA target families in poverty, the WITS has a dual-track which is biased more towards the individual working poor.

Table 6.5 Comparison between LIFA, WITS and LECSSA

	LIFA	WITS	LECSSA
Nature	Family supplement and child benefits	Wage subsidy for transport costs	Minimum income protection
Goals and functions	Enhancing sustained employment; Alleviation of intergenerational poverty	Relief of transport burden; Encouraging employment	Supporting those who cannot be financially self-reliant; Bringing up income to meet basic needs
Unit of application	Family-based	Dual-track	Family-based
Strictness of means-tests	Less strict	Mild	Strictest
Residence requirement	No	No	One year
Work conditionality per month	196 hours for higher allowance 144 hours for basic allowance	72 hours for full-rate 36 hours for half-rate	120 hours for freed from joining the compulsory work programmes
Generosity	Standard rate: Higher allowance \$1000 Basic allowance \$600	Flat-rate with two levels: Full-rate \$600 Half-rate \$300	Standard rate, supplements and special grants depending on family compositions
Child benefits	Child allowance \$800	No	Standard rate from \$1935 to \$2410 with other special grants
Adjustment mechanisms	Irregular policy reviews	Reference to the Household Expenditure Survey	Social Security Assistance Index of Prices (SSAIP)
Payment methods	Back-dated lump sum for 6 to 12 months	Back-dated lump sum for 6 to 12 months	Monthly
Units of delivery	Working Family and Student Financial Assistance Agency	Labour Department	Social Welfare Department
Number of applications (2016)	47922	61432	4465

Regarding eligibility, the asset and income limits of the LIFA is highest among the three because the LIFA is targeting the families under relative poverty rather than absolute poverty that the CSSA does. Also, the LIFA is claimed to incentivise the working poor families to save by allowing higher asset limits.

the (LIFA's) assets of an eligible 4-person household should not exceed \$436,000. This is six times of the asset limit of CSSA and more than double that of the Work Incentive Transport Subsidy Scheme. This rather generous arrangement will encourage low-income households to save for hard times. (CS, 2014a)

Since the 1990s people could apply for low-income CSSA when their living standard is lower than the CSSA. The nowadays LIFA looks at those with family income higher than CSSA but low than the poverty line, so the government has filled the gap. (Policy-maker E)

Alongside its looser eligibility, the LIFA also extends its beneficiaries from the poor to the near-poor which allegedly reduces the disincentive and the 'have and have not' effect of a means-test benefit's dividing line. Put another way, there is a buffer zone with the decreased benefit between the poor and the non-poor that boosts LIFA's popularity.

The design and notion of poverty prevention successfully addresses the public's worries on whether the LIFA will be abused due to the 'all or nothing effect'. This can woo public's support as the architecture of LIFA is so reasonable and all-rounded, especially when it can address the minor and technical issues. (Policy-maker C)

Speaking of the exclusion of single persons from the LIFA, however, a former government official admitted that it was consistent with the colonial government's doctrines on poverty alleviation by fostering economic and employment growth. It is believed that single persons can escape from poverty through employment alone.

Different generations of FS insisted that poverty reduction depended on economic development and employment, and that's why giving welfare to single persons is wrong and deviate from the existing policies. What he needs if he could work is employment and better wage, not welfare. (Policy-maker A)

For work conditionality, basically there is less criticism of the working hours requirement of WITS due to its two-tiered conditionality allowing the entitlement of shorter working time. Comparatively, few critics emerged on the 120 hours requirement of the LECSSA maybe because LECSSA is less likely to be seen as an IWB. This workfarist conditionality gains certain public support to promote a near-fulltime employment standard for exempting the work-test. More disagreement is reflected on the LIFA's conditionality for its fulltime-basis and rewards for longer hours. Although many urged the government to extend the LIFA's target to precarious workers, the government has stood firm on fulltime jobs only. This was not only supported by the Administration, but also upheld by the advocacy groups.

In fact, the rationale of the LIFA is that you are expected to have a constant or near-to-fulltime job for the entitlement. It is reasonable because there should be a division of labour between policies, in which those with precarious employment and inadequate income should be aided by the LECSSA. (Campaigner A)

The ultimate goal of the government is that the poor can work as full-time. Either the WITS or LIFA is to set out minimum working hours. 'More work, more rewards' is the overall objective. Any job is better than no job, even casual work with shorter hours is better than nothing. It might be a progress for using positive encouragement, rather than the punishment in the past, which might benefit the grassroots. (Campaigner B)

However, the use of a higher allowance in the LIFA is more controversial than the full-time hours required by the basic allowance. Some complained that the higher allowance is encouraging over-work in the labour market.

The initial proposal's 208 working hours per month requirement for higher allowance are far more than trade unions calling for 48 hours per week or other general international standard. Such conditionality mirrors the government is fitting the LIFA to the long working hours' competition. (Campaigner C)

Currently a level on top of the basic allowance is added, which is a supplement to the longer work hours. This is not justifiable for the government to give extra bonuses to the over-worked persons. (Campaigner A)

Compared to the conditionality, the generosity of the LIFA receives less attention and criticism as the child allowance and basic allowance are delivered to the families. In contrast, the benefit level of WITS has not been adjusted and it has invited lots of criticisms on its inadequacy and lagging behind inflation, despite the benefit's adjustment mechanism being connected to the Household Expenditure Survey. As a safety net with higher standard rates and rental allowance, the benefit per household of LECSSA is higher than the LIFA and WITS. The LIFA, WITS and LECSSA are delivered by different units (Table 6.5). While the WITS is implemented by the LD, the newly established Working Family and Student Financial Assistance Agency for the LIFA is responsible for financial assistance to the student and working poor families. These new IWBs are not administered by the Department of Social Welfare as the CSSA, although their expenditures are counted under the LWB.

The numbers of recipients of three benefits in 2016 were contrasting. As the numbers of able-bodied recipients of CSSA have been generally declining in the past ten years, the LECSSA numbers dropped below 5000, coupled with 14333 unemployed and 26982 lone parent CSSA recipients (SLW, 2017b). The recipients of WITS stood at 61432 and

the LIFA was 47922¹. The lower numbers of LIFA are unsurprising as it was just introduced for less than one year and it is expected to rise in the coming years. Whilst the CSSA users can apply for the WITS, the LIFA's eligibility was mutually exclusive to CSSA and the family-based WITS to avoid 'double-benefits'. With regard to the persistent reduction of cases of low-earnings, unemployed, and lone parent CSSA recipients, the actual role of the safety net for helping working families in poverty is declining during economic growth and the low unemployment rate. The coverage of WITS and LIFA as IWBs has outstripped social assistance as the key income maintenance for working families in poverty.

The changing fiscal conditions and changes of income maintenance policies

Within the government and consultation bodies, there was some dispute and scepticism among the 'institutionalisation' of IWBs as it might contradict the conventional fiscal philosophy of the HK government and generate a long-term fiscal burden on the reserve during economic downturn in the future.

It is of course a popular approach to initiate new welfare. Yet the government might be forced to gradually expand the allowance, not to mention the political difficulties to withdraw them. This was the central worry especially because the income source of the government came from the land transactions and stamp duties was unstable. (Policy-maker D)

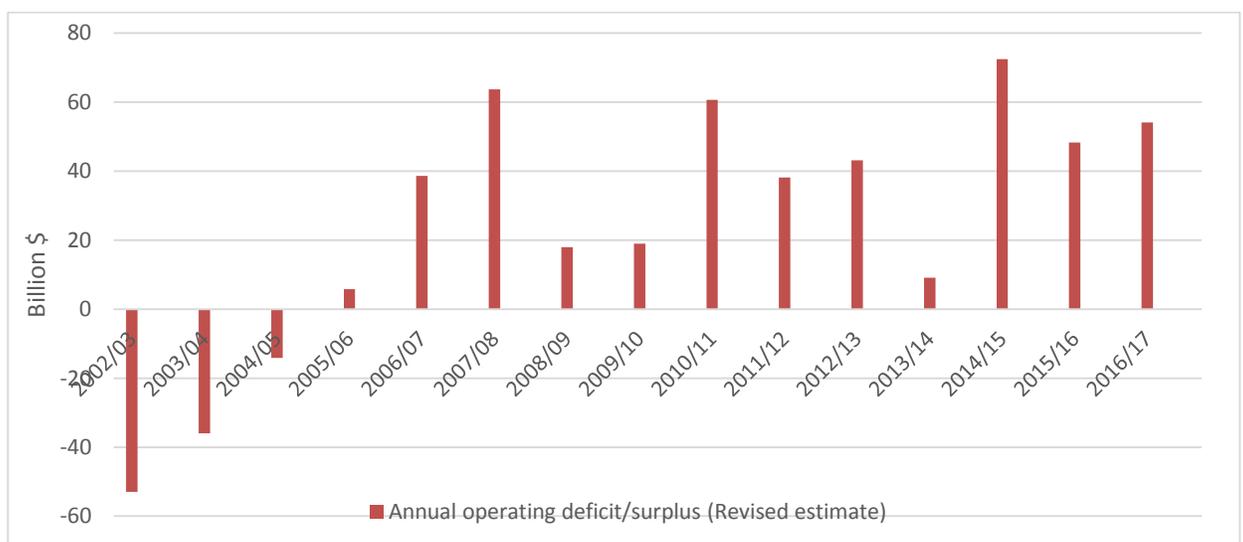
Although there was some concern about the fiscal and policy implications of IWBs, they were downplayed by the government's enthusiasm and financial prudence in promoting the LIFA. The SLW admitted that fiscal implications of the LIFA were taken account into government's consideration and they were acceptable due to its implicit 'time limit'.

¹ The applications of the LIFA and WITS were calculated by the applications rather than the actual households. As the application period is from 6 months to 12 months, the number of application may overestimate the number of household users to a certain extent.

And you could imagine that if these children, if the children in the low income family, when they have finished their schooling and go to work, then we do not have to provide them with the allowance anymore. (SLW, 2014c)

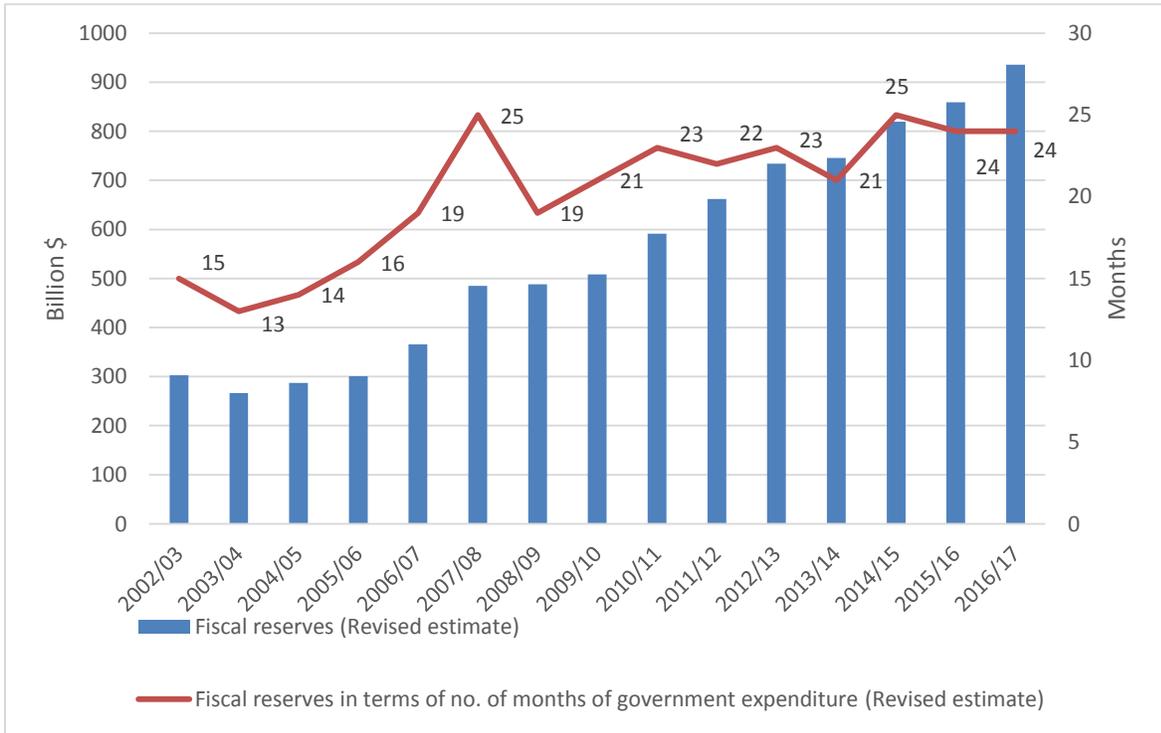
HK's economy steadily recovered from the downturn in 2003 and the government's actual operating deficit has been reversed to a surplus since 2005/06 (Figure 6.15). Moreover, the fiscal reserves have also started to increase since 2006/07 (Figure 6.16), which generally could support over 20 months of government expenditure. The resurgent fiscal reserves and continuous operating fiscal surplus provided the Administration with more capacity despite its principle of 'Big Market, Small Government'. However, the fiscal surplus and rising reserves did not signal a relative increase of the state provision to the overall economic development. It is shown that the percentage of public expenditure to GDP was over 20% between 2002/03 and 2004/05 and generally below 20% after 2005/06. Thus the relative weight of public expenditure to economic development was higher during the economic crisis and deficit surplus but was generally kept lower after the surplus was established (Figure 6.17).

Figure 6.15 Revised estimates of the annual operating fiscal deficit/surplus (2002/03-2016/17)



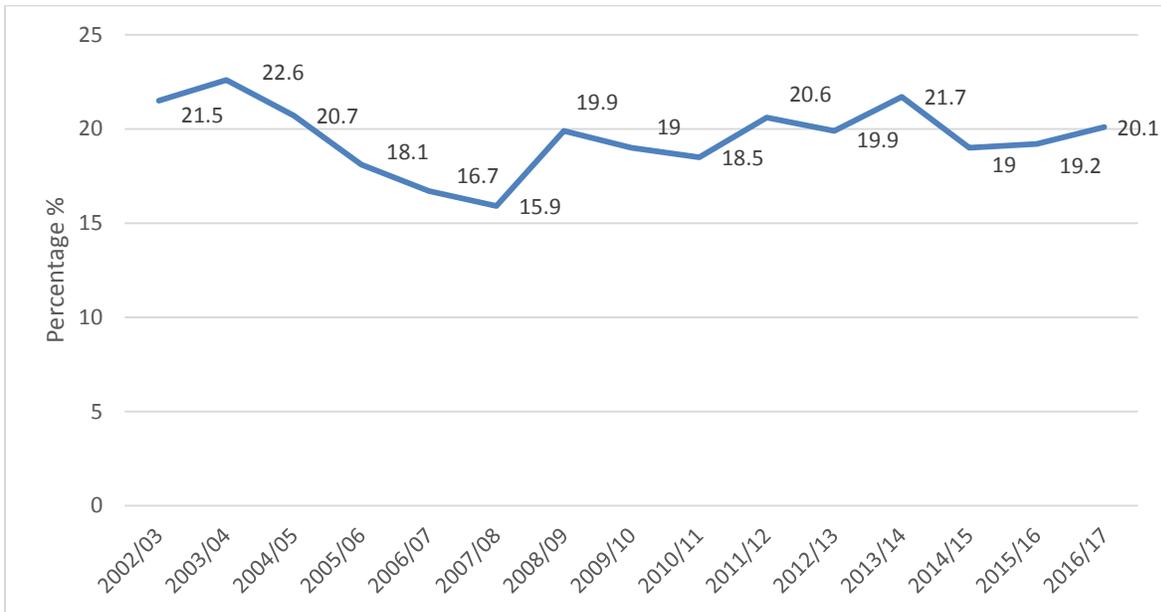
Source: FS, 2003-2017

Figure 6.16 Fiscal reserves in terms of number of months of government expenditure (Revised estimates)



Source: FS, 2003-2017

Figure 6.17 Public expenditure % share of GDP (Revised estimates)



Source: FS, 2003-2017

The relationship between fiscal capacity and feasibility of IWBs was acknowledged by some policy-makers.

The current proposal is about two billion which are not a big number to the business sector and a small share of the government expenditure, maybe less than 1%. So the pressure to increase tax rate is limited.....The economy of HK in the past few years was strong, so LIFA's economic burden is not a problem. (Policy-maker C)

And more importantly is the objective of the Low-income Working Family Allowance is also to prevent people, the low income families, from falling into the CSSA, which is a far more expensive scheme costing us about \$20 billion in the current financial year. (SLW, 2014c)

The fiscal capacity and relatively low cost of the LIFA, of course, did not necessarily lead to the emergence of IWBs. Notwithstanding, they were some necessary conditions for considering new welfare expenditure in the HKSAR's Resource Allocation Exercise bidding. The central theme of the government's changing agenda in the welfare-work nexus was generated from the data as one of the driving forces of IWBs. This took place in many years of low unemployment and availability of low pay jobs. Reduced fiscal pressure and the perpetual drop in unemployed CSSA cases relaxed the government from further extending workfare measures by tightening the generosity and conditionality of the safety net.

In sum, the context giving rise to the WITS and LIFA was after the end of deficit budget and welfare retrenchment. While the individual-WITS was less mentioned with the CSSA, the LIFA was constantly discussed with CSSA in terms of their relationship. Derived from the data, there are two themes about the complex functions of the LIFA: (1) as welfare transition to move more able-bodied CSSA users to leave the safety net and work; (2) as welfare prevention to discourage the low paid workers' exit from the labour market and entry into the safety net. First, the government expected that the

CSSA users can turn to LIFA users by helping them gain 'adequate' income, both from wage and the allowance.

The opportunity cost of the CSSA users to be self-reliant would be very high without the LIFA, especially for the families with children. As they have to seek for jobs with adequate wage, the LIFA is a stepping-stone to let them easier work and being self-reliant. (SLW, 2017a)

Some agreed that the LECSSA cannot effectively help the working families as its take-up rate is very low and fails to increase the work incentive of the users due to the disregarded earning scheme. However, the limitation of the LECSSA could not be automatically solved by the LIFA.

In fact, the number of LECSSA users are relatively small, I guess many eligible families are not using. Also, the disregarded earning scheme generates work disincentive.....Yet in the past ten years of economic growth it has been showed that neither the unemployed nor low-earning CSSA were popular choices of the poor. Therefore, the government was not forced to impose more workfare programmes or using the LIFA to move CSSA users off the benefit. (Policy-maker C)

Some even attributed the supply of precarious workers to the safety net which prevented the poor from working as full-time.

Due to the CSSA, the part-time and precarious jobs can recruit workers. It is because those workers can live with the LECSSA, which allows them to work in shorter hours and tops up their income to the threshold. The existing welfare is fraught with contradictions. (Policy-maker A)

Despite the so-called 'counter-productive effect' of the LECSSA, the ideal transition from CSSA to LIFA was not as smooth as some expected. As the CSSA users may be constrained by the design of LECSSA and other reasons to stay in the safety net, the LIFA users were mainly the 'already employed' breadwinners. Referring to Figure 6.14,

the reduction of LECSSA cases started from 2007, but the TSS introduced in the same year was not a territory-wide measure that helped the whole LECSSA users. Consequently, the introduction of IWBs cannot fully explain the decline of the LECSSA as a 'welfare transition' upheld by some policy stakeholders. The drop in LECSSA numbers might be shaped by the macro economic conditions.

The second function of the LIFA proposed by the policy-makers was to prevent use of CSSA, which indicates the complex relationship between the CSSA and LIFA. Speaking of the objectives and context of the LIFA, some argued that they are conceptually separate systems established with distinct functions.

CSSA obviously is to secure basic living as a measure responding to poverty. On top of CSSA the welfare emphasises on employment. Either the WITS or LIFA are conditional on certain work element, not only due to your low wage or low income. In the past few years, all the new welfare measures except CSSA were based on the work element. (Policy-maker B)

However, not many policy stakeholders ignored the relationship between the LIFA and CSSA. Although the breadwinners in many working poor families still stayed in low pay employment before the introduction of the LIFA, many policy-makers thought that it was natural for the working poor to enter the safety net by comparing their wages and the CSSA benefits. Consequently, the LIFA was justified under the notion of 'welfare prevention via work-related welfare'.

The LIFA is conveying a message that 'low pay is better than no pay' and the government is willing to help you as a low paid worker. The government prevents you from thinking the low pay job doesn't worth and leaving employment towards the welfare. (Policy-maker C)

How could we encourage them 'go out' to work? The wage needs to pay for the costs of livelihood. So the government has to add a line on top of the

CSSA in order to improve the life of these working poor so that they won't give up work and use the CSSA. (Policy-maker D)

When the gap between wage and welfare gets closer, the poor have no incentive to work. Especially for those CSSA users if the wage cannot meet their existing living standard. I think IWBs can increase that gap by giving them welfare out of the CSSA. (Practitioner C)

A consensus was roughly formed among the policy stakeholders that the LIFA could top up the low wages for the working poor which undermined the relative generosity of social assistance. The underlying assumption was that low paid jobs *per se* and breadwinners' income under the poverty line could not ensure the workers staying in low pay employment, especially when their income was close to the CSSA level.

In a nutshell, the role of welfare prevention rather than transition of IWBs is characterised by three sets of welfare tendencies challenging HK's welfare capitalism. First, the welfare agenda has continuously paid much attention to the welfare-wage differentials by adopting more IWBs to maintain or even enlarge the gaps between welfare and wage income, rather than expanding workfare and activation measures during the austerity era. The conditions favouring this development lay on the surplus budget and declining CSSA case number, coupled with the lower-costed IWBs approach. Therefore, IWBs were used to increase the attraction of low pay jobs and enhance the stability of the breadwinner model, and to reduce the incentive of employment exit and welfare entry. This strategy could be identified as 'out-of-work benefits prevention via IWBs' which highlighted the significance of welfare conditionality on work.

Second, the design of the IWBs yielded a beneficiary hierarchy and welfare division stratified by the intensity of work and family composition. Driven by working hours, the government set out a new principle: 'the longer the work, the more the benefits'. The related policy arrangements targeted a specific group of the working poor with long working hours as the most deservedly rewarded beneficiary. Also, family as a unit of entitlement played central role in delivering welfare because the families with children

received more support than the families without children; the families with two or more persons were entitled to the more generous LIFA whilst single persons only could apply for the WITS. Thus, under the poverty line there could be different levels of benefits based on the poor's performance on the labour market.

Finally, the shift from retrenchment of out-of-work benefits to the expansion of IWBs manifested various sets of interrelated welfare-work nexuses. The first nexus was the transition of 'welfare-to-work' upheld in the workfare measures upon the unemployed person, which were tools for labour market re-integration of unemployed CSSA users. Second, the TSS and WITS were 'welfare-for-work' policies to provide incentives for the unemployed person living in remote areas to take up work available in urban areas as an institutional fix of geographical mismatch of the labour market. Third, the LIFA demonstrated a 'welfare-with-work' approach to redefine the functions of welfare for the working poor, with an emphasis on the long-term assistance to the breadwinners' continual survival in the low pay employment. Hence, the low paid cannot separate from the IWBs to meet their family need. Given the long-lasting principle of work-first in HK's welfare regime, the three sets of welfare-work nexus are not mutually-exclusive but they are addressed under different economic conditions tied to the changing political economy and labour market.

Conclusion

This chapter traced the development of two forms of IWBs in HK, with different objectives, institutional characteristics, and beneficiaries. The emergence of these IWBs was arguably associated with the retrenchment of out-of-work benefits and the fiscal surplus. Moreover, the introduction of IWBs signals new welfare-work nexuses: 'welfare-to-work', 'welfare-for-work', and 'welfare-and-work'. The expansion of IWBs challenges the assumption that HK's residual-productivist welfare regime necessarily opposes any increase of welfare expenditure and state intervention. Notwithstanding the establishment of IWBs still manifests some paradoxes of welfare capitalism. Some of the institutional dilemma is in accordance with the underlying ideas and discourses.

The next chapter will conduct an analysis looking at how different actors, including the welfare users and employers, perceive, frame, and negotiate the social meanings of IWBs.

Chapter 7

Ideational Analysis of In-work Benefits

Introduction

Following the institutional analysis of in-work benefits (IWBs), this chapter examines participants' perspectives on IWBs, including their everyday experiences, moral principles, motivation, and so on. Informed by the body of scholarship on policy and ideational institutionalism (Campbell, 2002; Schmidt, 2008; Hay, 2011) discussed in Chapter 2, it conducts an analysis of ideas via categorising the policy stakeholders' perspectives into two interrelated groups: normative and instrumental. The first section focuses on normative ideas that refer to the actors' notions on value judgement and perceived morality which was embedded in the promotion and use of IWBs; the second section identifies the instrumental ideas characterised by rational calculation and choice-making carried out by the interviewees. The final section takes stock of the discursive strategies promoting IWBs and the underlying conflicts and consensus. Those ideas and discourses were arguably shaped and constrained by the institutional structure, in which the actors negotiated and competed for the definitions and understanding of welfare and work. The policy implications of the analysis of those perspectives are drawn to understand the dynamics of IWBs interacting with their institutional development.

Normative ideas on welfare, work, and in-work benefits

Research participants revealed a variety of views on IWBs based on different value judgements and perceived morality. There were five significant normative themes related to welfare, work, and IWBs: social meanings of the entitlement, conditionality of long working hours, negative attitudes towards the safety net, work ethics and self-reliance, and the familial selectivism. These themes were predominantly addressed by the interviewees and, therefore, are crucial to understanding IWBs from a moral perspective.

Perceived social meanings on the use and entitlement of in-work benefits

The meanings of and justification for using IWBs were narrated by the users in an intuitive sense that was based on their eligibility and employment performance. There was no substantial difference between LIFA and WITS users, in both cases the message was clear that they could not make a living relying on wages alone.

The wage was too low when there was no minimum wage. Some suggested us to exit employment and apply for social assistance. My family had the struggle on it but eventually thought it was not good.....The use of IWBs was different as I was working, I have tried my best but I can't help it. (LIFA recipient A)

Some said that their application was a matter of entitlement, because they met the eligibility criteria set by the government, otherwise it would be 'wasteful' of public resources. Thus, applying for IWBs could be regarded as acceptable and a natural response to the government's welfare policy, especially in a way that make the best use of public resources.

I think I'm eligible for this benefit, so I apply and don't let it be wasted. It can be a supplement to my family's expenses and I am really eligible for it. (LIFA recipient F)

In my opinion, we don't need to 'save' for government's money. Once they launched the eligibility, just take it if you are eligible. The government won't thank you and won't save the money for you but may misuse it. The labelling effect is not strong for me because I am not abusing but totally eligible. (LIFA recipient D)

Moreover, some recipients emphasised that their working status in low paid jobs entitled them to the benefits, which differentiated them from recipients of out-of-work benefits. While the safety net was claimed as a full benefit without employment, receiving IWBs meant partial reliance on the government.

I am really working and paying for transport. I am entitled to the benefit, so why not use it? I don't think there is problem. My only concern is that I would not apply if I am not eligible. As long as I am working, I will keep using it. (WITS recipient C)

CSSA is a benefit not earned by work for you to sustain your life. Yet the LIFA is a subsidy for the eligible family with employment. This is the difference. I have a job and eligible, why not? CSSA is a complete reliance on the government by every penny. (LIFA recipient F)

Some respondents attached importance to the moral aspect of IWBs as a positive 'nudge' for the poor to foster employment and the work ethic. Also, IWBs were considered as rightly delivered to the neediest groups via targeting and work conditionality.

the nature of IWBs can encourage people to work. Indeed, all human has the potential of 'dependency', so the benefits could attract people to work. Some people are entirely dependent on welfare but I still choose to work. In case those unemployed are hardworking enough, they can find employment if they are not picky on the salary. (LECSSA recipient A)

The six-month based LIFA is better than the government giving one-off cash to all citizens because it is helping the people in need by concentrating resources. (LIFA recipient E)

The entitlement to IWBs was seen more justifiable than claiming unemployment benefits due to the working poor's perseverance and resilience, compared to the unemployed. Hence, the moral basis for entitlement to IWBs was driven by the labour market status of applicants. These perceptions reflect the needs-based and performance-based notions of welfare, with an emphasis on the working poor's deservingness and responsibilities (Chapters 6 & 9).

Conditionality on the (long) working hours

Yet participants' views on the substance of deservingness and responsibilities were far from conclusive as disagreement on the number of the working hours emerged among policy stakeholders. The government's rationale was clear that the hours of part-time jobs were not ideal for entitlement and the workers were promised support once they reached fulltime hours. The underlying logic was that taking a part-time job in a buoyant labour market was a personal choice which placed a person outside of the most deserving groups.

We think that the most pragmatic and effective way to support part-timers who wish to increase their employment earnings is to help them seek more part-time jobs. (SLW, 2011a)

The government defines her role in helping people who attempt fulltime jobs with difficulties in opportunities and wage adequacy. It would be their own choice not to work as fulltime. The government thinks that they ought to help fulltime workers who are not self-sufficient whilst those working poor without fulltime jobs are difficult to help. (Policy-maker C)

Therefore, the working time conditionality was strictly enforced by the government in judging the poor's commitment to employment. Some recipients agreed with the overall principle of full-time work for IWBs although some were more sceptical and criticised the complex procedures of the means-test.

I understand the conditionality of the benefits which is reasonable, to meet the employment requirement of the LIFA. You just 'sit' right there and the government give you allowance, which is unacceptable. (LIFA recipient C)

Welfare conditionality is fine because it is right to encourage the able-bodied to work. The only problem is the asset-test. If it aims to benefit the working poor, only the evidence of low-income should be enough, without any points to check the irrelevant things. (LIFA recipient A)

Some recipients even agreed with the higher working hours requirement and justified the arrangement as a contract-like agreement between the government and citizens. Especially for those already working long hours, they questioned the shorter working hours and only accepted it in some sectors outside of workers' control.

Don't tell me you just work for two hours every day and receive the benefits. I think you have joined the 'game' and it is correct to have game rules. You should be understood the rules before you play the game. (LECSSA recipient C)

My working hours will massively exceed the minimum requirement. As a worker in the catering service, I work at least ten hours per day..... This criterion is not demanding but reasonable. It is your own fault for only work two or three days per week. Why don't you work more? Underemployment only exists in few sectors, e.g. the construction work. (LIFA recipient E)

However, the higher working hours and perspectives toward full-time jobs were challenged by some practitioners in the employment services, with more structural interpretations of the causes of part-time working. Also, the emphasis on the fulltime basis was said to overlook the needs of precarious or higher hourly paid workers. Some doubted the effectiveness of using the allowance as a means to encourage more work, as workers in Hong Kong generally had enough incentives, but the allowance failed to address those structural hurdles for employment.

I think the working hours cannot define whether a person is self-reliant or not. I don't think the indicator or eligibility of benefit should depend on how long the workers work.....This may exclude the needs of workers with shorter working hours and higher hourly pay whose income is occasionally unstable. (Practitioner C)

Many unemployed have their own struggles, such as family issues, which prevents them to work so much. In case they are already working, they may

work more not because of more allowance but of the solved family issues, e.g. child care and elderly home. Many people are willing to work more without the financial incentive. (Practitioner A)

Some policy-makers and campaigners challenged the act of rewarding longer working hours by benefits. The message conveyed by the higher allowance of the LIFA might generate detrimental effects of over-work and on family relationships, according to the members of the Social Welfare Advisory Committee (SWAC), a consultant government body on social welfare.

(a) Members generally welcomed the LIFA and looked forward to its early implementation; and (b) The implementation of LIFA should be carefully monitored to ensure that there would not be any unintended consequences, such as over-work and worsening family relationships. (SWAC, 2014)

The existing arrangement is primarily rewarding long working which is not reasonable for a government. The super-long working hours are not a social good but social bad, so it is problematic to give bonus to those workers. This reflects 'hardworking' is at the centre of government's welfare ideas. (Campaigner A)

It was not only in principle controversial for the government to reward and promote 'over-work', the minimum working hours for the higher allowance were also blamed by some recipients. Some criticised the amount and method of the working hours calculation for LIFA, indicating the contradictions within IWBs.

It doesn't help. The government asks the poor to work more for more allowance. Why doesn't it consider causes of long working hours? It is because their salaries cannot afford their families' living and are lagged behind the inflation. (WITS recipient A)

It depends on the family's situation. For me, I really can't work so long because of care responsibilities. It would be contradictory between care and

work longer. We agree people should work in the society. But it is still disputable as some families cannot work. The IWBs do not consider whether people can work so much or not. If you launch a new policy, at least give choice to people. (LECSSA recipient C)

Apart from taking caring of families, there were other technical difficulties in meeting the higher working hours requirement, such as having no paid leave especially in the month of February. Some recipients said that they could not take any break or would not receive paid sick leave if they applied for the higher allowance. In addition, short-term unemployment and underemployment would make them lose both wages and benefit income. Therefore, IWBs assumed uninterrupted employment for the poor which might not always be the case. It was also challenged that the current conditionality only fits those earning the lowest hourly rate or minimum wage.

The minimum working hours reach over 190 and my current job only exceeds it a bit. In case my boss asks me to have no paid leave during bad business, I will lose half of the benefits. (LIFA recipient F)

The working hour criterion is absurd. As a typical employee working for 9 hours every day, I just make it in February. It is normal that I may need some personal leave throughout the year which is unpaid, e.g. attending funeral. Consequently, I will be ineligible for high allowance.....It is contradictory that even you work much longer, say 250 hours, your income probably exceeds the limit.....are you asking me not to work so much or is it better to work at the minimum wage? (LIFA recipient D)

Some argued that even if employment and labour market were currently stable, the entitlement to IWBs was *de facto* precarious because it depends on the health of workers which could not be guaranteed under high work intensity. One WITS recipient lost benefits immediately because of work injury in his cleaning job.

I think the benefits are unstable. Yes, you may lose them because of sickness as they just focus on working hours. Actually, the government may have many ways to encourage employment, not restricted to the long working hours. It is senseless sticking to the 192 hours. Even my wife works over 280 hours per month, if she gets sick in one month then she may not be eligible. It is unfair. (LIFA recipient C)

I am now unentitled. As I was absent from work due to work injury, the staff told me that I won't have it until I return to work. It is inevitable and normal. I think it is unreasonable for the government to subsidise you even you are not working. (WITS recipient D)

Some claimants had mixed views on the issue of conditionality, such as the LIFA recipient C. Although he criticised the number and calculation of working hours, like others, he supported the idea that additional welfare for the working poor could have a positive impact on increasing employment. In sum, what made welfare conditionality of IWBs controversial was not only an ethical consideration of the role of welfare in the labour market, but also lay in the government's determination to enforce long working hours and its implication for a breadwinner model of employment (Chapter 9).

Negative attitudes towards out-of-work benefits

Speaking of the social meanings of IWBs, many respondents associated them with the CSSA and shared different negative views. The IWBs claimants generally held an unfavourable stance towards the CSSA but were more positive towards the WITS and LIFA. Even LECSSA was a category of CSSA recipients with fulltime employment, the recipients pinpointed that society's perception of it was the same as for the unemployed CSSA.

There is difference between the LIFA and CSSA. Even the LECSSA means taking welfare but using the LIFA could save face. The neighbour doesn't know if you are employed or not, and just think you are lazy without work to

receive CSSA.....Also, there was discrimination in school when other parents noticed you was CSSA recipients. So to speak, it was a labelling. (LIFA recipient B)

If I can work, of course the income from work is higher than CSSA. Being a CSSA recipient, your income is 'monitored' which is annoying. Unless it is necessary, working for few days is better than CSSA. (LECSSA recipient B changing to LIFA)

I am worrying about unemployment because it is hard to ask the government for money.....I am now aged 58 and I can work after recovery. I am not asking for their money, which makes me disrespectful. (WITS recipient B, losing IWBs due to work injury)

The labelling effect of CSSA basically came from everyday life, including self-talk and neighbourhood gossip rather than official statements. While the claimants felt shame for using the CSSA, IWBs seemed to be a more favourable form of income protection because it is based on employment. This maintained the claimant's dignity and legitimacy in using welfare.

Besides, the views of employers towards CSSA were much more associated with welfare dependency and the notion of fiscal burden to the government. Out-of-work benefits were claimed to be 'over-generous' to the unemployed, which undermined their work incentives and allowed them the capacity to freely choose jobs. Out-of-work benefits for able-bodied were depicted by the employers as a work disincentive that was counter-productive to the poor.

They don't work but enjoy the welfare, so they can mark time and search job slowly. Honestly, it is making people lazy. If the allowance favours more work and results in higher income, it would be constructive and positive. Those people are too choosy and work shy. This would generate pressure to

employers as they have the choices to quit or change jobs. (Catering employer)

It is unfair and the policy has to change because the difference between the money of CSSA and the working poor is too small. People on the job whose income should be higher than CSSA, which is more reasonable and fair. The government needs to provide CSSA to the aged and people with disability, regardless of their contribution to the society. If the policy cannot push the short-term unemployed to work, they will turn to long-term unemployed and become a long-term burden to the social welfare. (Cleaning service employer)

Some employers suggested that the over-generous CSSA cushioned those recipients who did not need to work and bred their laziness. In the remote areas of HK this made it more difficult for businesses to employ people and creates labour shortages.

The overall value of the CSSA benefits was not that small. I heard that many able-bodied CSSA recipients will have afternoon tea in the restaurants in remote areas because they are lazy and don't want to work. It may be due to the unbalanced income between welfare and wage. So some employers cannot easily recruit workers in remote districts. (Social enterprise employer)

The LIFA is good and also the WITS as they are encouraging people to work. Our Human Resources hasn't mentioned CSSA to the workers. Because of CSSA, many people can live without work. Any welfare can promote employment is good. According to my impression, out stores in remote areas were facing under-supply of labour. However, the fast-food restaurants were full in lunch time, which means many women taking care of their children who didn't work. (Chinese restaurant employer)

The views of these employers towards the safety net were not supported by evidence and were contradicted by the latest trend of an enlarging gap between the CSSA and the poverty line, coupled with the decline in able-bodied recipients. Their criticisms of

the out-of-work benefits and contrasting appreciation on IWBs could be seen as the two sides of a coin. In the words of employers, the problems of CSSA and labour shortages were framed as a moral hazard generated by welfare *per se*. Thus it might not only be a matter of personal responsibility but an inappropriate and counterproductive intervention of government. In contrast, those employers recognised the constructive role of IWBs to the labour market, without mentioning their own interest, in line with the government's attempt to keep the working poor away from the safety net by topping up their income. Some policy stakeholders admitted that the government had identified the problem of the closing gap between wages and welfare, and the dilemma between social assistance and activation. Therefore, IWBs were possible solutions for the government to preserve the gap between welfare and wages, given its fiscal capacity. Under the long-lasting residual welfare ideologies and institutional arrangement, the government prioritised the labour market as a means to generate income rather than social welfare which was seen as the last resort.

The government supported the improvement and relaxation of the welfare for the elderly and disabled whilst minimised of the welfare growth of able-bodied.....The overall rationale is to keep the workable people's welfare at the lowest level, which mirrored the so-called residual welfare. (Campaigner A)

It has been a long time for the government's creed to help the poor from welfare to self-reliance. Every financial secretary emphasised teaching the poor to fish rather than giving them the fish. The overriding policy is to moving the able-bodied off the safety net and to help those at risk of falling into the net. (Policy-maker A)

The introduction of IWBs should be understood in the context of the welfare reforms towards the work fit CSSA recipients and the management of the working poor from the perspective of risk prevention. Whilst this notion of welfare downplays the

importance of social rights and tolerate the minimalistic social protection for the unemployed, low earnings, and lone parent families, many policy-makers and campaigners had mixed and complex conceptions about the gap between welfare and low pay. On the one hand, to a certain extent they agreed with the existence of a gap that would be fair to working people; on the other hand, the gap should not be created by the reduction of unemployment benefits.

It is healthier to the society to promote employment and self-reliance. If I work at least ten hours per day turn out my living standard is lower than the safety net, why don't me only receive the benefits? It is not a discrimination but for the society's long-term well-being, the income of working poor should be higher than the social assistance. (Policy-maker D)

CSSA should maintain the basic living needs of the neediest people and base it on the standard of basic living, not the market wage level. The CSSA level could not be further lowered even the wage is low. I think more attention should be paid on the policy help the poor seek better jobs so that they don't need to use CSSA. Also, I agree that the wage should reflect a more appropriate standard and connected to basic needs. The current setting of the minimum wage somehow is determined by too many factors so it is relatively lower. (Policy-maker C)

HK government cut the able-bodied CSSA families' benefits between 10% and 20% in 1999 as a strategy to enlarge the welfare-wage gap. This was unacceptable to some policy-makers even though they supported the existence of such gap. Meanwhile, some respondents did not agree unreservedly with the gap and portrayed such an idea as 'dangerous' leading to a race to the bottom effect.

As a whole the line of work conditionality held by the government was still strong, in which work is the key for entitling welfare. It might be reasonable that the wage is higher than welfare in normal economic conditions, for working people to have a higher living standard.....The notion that wage

should be better than welfare should be contextualised, instead of a simple comparison. This can justify a conservative government to curtail benefits in times of economic downturn and wage cut, with the accusation of over-generous welfare. Therefore, the support for increasing welfare-wage gap can be dangerous and I can't agree. (Policy-maker F)

The government alleviates poverty according to the idea of 'anyone but unemployed'. First, the general public deeply urged the able-bodied poor to work. Second, the government worried about substantially improve the social assistance would open the door of welfarism. I think the LIFA could play the role of maintaining gap between welfare-work.....many promotion campaign of LIFA emphasised that it was morally unacceptable for the working income lower than CSSA, which implied there should be a difference. (Campaigner A)

The views supporting IWBs in relation to the agenda of ensuring welfare-wage differentials could be divided into two contrasting groups. The first of which was welfare-scepticism, held mainly by the government and the employers, who generally agreed to the introduction of IWBs due to their hostility towards the safety net's 'de-commodification' effect, reducing the reliance of the poor on the sale of their labour in the market. Although their claims on the relative generosity and the recipient numbers of out-of-work benefits were not supported by evidence, the narrative on the function of IWBs to continuously commodify and re-commodify workers into the labour market became a strong justification for the LIFA and WITS. They did not rule out the curtailment of out-of-work benefits as a means to keep the welfare-wage differentials but this might depend on political conditions. Currently it was not an appropriate choice without the pressure of austerity.

The second group was market-scepticism that challenged the failure of market wages to provide an adequate income for families. They criticised any income level below the basic living standard as morally wrong and said that the market should be the subject to blame, rather than the safety net. Based on their views, there were many practical

hurdles for the working poor not using the LECSSA due to its strong stigma and tight eligibility. Therefore, IWBs may be good ways to improve the living conditions of the working poor in the short-term, more or less a state intervention to ameliorate the labour market. As a result, the conservative welfare-scepticism and the progressive market-scepticism both endorsed IWBs although from different perspectives.

Complexities of the work ethic and self-reliance

Respondents' attitude towards the conditionality of IWBs and welfare-wage differentials should be understood as the deep-rooted work ethics and the pursuance of self-reliance with a strong philosophical underpinning. This goes beyond how the policy system sets its eligibility and generosity to the desirable distribution of responsibilities between citizens and the state embedded in the welfare-work dynamics. In this regard, there were four types of morality towards the work ethic and self-reliance, despite their support to IWBs. These ideas did not necessarily come from the specific background of stakeholders, even the same respondent could voice more than one type of morality.

The first type was the 'strongly individualised' morality, with the primary emphasis on the behavioural responsibility of the poor themselves. For the government officials, the ethos of self-reliance was sacred and unquestionable but helpful to the poor in terms of social integration. On the one hand, the government attached great importance to work responsibilities in welfare provision and poverty alleviation; on the other hand, self-reliance was simply constructed by the government as the Hong Kong people's spirit, resulting in a hunting game with the only moral standard to evaluate the Hongkongness of the poor. All state benefits, therefore, were scrutinised to see if they could strengthen or undermine such 'virtue' of Hong Kong people. Put another way, self-reliance became the core principle in directing the redistribution of resources.

And the best way to integrate people into society is to enable them to work.

So giving support where it is needed amongst the working population is the primary objective of this scheme, so we are not drawing any distinction on

the basis of residence and hence we do not have a separate estimate on the likely cost of extending this allowance to new arrivals. (SLW, 2014c)

I admire Hong Kong people's spirit of self-reliance. The LIFA Scheme is so designed to encourage employment and reward those who work longer hours with a higher allowance. (Leung, 2016a)

I dare to take bold actions to alleviate poverty and provide care for the elderly because I have confidence in Hong Kong. The great majority of Hong Kong people want to be self-reliant, so our welfare policies will not nurture layabouts. (Leung, 2016b)

By contrasting the self-reliant poor and the 'layabouts', the government justified the new IWBs and kept the conventional welfare rationale intact. This notion was echoed by the welfare recipients as well. Although the design of the LECSSA discouraged recipients to work due to the declining marginal income, there were other normative reasons that drove the poor in work.

Many people asked me why I am still working. I explained to them that I have to teach my children not to be dependent. It's bad for the children to see their mum without job and being lazy. I want to be a good mum and let them know the importance of work for a living. When they grow up, they will follow the role model I made. (LECSSA recipient A)

The logic of this strongly individualised morality was that the non-employment of the able-bodied was a personal choice, which was characterised by laziness and failure. Relatively speaking, many employers also shared this kind of philosophy that 'work' *per se* could be beneficial to the poor, and naturally means dignity and decency. Also, the work ethic was claimed to be undermined by a small group of unemployed people, jeopardising social fairness and distorting the market.

We, of course, agree that people should be independent and make their own living. Work is not only for income, but also the social network, dignity,

acceptance and development. What if you are on the scrounge and the government support you? We don't want a person stop at this stage. From the perspective of social work and business, these policy goals make sense. (Social enterprise employer)

I have talked to the 70-80 aged workers in my company, they wanted to be self-reliant and are reluctant to use welfare but actually they were entitled to CSSA. For me I am willing to be taxed. It is important to be fair without distorting the market. The society would be more unfair if only ask employers to pay for welfare but some people don't work. (Cleaning service employer)

I agree with the word 'self-reliance'. I think Chinese people are also support it. We need dignity as a decent life. (Catering employer)

The second type was a 'mutually contractual' morality. This refers to the ideas that focus on multi-sided responsibilities in welfare relations. In other words, the outcome of poverty and failed self-reliance was not a one-side problem but had multiple-causes which should be solved by different means other than employment alone. Whilst work still played a key role in the contractual welfare relationship, the government was obliged to provide enough assistance for realising self-reliance, including IWBs and other social policies.

The most serious poverty is those families with employed person and children. It is absolutely unacceptable and immoral because the families work enough yet still can't maintain their life. I think we should we help them. It was the point of departure of IWBs. (Policy-maker E)

The so-called 'self-reliance' means every family relies on themselves without the support of government. It is basically impossible as the landlords are raising the rent. When the government promotes this idea to encourage employment and alleviate poverty, they should give you allowance to lift your income. It is annoying to call this 'self-reliance'. (LIFA recipient C)

Some welfare recipients suggested that other existing means-testing social policies were counter-productive in encouraging them to work more. Given the poor bore the responsibility to work, being self-reliant, the government should ensure their housing needs, which tended to be their largest expenditure.

Self-reliance is possible for the able-bodied if there are two earners in the families. Nowadays it is not difficult to find job if you want. However, if you have two earners working hard and earn more than the income limit of the means-tests, your families will lose many benefits, including social housing, LIFA and WITS. The ordinary people are always playing the calculation game with the government. This in turn prevent us to work more or promote. (LIFA recipient D)

You won't be unemployed unless you don't want to work or being too picky. It may be a hard toil. People should have to be self-reliant and work. The problem is that we are self-reliant and the government should provide us with affordable housing. If you can give me a house, I of course can be self-reliant. How many working families cannot afford the rising rent? How can we be self-reliant? (WITS recipient C)

The third type was a 'situational' morality. This perspective addressed some circumstances, including personal, familial and social obstacles confronting the poor, which inevitably weakened their chance of being self-reliance.

In long run, employment opportunities are the best solution to the workable person to get rid of poverty. Yet different social conditions may constrain their possibilities. It is unrealistic to say that employment can help them solve the problems. (Policy-maker D)

It depends on the families' conditions as some of them have no choice. It is meaningless for the government to ask them 'do it yourself'. (LECSSA recipient C)

Self-reliance is good especially for some welfare dependants. The government can promote it but it doesn't mean that a job can solve all problems. When you have a job with too low wage, you may need more jobs. But for those have only one job, they can't maintain their families' expenses.
(LIFA recipient F)

Some claimants pinpointed that the work ethic also depended on employment relations, in which the decision about employment went beyond a money issue, because dignity also matters to a worker. She was a precarious worker and worked for different employers at the same time:

I will quit the job if I find it doesn't work. As I know some of the bosses are nasty. I won't work for them anymore. No matter how much they pay me.
(WITS recipient C)

Some female recipients, particularly lone mothers, highlighted their care responsibilities and the resulting difficulties in employment.

The LIFA makes you more work, more allowance. It would be more income for the hardworking. However, sometimes it would be tricky for us taking care of children. The care services are all talk without actions. (LIFA recipient B)

I don't want the welfare but sometimes I really can't work. Even I am working but I still have difficulties. At the moment I need to work and take care of children, so I constantly feel exhausted. So to speak, it is better for the children but my mental and body nearly collapse. I can't sleep well. (LECSSA recipient B)

This type of morality did not deny the importance of work and the mutual role of individuals and government. More importantly, self-reliance and the work ethic should not be recognised as rigid dogmas that overlook different practical barriers to work for

the poor. Hence, these ideas could not be promoted out of social context, ignoring the unique needs of some segments of the poor, such as working mothers.

The last type was the 'pragmatically progressive' morality. This view challenged the underlying logic of self-reliance and the work ethic as the management of the working class and poor in favour of the employers and corporations. Given their general support of the LIFA and WITS, the respondents associated IWBs with low paid jobs in the labour market.

Self-reliance is important for people to feel their worthiness. However, can a job solve workers' problems? The low pay is disproportionate to workers' labour which is exploited. Put simply, if their job can earn their living, why did the government initiate IWBs? If my wage is enough for me, I won't apply for it, provided that I have no child and the living expense is lower. Should I work for two jobs? (WITS recipient A)

This kind of work ethics is monolithic which is in line with the mainstream pro-market and pro-business ideas. There has been a tragedy that an over-worked cleaning employee whose wage was too low so that she need to work for three jobs to maintain her family. One night she got the cardiac arrest at the workplace due to over-tired. The media afterwards appreciated this worker as a model of self-reliance. This work ethics politically concealed the government's obligation in wealth redistribution and the deep-rooted causes of income disparity. (Campaigner C)

This type of view was less common among the respondents. WITS recipient A and Campaigner C both had trade union backgrounds which somehow reflected the pragmatic stand of the NGOs in Hong Kong. Whilst they agreed that the structural causes of in-work poverty were not addressed and solved by IWBs, they still fought for more IWBs for the working poor. It was argued that the primacy of self-reliance and the work ethic individualised public responsibilities and diverted society's attention away from the wage and market inequalities. Similarly, some argued that IWBs were

responding to the in-poverty that was different from the conventional views on work and poverty. In-work poverty more or less challenged the spirit of the work ethic and self-reliance, shifting the mainstream narratives from anti-welfare to anti-out-of-work benefits.

Before the advocacy and establishment of minimum wage, the whole society had not paid enough attention to in-work poverty. The issue was raised by the NGOs in civil society via varieties of data and cases to persuade the public that poverty could be intertwined with employment. This successfully drew more people's sympathy and they shared the worries about working poor. The legitimacy of the benefits is so strong that the message of 'fulltime work could not sustain the family' is too unfair and unjust to the society.
(Campaigner B)

Put another way, the reality of in-work poverty engendered in the liberal market society posed great challenges to the work ethic that alarmed both elite groups and policy makers about the failure of markets to preserve their tenacious belief in work. IWBs then could be understood as an important tool to rescue the work-centred morality when minimum wages could not reassure it alone.

Briefly, the four types of morality had contrasting notions about the work ethic and welfare relations that IWBs were based on. On the one hand, the majority of respondents embraced the responsibility engendered by employment, according to the definition of self-reliance as a positive and necessary human virtue. On the other hand, the various moral judgements and framing of the work ethic were partially shaped by their class, gender, family status and the experience of political participation.

Familial selectivism, child-centredness and deservingness hierarchy

The last normative theme emerged from the priority given to children among the families of the working poor. Intergenerational poverty was stressed by the government and policy-makers to be alleviated by the LIFA which included an

additional allowance for children. In so doing, the amount of the child allowance was separated from their parents working hours, so the criterion of long working hours did not extend to the younger generation. According to some stakeholders, child benefits were more appealing to the public and government, increasing the popularity and reducing the doubts of the LIFA.

The society concerns about the children in low income families whether they have enough resources for their studies.....Maybe the LIFA primarily targets work poor families with children, even it still subsidised those without. As children is the first beneficiary of the LIFA, putting the Working Family Allowance Office into the Working Family and Student Financial Assistance Agency does make sense. (Policy-maker C)

The design is simply determined by which groups we want to help most? We should help children as far as possible.....The state of low income will make their playing field unequal and unfavourable competition. Child benefits should be granted to lift their family income up. (Policy-maker A)

When children's needs were addressed in the promotion of LIFA, some underlined that the employment requirement accompanied with the child benefits that prevented the criticisms of any potential disincentive effects on the working poor. Hence, employment and children were the central conditionality of the LIFA.

The Community Care Fund at the beginning introduced some school free meal for the children in poverty which is popular and the simplest way to help them. Some asked to extend the free meal to all low income families but was objected. Later on the suggestion of child benefits was incorporated into the pro-employment's LIFA. (Policy-maker B)

The most attractive point is that the LIFA is dealing with the child poverty, given that the family allowance was conditionalised by their fulltime working status and timely limited. It's irresistible. (Campaigner B)

It is of vital importance for the claimants to understand and use the allowance regarding a child's needs. Therefore, one of the key meanings of the LIFA to them was the good of the next generation, and the additional income did satisfy some of the developmental needs of children, without LIFA those needs would not be met. Thus, the LIFA's role in dealing with child poverty by lifting their family income today would improve the child's and young peoples' future.

I think it should better help children raise their confidence. My generation as aged 40 to 50 is difficult to get rid of poverty, it is enough for our maintenance. The crucial thing is not to let my children down every time when they have request that we have no money. It is not talking about their desires but their self-esteem and inclusion of the community. (LIFA recipient A)

Apart from its emphasis on intergenerational poverty, LIFA's eligibility technically included the families with dependent adults, such as older people and the disabled. However, these adults were not entitled to LIFA. In other words, the families with two working adults were technically excluded due to the means-test. In addition, single person was completely taken out of LIFA. It was argued that the working single person in poverty should increase their work intensity to raise income rather than be supplemented by state benefits.

In case of children-free families and without care responsibility of elderly, the LIFA would be ineffective for them. It is because subsidising those adults who didn't not choose to work more or search for higher pay jobs would undermine their work incentive. Under the principle that employment is the best solution to poverty, we have to encourage adults without care responsibilities to work longer and be more hardworking, otherwise it would contradict with the rationale of LIFA. (Policy-maker A)

The exclusion of single people and the absence of an old age or disability allowance received criticism from the participants from civil society. Some insisted that the LIFA should recognise the needs of older and disabled people as well as children.

We basically agreed with the principles of LIFA. However, I disagreed that it only paid attention to children. It is an age discrimination as the old people could no longer generate market value, overlooking the contribution of elderly. If child benefits are investment, allowance for old people should be a reward. (Policy-maker E)

Having said that, single people were still entitled to the WITS under the dual-track application. As a result, HK's IWBs did not entirely exclude the working single persons although they were less like to be defined as being in poverty. The only difference between LIFA and WITS for the working adults was in their generosity, in which the LIFA's basic allowance and WITS were both lower than the Higher Allowance of LIFA. Overall, the IWBs were different from the safety net in that they were characterised by a 'familial selectivism', which targeted particular members in the family, i.e. the breadwinner and children. The deservingness hierarchy of IWBs first classified between in-work and out-of-work families in poverty. The former were at the higher moral ground to be aided. Second, the familial selectivism of IWBs differentiated members within a family. Hence, low paid earners attached with today's in-work value and the children given the future's ready-work value for the market were subsidised; but dependents, including carers, were not recognised by the IWBs.

In a nutshell, the normative themes generated from the data revealed that the notions of needs-based and performance-based entitlement to IWBs were in line with their eligibility and conditionality. Yet the long working hours conditionality was generally supported by the government and employers on one side, and criticised by claimants and campaigners on the other side. However, there was a strong similarity among respondents having a negative attitude towards CSSA and the agreement of welfare-wage differentials despite different considerations. Underlying these views on welfare

and work were four types of morality on the work ethic and self-reliance which have different emphasis on the distribution of responsibilities: strong individualism, mutual contractualism, situationalism, and pragmatic progressivism. The underlying priority and logic of IWBs mirrored a deservingness hierarchy and the familial selectivism in its targeting process, which put families and their members carrying market value first.

Instrumental ideas on welfare, work and in-work benefits

Besides the normative ideas, instrumental themes also emerged from the narratives of the respondents. Cognitive ideas refer to those instrumental conceptions of rational choice based on the calculation of interest and prediction of outcome. More cognitive ideas were found among claimants with regard to their choices linked to the entry and exit of welfare and employment. Three cognitive themes about IWBs were identified by the research: instrumental use of the benefits, calculation and assessment of benefits and work, difficulties and dilemma experienced by claimants.

Instrumental use of the benefits

There were three main types of use of IWBs: transport, children, and for meals and miscellaneous expenses. Transport expenses are a core expenditure and the distinct purpose of WITS, and both employees and employers emphasised the functions and meanings of IWBs in this respect.

The transport expenditure stood at least 10% of the income. If there is no subsidy, my family's pressure of reducing other expenses will increase and I only can work for the jobs near to my home. I will lose some options in turn and find it more difficult to be employed. My psychological stressed could also be relieved. (LECSSA recipient A)

I will be more motivated as the transport subsidy let me take more jobs of cleaning. Despite the expensive transport cost, it could be compensated by the subsidy. The earnings will be too little if each service cost me a one-fourth of the income. Consequently, I won't take those jobs. (LIFA recipient A)

As a casual worker without a stable workplace, I may need to travel a long distance to work. Honestly, the WITS was not enough for my actual transport expenses. It is really a subsidy only. Since I can't find other jobs, it is better than nothing, a little treat from the government. (WITS recipient C)

Transport subsidy is important to me as I commute every day. Indeed, the transport cost is so expensive due to the constant price rise of the public transport. Sometimes I have to eat out when I work. Without the WITS I have to carefully spend less on meals and electricity. WITS slightly gives me more flexibility and I may have some savings. (WITS recipient A)

Hence, the transport subsidies could help the low paid workers sustain their basic living or even enable them to have some savings for emergencies. More importantly, for the government the benefits could facilitate the supply of workers by increasing their net earnings, which ensured the stability of the labour market and availability of labour. Unsurprisingly, this effect was acknowledged and backed by employers as they also agreed with the inflation of food and transport.

At least the subsidy is useful to the overall employment market. Nowadays Hong Kong's 'high land-price policy' results in high living cost even most of the citizens could have enough food and clothing. (Catering employer)

I am sure the LIFA could solve their problem of low pay. With the support of IWBs, the employees will get more disposable income as the transport is really expensive. Yet the employers would not consider the costs when they set the wage and recruit employees. By doing so, the government could increase the work incentive of people. (Social enterprise employer)

Whilst the workers were sensitive to the rising transport costs, the employers attributed this problem to the overall high living costs in Hong Kong. This framing pointed out the unregulated price mechanism of public services, such as the privatised

railways. Also, the WITS *de facto* smoothed the operation of labour market in the low-end personal and unmovable services, such as vehicles and household cleaning.

The second use of the LIFA was child expenses, including the non-daily necessities of children, such as a desktop; and those optional but helpful services, such as tuition and extra-curriculum activities. This was strongly supported by the parent claimants and echoed the government's attempts to reduce intergenerational poverty.

For those low income working families, a monthly subsidises around 15% of their wage could improve their life, especially for their child's nutrition, studies and even the upward mobility. (SLW, 2015b)

Our life will be hard only relying on my wage. It was difficult when my boy wanted a computer. There is an upside of the LIFA as a lump sum grant, I can buy him the computer. (LECSSA recipient B)

The third use of the LIFA was on food and miscellaneous items. Some mentioned the fiscal pressure from the food and basic needs. Durable goods were also necessary expenditure that could not afforded without the benefits.

The WITS is helpful to me. I can buy one meal for both lunch and dinner, at least I won't be starving. It would be great if WITS has some increment. It seems problematic when the transport and food cost increases, but the WITS kept at the same level. (WITS recipient B)

The cost of water, coal, and electricity are expensive. With the LIFA I could use it to pay for my tickets to visit my grandma in my hometown. I can choose to pay for child's expenses or replace some durable goods as I am moving home, such as the beds. (LIFA recipient B)

These actual uses of the LIFA particularly manifested the instrumental experiences of the claimants and partially reflected their consumption patterns. It was shown that their wage levels and pay rises basically lagged behind the inflation in living costs.

Given the relatively sluggish income growth, the labour market could not guarantee workers and their families a basic living via its self-regulating system. IWBs were, by nature, the 'lubricants' of both production and consumption market although it might not be initiated for these purposes.

Calculation and assessment of benefits and work

Speaking of IWBs, many respondents mentioned their considerations of working and taking benefits, based on a set of contextual factors that were far from a mechanical response stimulated by the economic incentives in the government's assumption. First, IWBs to a certain extent could be attractive to the working poor as they were permanent additions to their wages. The design of eligibility did provoke those eligible to envisage how much they could benefit from the allowance and whether it was worth applying for. This rational choice approach to work and welfare was espoused by the government and some policy-makers.

If the unemployed take three to four hours for transport to work and their actual income only increases for a little, it is understandable for them to 'stay' at the home. In contrast, if you only take one and a half hour to work, with more disposable income because of the government subsidy, you probably will go out to work. (Policy-maker A)

Some claimants did manifest the calculation of benefits and their sensitivity to the eligibility and generosity of IWBs. Despite the limited sample size, the number of children that determined the amount of allowance seemingly mattered in the importance of the LIFA to the working poor. Hence, the eligible recipients still had different perceptions of the usefulness of IWBs, shaped by their family composition and the design of benefits.

I have calculated and I know that my family is eligible to the full rate and higher allowance as well as the asset limit. I have two children so the amount

of the money massively outstrips the WITS. Without hesitation, I changed from using WITS to the LIFA. (LIFA recipient D)

Sometimes I think more realistically and money-consciously. The benefits are not attractive at all. Put simply, I only focus on what I need in the life. My daughter will get \$800 and I will get \$1000. I'm poor but the benefit's regulations are too demanding to me. Not to mention I will lose WITS after I use the LIFA. It is not that prestigious. (LIFA recipient C)

The criticisms of the limitations of IWBs did not prevent the working poor from using them. However, the decision on the intensity of employment was more complex than the decision on application. One of the factors affecting the decision of employment was the eligibility for LIFA. Some questioned whether the government could implement a joint assessment of working hours since the current calculation was in an individual basis. It was argued that the dual earners with non-fulltime jobs were denied access to the benefits even if their total working hours reach 192. In other words, the work conditionality was targeted on families with a breadwinner and discouraged second earners, which was more likely to hit women's employment. The fulltime-basis ironically 'punished' those employees with care needs and shorter working hours in turn, which was seen as unfair to the working poor.

I suggest the joint assessment of working hours. I have coupled friends who are hardworking enough, one works at daytime and the other works at night. They both have over 200 working hours but are not eligible even for the basic allowance. They work as part-time as they need to care two children so their income is much below the limit. It would be better for joint assessment and to set the criterion under 192 hours. Currently it is unfair to them as they have paid effort to maintain the family. (LIFA recipient B)

Some husbands complained that their wife's employment opportunities were unintentionally strangled by the LIFA. As a result, the LIFA's family-basis promoted the

breadwinner model and 'punished' the second earner by the disentanglement of the whole family. This disproportionately jeopardised women's employment.

I have told my wife that luckily she did not work so much in the past months. It was because combined with the money she normally earned, our family income would be marginally higher than the limit and we would lose the full-rated LIFA. (LIFA recipient F)

It absolutely affects women's employment. Under the income limit of four-person household, if we both work as a security guard, our income will exceed the limit.....It is currently easy to find jobs, especially for precarious jobs. She has worked as part-time but now it would disentitle out family's benefits as the income limit is too tight. (LIFA recipient D)

Second, there were other structural factors influencing the employment conditions of the poor. Some mentioned the dysfunctional urban planning and the wage regulation resulting in the geographical under- and unemployment. In other words, the WITS was a remedy for policy failure.

The city planning was problematic. The rate of cross-district employment is high especially in those remote areas. New towns in the past should be designed under the principle of self-sufficiency with enough employment opportunities. Yet the fact is that cross-district is common and the transport cost is an issue. More fundamentally, the wage is too low. If the city planning and wage regulation is done better, the transport subsidy would not be so significant. (Policy-maker F)

Besides the urban and wage policies, means-tested social housing was powerful in shaping the employment decisions of the poor. As housing expenditure was a big and fixed expense, many low income families fit their employment pattern and wage increment in the eligibility of social housing. The effect generated was much greater than the IWBs.

You won't shift to a lower pay job in order to entitle the LIFA. However, the case of social housing is different as it is more long-term. If my salary is marginal to the income limit of social housing, I will stop my employer from any pay rise. After I get the social housing, it doesn't matter. (LIFA recipient F)

Still, some claimants would increase their working hours to meet the entitlement for IWBs. However, the circumstances of these cases were that workers had the flexibility to negotiate with their employers not to increase wage or to increase working hours. Thus, it depended on the employment relations and the economic conditions, rather than being a generalised experience.

I have calculated and realised that I owed several working hours for the full-rate. Afterwards, I requested my employer to let me work longer. It was possible only when he faced shortage of labour. Casual worker could help him substitute those on leave. My working hours could be flexible. (LIFA recipient A)

Last but not least, care time and responsibilities were of vital importance to the working poor in order to distribute their time between work and family life. Lone parent and mother respondents were particularly sensitive to and constrained by their primary carer role.

What I value most is bringing up children. I have searched the higher salary jobs but they clashed with children's after school time. So I no longer try the high salary jobs. The part-time job I am working could fit my time of care as the employer and work schedule is flexible. (LECSSA recipient A)

This casual job's hourly pay is quite good. I can work for 72 hours and be entitled to the LIFA as the working hours requirement to lone parent is shorter. Basically only working around one week is enough for the benefits. I really can't work as fulltime. (LECSSA recipient B)

Even for the mothers in a partnered status available jobs for them in the labour market were unfavourable to them working longer for higher income. This is because the breadwinners did not work in a stable schedule or match the school holidays. Therefore, maternal employment was restricted by the time clash and the absence of care services that individualised the care responsibilities to the mothers.

I have to be company with my little daughter going to school as she needs some speech therapy and muscle training. I am busy in escorting her around. Unless she finishes the primary school, I could not work as fulltime. In addition, I need holidays during the weekend as my husband works in shift. If my children are sick, I have to take personal leave to pick up them. Indeed, it is not difficult to find jobs in general, the problem is many jobs require night-time work. This is the biggest barrier for me to work in a stable job. (LIFA recipient B)

Having said that, breadwinners were also affected by the care work in the cases of high care intensity. For example, two breadwinner respondents had to help their partners take care of children as they had twins or two little children. Thus, the breadwinners took precarious jobs so as to make use of flexible working hours at the expense of lower and unstable income.

As I have twin babies. So you have to take care of two little babies at the same time. Only my wife could not take care of them and my mum who aged over 65. At my current part-time job, I could leave the job immediately. (LECSSA recipient C)

I am working for casual jobs with hourly pay and my employer arrange my working hours according to his business needs. It is easier for me to take leaves to take care of my two children except during the weekend. (LIFA recipient E)

In sum, the 'ideal' beneficiaries of IWBs are those breadwinner families with more young children and longer working hours. Inspired by a rational choice assumption, the underlying welfare-work logic was that unemployed and underemployed would be incentivised by the benefits to work longer; and the already working poor would be subsidised to stay in their low pay employment or to search for a more stable low paid job. Informed by the respondents, some underemployed welfare recipients were not necessarily 'motivated' by the money whilst some might increase their working hours if negotiations on working hours were possible. For those fulltime worker interviewees, their consideration and final decision might be partially driven by the LIFA, especially for the second earners' employment. Yet there was no evidence that their low paid employment was stabilised by IWBs. They tended to adjust the working hours and income for social housing rather than IWBs. In other words, there was no sign that they would exit employment and enter the safety net without IWBs. Hence, the rational calculation and choice seemingly existed for their applications for welfare but was not obvious with regard to their employment. The latter was more contingent on contextual factors, such as care responsibilities, employment relations, and economic conditions, leading to the indecision of employment instead of real choices.

Difficulties and dilemmas confronting the claimants

Another significant theme identified in the narratives of respondents was the undesirable effects of the means-test. On the one hand, the government justified that the strictness of LIFA's means-test was appropriate by the language of efficiency and by comparing it with the CSSA and WITS. The means-tested benefits, of course, were nothing new in Hong Kong's welfare regime, so what was decisive was that the meanings and consequences brought by means-tested IWBs were contradicting the policy objectives.

Introducing asset-test to ensure efficient use of public resources: Those agreeing with such a proposal consider that the limit should be more generous than other social security schemes. We have a duty to ensure that

this government-funded and broad-based poverty alleviation measure is going to help those in need on a reasonable and sustainable basis. We therefore consider that the household applicants should be subject to asset tests. (CS, 2014)

The government apparently continued its conventional ideas and discursive strategies to promote IWBs. As both a policy tool for encouraging employment and the alleviation of in-work poverty, the actual take-up of the benefit was an indicator of how valid and popular of government's policy choice. Notwithstanding, the accessibility of IWBs was massively shaped by the dissemination and complexity of applications. Derived from the experience of claimants, there were two main problems associated with the means-tests and related procedures: unnecessarily complicated process of the means-test, and the irrationality and counter-productiveness to the means-test.

First, many recipients agreed that some procedures of the means-test were unnecessarily complex and demanding. This feedback partially echoed the low take-up at the initial stage of the LIFA although it was newly implemented to be improved.

After I firstly submitted the documents, there was a call from the government asking for more documents to send them back. There were total four conversations before I got the money. With the experience, the documents I need to resubmit were decreasing as I was more got used to the rules. If I can't provide some documents, I had to write a self-statement and sign.....Why did so few people apply? It is because it is too complicated. Many people gave up when they were filling the forms. (LIFA recipient F)

Despite the approval of using self-statements, some complained that the means-test denied the informal or unofficial evidence at the street-level. Also, the incomprehensible forms and over complicated procedures were suggested to weaken the willingness of male applicants. Not only were bank assets and wages tested, but also the real value of insurance was taken into account. This reportedly exacerbated

the insecurity of those working poor as they had to use up part of their assets to meet the asset limits.

Previously I didn't apply the allowance as my casual jobs were introduced by the apps in my smart phone, which could not provide the information that the application needed. Whilst the working hours conditionality becomes more reasonable, the asset limits prevented you from investing in your later life and health. It is because they count in the cash value of your private insurance. It doesn't make sense to require you using up all of the saving. My sense of security is waning.....Those men were less patient to these stuff and they won't apply for. (LIFA recipient A)

The unnecessarily complicated review process was not restricted to the more generous LIFA, also applying to the WITS. As the application of WITS was dual-tracked, the claimants criticised the street-level bureaucrats for still asking for evidence for whole family. In addition, the procedures reproduced the sense of failure by the claimants. This basically repeated the negative experience of using the safety net.

The government said the application was individual-based, but the staff constantly asked about all of my family members which was irrelevant. Indeed, I had already provided my bank statements. I said, 'It's trouble. I withdraw the application'. She said, 'Please don't, I just routinely ask it'. She kept asking questions to test me even I have already filled the information. She wanted to check me if I have travelled. I even could not afford the food, not to mention travelling. (WITS recipient D)

Second, the irrationality and counter-productiveness tied to the means-test were also addressed by the recipients. Whilst the means-test was seen as inevitable in reality, some figured out the inconsistency and the paradox of the means-testing. The government continuously stated that the eligibility of LIFA was rarely generous as they set it at between 50% and 60% of the median household income. However, the income limit ironically became the low paid workers' 'income cap' in real life. Therefore, the

insensitivity of the government towards the use of disproportionate means-test mirrored their ignorance of the lives of the poor.

You have limited my ability of development as you 'barred' me inside the box. The dividing line defined the have and have not which permanently keep the poor under the line. Definitely the government is out of touch with the poor. If the government attempts to help those ordinary people, it makes no sense to being so mean to count on every penny. This may potentially push people to underreport their income. (LIFA recipient D)

I nearly have to give the information of three-generations of my family. I can accept the government to check my income and assets because it could ensure my economic status in poverty. However, this degree of means-test should be proportionate to its generosity; it makes sense with more benefits for special needs, such as the rent for private house. (LIFA recipient C)

Apart from the general negative effects embedded in means-tested benefits in terms of labelling and the potential moral hazard-inducing, means-tested IWBs distinctively demonstrated the dilemma on the employment incentive. The government conceptually put IWBs different from out-of-work benefits with more welcome attitude to the former. However, the means-test mechanism in practice converged both benefits as a kind of social assistance despite the LIFA's and WITS's work conditionality. Not only the recipients but also employers agreed that the strict income limits restricted the coverage and beneficiary of IWBs.

Even many of our employees were in lower class, many of them whose income already outstripped the limit and are not eligible. Actually the eligibility of these benefits were quite tight for the fulltime workers. (Chinese restaurant employer)

Discursive justification and dynamics of perspectives on in-work benefits

Alongside the policy objectives of IWBs in promoting employment and alleviating intergenerational poverty, the government adopted three discursive strategies to legitimise the introduction of IWBs, appealing to support from both pro-welfare and welfare-sceptical actors.

First, the government emphasised that the use of IWBs was intertwined with the statutory minimum wage to realise the 'reasonable compensation' AND work incentives. Accordingly, the overriding employment-centredness of social policies was ensured by wage and welfare policy, in principle. This prevented criticisms of the state's inaction in labour market regulation and the accusation of the collusion between government and business.

The Administration was urged to provide more incentives to keep them staying in employment, and review the statutory minimum wage more proactively to ensure that it would be in line with inflation, so that workers could receive reasonable compensation for their work. (LegCo, 2013c)

Second, the government conveyed a clear message that the newly introduced LIFA did not signal any paradigm shift in its welfare philosophy. The so-called 'populist welfarism' was a slippery term constructed as the strawman, appeasing welfare-sceptics and vested interests by showing a strong face against the redistributive welfare state. This implied that the expansion of IWBs was consistent with the conventional welfare arrangement on the one hand; the uneasy 'fine balancing act' reframed the political economy of (re)distribution by a technical-administrative language. As a result, the message about the current state role in providing welfare was mixed. Whilst the architecture of welfare provision might not change, the approach to state intervention has been changed to the discourse of 'appropriately proactive' in the new government (Leung, 2013).

But let me hasten to say that we will stop short of going down the road of welfarism. We will not, and should not, adopt a populist approach. That said, we need to do our best to foster a caring society and help the needy. I must admit that this is a fine balancing act and not an easy one to achieve. (SLW, 2015c)

Third, the supplementary roles of welfare for work was affirmed. The reduced poverty of working households, in fact, could not prove the discourse of employment as the best solution to poverty. In the Chief Executive's press release, it was pointed out that the uprating of the minimum wage could improve the income of the workforce. Yet the improvement in income did not necessarily lift the working families out of poverty. The functions of LIFA and WITS were absent in this narrative. Without IWBs, the wage and labour market could not ensure 'self-reliance' and the self-sufficiency of employment. Put another way, the promotion of employment was an essential justification for IWBs, and IWBs were key to materialise the promise of the employment approach to poverty alleviation.

Mrs Lam said that employment was undoubtedly the best route out of poverty. The poverty rate of working households was notably lower than those of households in other economic groups. In view of the steady development of Hong Kong's economy and employment market in recent years, as well as the implementation and the uprating of the statutory minimum wage, the income of the grassroots workforce has increased and more people who are able to work have been encouraged to become self-reliant through employment. (Government of HKSAR, 2016)

Conclusion

In a nutshell, the analysis of the interviews revealed some consensus and conflicts in the views on welfare and work among the policy stakeholders. The consensus was characterised by the uncontested needs-based and performance-based entitlement of welfare across policy stakeholders. Meanwhile, both employees and employers

embraced negative attitudes towards the safety net although for different reasons. In contrast, employers and government both shared the strongly individualised morality on the work ethic and self-reliance whilst the workers, policy-makers and campaigners upheld a wide variety of the understanding of the work ethic. As a result, there was a loose cross-party and cross-class consensus on the provision of IWBs and their welfare conditionality, which inevitably generated a deservingness hierarchy and conditionalisation of child benefits. This consensus will be illustrated with respect to class-based interests, power dynamics, and strategic preferences in Chapter 8.

Chapter 8

The Politics of In-work Benefit Policy Formulation

Introduction

Following the institutional and ideational analysis of in-work benefits (IWBs), this chapter emphasises the dynamics of power and interest in the formulation of IWBs. The introduction of the WITS and LIFA was characterised by power dynamics and interest negotiation between the government, low-income workers, Non-Governmental Organisations (NGOs), and business. The first section focuses on the bureaucrat's decisions to implement IWBs and the socio-political pressure from below. The second section analyses the business interests and power in shaping IWBs. It is argued that the development of IWBs was carried out via a surprising consensus across the political spectrum which included the employers' endorsement and their withheld veto-power. As a result, the emergence of IWBs reshaped and reframed the distributive politics which contributed to a new role of the state in welfare.

Bureaucrat's decisions and the pressure from below

According to the respondents there were two main themes explaining the emergence and development of IWBs: the role of bureaucrats and the Commission on Poverty (CoP), and the social pressure generated by the NGOs (Chapter 3). If the business sectors and the LegCo's endorsement was the 'midwife' of IWBs, the bureaucratic decision was seen as the conception.

The Administration's policy choice and the CoP

The TSS and LIFA were both first initiated by the CoP and then authorised by the Administration, in which the discussions in the platform of CoP were taken into consideration (Chapter 3). Therefore, the final decision to implement IWBs was facilitated by the two policy platforms: CoP with appointed stakeholders and the LegCo with elected representatives. Based on a broad social consensus derived from the

cross-class representative members, the CoP proposed the setting-up of a poverty line and IWBs. As the Chief Secretary for Administration (CS) was the convenor, the involvement of government officials in the CoP ensured the determination of the government to implement. The LegCo, as a body independent of the Administration, was designed to keep the final say over public resources and was responsible for the approval of financing IWBs. However, the role of the CoP was consistently addressed by the interviewees and the government. According to the Chief Secretary for Administration (CS), Mrs. Lam,

The Policy Address has positively responded to aspirations expressed by various sectors of the community after the announcement of the poverty line and put forward many initiatives to tackle poverty and strengthen support for the disadvantaged.....many have been discussed by the CoP and its task forces. (CS, 2014b)

A former policy adviser admitted that the government had been reluctant since the colonial era to introduce any social and labour protection other than the safety net and minimum legislation. However, this tendency of government could be countered through the exertion of political pressure and social unrest, regardless of the government's own ideologies. In this connection, the opening of some policy gaps might induce unexpected outcomes that allowed incremental policy changes.

Besides the CSSA as a safety net, other welfare measures on top of it were determined by the socio-political conditions and dynamics. The government has been only willing to protect the basic life of citizens over the decades. I don't believe the government would establish an unemployment protection that has been called for a long time. The introduction of minimum wage and the LIFA were the results of political struggle. Despite of their emergence, the government has not changed with its work principle by strictly imposing welfare conditionality. (Policy-maker B)

Members of the CoP generally welcomed the Administration's decision to adopt their suggestion of a low-income subsidy. Some respondents also noted that the term of Chun-ying Leung's government since 2012 had made some efforts in poverty alleviation; one of them was the revitalised CoP as a key policy platform for introducing IWBs (Chapter 3). This was regarded as a progress that differentiated the Leung's government with the previous one although it was not because of Chun-ying Leung's own contribution.

The LIFA was initiated by the CoP after the establishment of poverty line. Although the current government may be more open-minded than 30 years ago, the changes did not appear spontaneously but were the results forced by the society. Having been in line with other advanced countries with advancement of labour policies, HK government was also pressurised by the advocacy of local trade unions and pro-worker organisations.....There will be succession of the government officials, the new generations' views may be different and shaped by the new era. (Policy-maker E)

The current term of government has done something in poverty alleviation, with the new leadership and the concern aroused in the civil society. The set-up of poverty line was followed by the LIFA and also the input for Community Care Fund.....I think it is, of course, related to the election, as the candidates had to promise and to realise. The government tends to initiate new policies under certain social pressures, including the welfare, labour and economic policies, which are functions of other political effects. (Policy-maker A)

As Chief Executive (CE), Leung was regarded as being more committed to poverty alleviation than the previous government. This was interpreted as a result of the CE election and the competition among pro-establishment camps. Despite its restriction to the 1200 members of the FCs, the CE election could still fuel the development of welfare policies. Whilst the political development was something of a 'taboo' for pro-

establishment candidates, welfare development was a field of battle for candidates to woo the support of society. This did not mean that the candidates could go beyond the existing political economy of HK, but welfare advancement which was not detrimental to the economy and employers' interests could take place. According to the policy-makers interviewed, on the one hand, the main officials were endowed with the power to implement policies under the Administration-led regime of HKSAR government; but, on the other, the voices from the civil society could not be entirely ignored.

Within the pro-establishment camps, there was a competition in the CE election, which provided a chance to directly influence on their manifesto, that's what we did in the welfare sector.....Also, Carrie Lam, as the Chairperson of CoP, she was important to identify the 'all or nothing' effect of the CSSA, which made the working poor worse off than the welfare recipients.....This combination implies a new inclination for the government to take the opinions in the societies, to support those working poor by the low-income subsidy. (Policy-maker C)

Besides the CE, the Chief Secretary was also mentioned as a key government official to promote the LIFA in the CoP. The role of bureaucrats was emphasised in contributing to the changing attitudes of the government towards IWBs. Put another way, it was argued that IWBs could not be carried out without the CoP's consent and the commitment of the authority (Chapter 3). Notwithstanding the importance of the Administration's determination and the policy platform, some campaigners suggested that the nature of IWBs matched the expectations of the government officials which made the proposal politically feasible. This extended the explanation of IWBs from an individualistic interpretation of governors' actions to a structural understanding that related the policy 'choice' to the welfare and fiscal context. As a result, the government's calculation of and decision on delivering the LIFA and WITS were claimed to be based on the particular political need for legitimacy, current fiscal conditions,

long-lasting welfare ideologies, and the changing intervention strategies of the new bureaucrats.

I can't see any strong and reasonable resistance to IWBs. Even there is no resistance in the business sectors. The push factor came from the NGOs as no one dared to oppose the deservingness of a better living of the fulltime workers whose needs could not be fulfilled.....Indeed IWBs do not cost too much and the fiscal and political calculation was right to the government.....The IWBs fits the strong work ethics of our society and eases government's political backlash. (Campaigner A)

It is the most effective 'investment package' for the government to maximise the return.....In contrast to the unemployed and other poor, it is the easiest way during economic growth. You can be employed without difficulties and protected by the minimum wage. Giving small amount of allowance can help them get rid of poverty line.....The government can claim credits and political advantage through lowering the poverty rate by IWBs. Nowadays the annual Poverty Report is a 'grade sheet' for the government. In case of the good implemented IWBs, they can pacify the grassroots and reduce the political resistance in other aspects. (Campaigner B)

In other words, the provision of IWBs was seen as a 'low-cost' and 'fast' approach to the alleviation of the working poor and to the legitimisation of an unelected government. Despite their ultimate effectiveness, IWBs carried the socio-political purposes for the government to respond to the voices for more subsidies championed by the pro-poor NGOs via various policy platforms. This extended the analysis to focus on the social pressure engendered by NGOs in civil society.

The socio-political pressure promoted by NGOs

Although the HKSAR government officials did not gain power through universal suffrage, it was still necessary for the government to obtain support in society so as to

secure greater socio-political stability. A LIFA recipient stated that the political polarisation between the pro-democracy and the pro-establishment prompted the government to improve the living standard of the lower class, which enhanced their backing of the government.

the Leung's government implemented the LIFA to seek support from the ordinary people, otherwise the existing puzzles of HK society cannot be solved. Those citizens holding the middle views between the polar opposites are the target of the government to please. Combined with the LegCo election and the social problems, the government has no choice but give more welfare (LIFA recipient E)

Speaking of the sources of social pressure some attributed the expansion of IWBs under a neoliberal state to the changes of citizens' expectations and of political atmosphere that stirred up the social concern for poverty and requested for more state intervention upon the market. The CoP and its report on the identification of the working poor in 2012 was held up as a key driver of the emergence of the LIFA which combined with the power of social movements and related social actions (Chapter 3).

Obviously the revival of CoP and some pro-poor schemes were the will of Leung. After the announcement of the Report on Poverty 2012, the government has to encounter the problems. It, of course, emphasised the value of employment, so it at last initiated the LIFA. This is a reflection of the government being pressurised by the social movement. If the society were silent and compliant without any dissent, I don't believe the government would do it voluntarily. (Policy-maker F)

It was argued that the implementation of IWBs took place after the economic recovery, in which the lower class found that the profit for business revived alongside high inflation but wage growth lagged behind. The living standards of ordinary people were eroded and accompanied by rising class conflicts. As a result, the government had to mitigate the contradictions through providing some allowance.

Without minimum wage and collective bargaining, the expectation that workers' income could be kept pace with the economic growth was refuted.....This discrepancy was translated into dissatisfaction to the distribution of wealth. The government was more willing to use its fiscal reserve to provide the transport allowance as a compensation for the working poor and as a response to the request of NGOs. (Campaigner C)

The focus of material struggle between business and workers was shifted to the state as it was a relatively accessible way to fight for working class interests, due to the weak bargaining power institutionalised in HK's employment relations. In other words, the advocacy of IWBs could be taken as a site of and an indirect side of class struggle that did not target capital but the government instead. Against this backdrop, the policy and social development was depicted as an 'interactive process', in which different policy actors utilised the space generated by the semi-democratic election. Despite the socio-political pressure exerted on the government for the reduction of in-work poverty, the policy choice was also criticised as a piecemeal as it was seen as a contingent and partial concession to civil society.

I think the initiatives among IWBs were related to the uplifting of civil consciousness and requirements that changed our expectations to the government.....with a chain of influence accompanied with democracy and election, which makes the same government to reluctantly change its attitudes.....in this interactive process people concerning this issue from different sectors cooperated to push the government leading to a powerful progress.....The government will be blamed for its inaction to help the working poor.....so it is responsible to mitigate the conflicts over inadequate income. Unfortunately, the government tended to use short-term relief rather than a comprehensive review of the policies. (Policy-maker D)

Beside the looming social unrest perceived by the policy stakeholders, some respondents emphasised the role and tactics of NGOs and advocacy groups in

promoting the LIFA. It was a political opportunity capitalised by them in a specific policy context with a predecessor-like WITS. Notwithstanding the endeavour of the organisations, the continual fiscal surplus was a prerequisite for implementing IWBs and the role of civil society should not be exaggerated.

When the government have the money to do something, we can see a 'policy window' for advocacy. With reference to the WITS, we are optimistic that it is possible to call for a low-income subsidy starting from the review of WITS. The government also agreed with this direction and the positive impact for the poor.....It was not a huge money and the government can calculate and judge the limited fiscal pressure. The political pressure matters to the government. (Campaigner A)

The socio-political pressure yielded by the advocacy groups and pro-democracy parties in civil society did play a role in promoting IWBs (Chapter 3). However, this could not fully explain their emergence because other pro-poor and pro-labour policies urged by these organisations were rejected by the government. Consequently, the notion regarding the pressure from below should be understood in the context of the broader society that IWBs should not be only a matter of advocacy. A key policy-maker and proponent of welfare addressed the significance and uniqueness of IWBs development.

After we had launched the proposal of the subsidy, more and more articles on newspapers unprecedentedly supported our suggestions. We were constantly condemned as 'welfarism' by the pro-establishment media, yet we noticed that they in general agreed with our principles and designs, including the business sectors. (Policy-maker C)

Accordingly, the emergence of IWBs was supported by the political and economic conservatives. This type of welfare surprisingly appealed to the welfare-sceptical media and the business sectors. The 'successful' LIFA and WITS were two seemingly 'exceptional' cases of welfare advocacy in HK. What differentiated IWBs from the conventional welfare measures was the former's consent of the pro-business and pro-

employer representatives. This referred to the role and interests of business in the welfare politics reflected in another policy platform of LegCo.

Business's interest and power in shaping in-work benefits

Although the policy-making process of HKSAR is highly administrative-led with the centralised power of decision-making, the LegCo still can exert some pressure on the Administration to implement or prevent particular welfare policies (Chapter 3). As the members of LegCo came from diverse political and socio-economic backgrounds, they constantly disagreed on issues of poverty and welfare. It is, thus, vital to examine their views and votes on IWBs of the pro-business parties and the Functional Constituencies' (FC) members who represent the interests of particular business sectors. It is undeniable that employers and enterprises across sectors may have various interests, yet their profitability and political orientations have been constantly connected under HKSAR's hybrid political regime (Chapter 3). As a result, it is reasonable to put their interests and actions as a whole into the politics of IWBs. This section focuses on the role of business's interests and power in shaping the development of IWBs. Derived from the relevant speeches and voting records of the pro-business political parties and the LegCo members from functional constituencies of business sectors, an analysis of the general attitude of the business sector towards IWBs was carried out. Afterwards, the evidence of interviews with employers also showed individual employers' notions of IWBs in relation to their own interest. The last part is an analysis of policy-makers' views on the power of business and employers in the making of welfare policies.

Views of business representatives on in-work benefits

The pro-business LegCo members engaged with the policy discussions of IWBs in two ways. First, those representatives occasionally debated with other LegCo members and voted on or modified policy motions on the broad issues of IWBs at the Council meetings, which included all members of LegCo. Second, they discussed specific issues of IWBs at the Panel on Manpower, Welfare and Poverty with voluntary membership at the sub-committee level, in which the participation of pro-business LegCo members

were relatively limited in terms of their membership and the frequency of speaking. Four council meetings and several panel meetings had been arranged to discuss the establishment, design, and improvement of IWBs (Appendix II). The following analysis primarily focuses on the debates about and votes on the motions proposed in the four Council Meetings, which basically reflected members' and parties' concern about IWBs. All quotations from Councillors below can be traced back to the minutes of the four Council Meetings (Appendix II). Table 8.1 also indicates the voting records of four pro-business parties, namely Liberal Party, Economic Synergy, New People's Party, and the Business and Professionals Alliance for Hong Kong; and also members of the FC mainly engaged with private companies during the meetings between 2008 and 2014. In general, there were three types of concerns towards the development of IWBs.

The first type of concerns was about the introduction of a poverty line and responsibilities for poverty alleviation. On the one hand, many pro-business parties and LegCo members supported the enhancement of training and social mobility in poverty alleviation rather than using cash benefits. The business sectors were sceptical to the so-called 'welfarist' material redistribution which was claimed to inevitably bring about fiscal crises. Therefore, they opposed the motions on poverty alleviation with the policy suggestions of increasing profit tax, enacting rent control and giving more cash allowances to the poor (Table 8.1).

we should teach people how to fish rather than just give them fish because this is not a long-term and effective policy for poverty alleviation.....The Liberal Party agrees that the Government should set a poverty line to provide clear and unambiguous indicators. Various sectors of the community can assess if the poverty alleviation policies and measures are effective. (Yick, 2012.11.14)

I oppose the original motion on behalf of the Business and Professionals Alliance for Hong Kong (the Alliance) because we think that solving the poverty problem by increasing various allowances is no different from

catching fish in a tree.....We believe that what most poor people need are not living allowances or rent allowances, and their problems cannot be solved by rent control. What they need is a social ladder for upward mobility and improvement of their living conditions.....We deeply believe that the current rise of welfarism in European countries has led to overwhelming financial burdens and economic crises; that should serve as a warning for us. (Christopher Cheung, 2012.11.14)

On the other hand, those parties and sector representatives acknowledged the importance of a poverty line too, as an administrative and 'objective' tool to identify the targeted population and define the eligibility of benefits. In this connection, the poverty line was understood as a useful means in business's 'pragmatic and rational' sense, without any progressive meanings associated with social reforms. Although the initiated poverty line potentially invited new measures that increased the income of families under the relative poverty line, the business sectors were seemingly found it difficult to reject this policy after the revival of Commission on Poverty (CoP). The Tourism FC representative clearly reinstated this position.

I support the CoP to accord priority in setting up a poverty line.....I hope that all community sectors (including members of the Council) can adopt a pragmatic and rational attitude to jointly address the poverty problem, so that the problem can be expeditiously solved. (Yiu, 2012.11.14)

The ambivalent attitudes of business towards poverty alleviation were in accordance with their promotion of government's responsibilities during the period of fiscal surplus. Despite their pro-market and individualistic ideologies and scepticisms on welfare redistribution, business was enthusiastic in urging the government to use fiscal reserves to finance more poverty-related measures to relieve the poor's burden. Given the recently 'unlimited' fiscal reserves of the government, the business representatives refused to bear more responsibilities through tax reforms to fund more welfare programmes. They shifted the focus of redistribution from the corporate contributions

to the government's expenditure pattern. In addition to their hostility to a minimum wage, it was shown that the business sectors basically rejected any measures that immediately eroded their profits or increased the costs of production, regardless of financing poverty alleviation or long-term social investment.

With such hefty reserves held by the Government, I think employers and employees should work together.....The business sector will support all suggestions made by the CoP.....I was a member representing the Liberal Party or the business sector — I had supported all the recommendations except the one on minimum wage.....There is no need for political parties which represent the people or are most concerned about the grassroots to target the business sector at every turn.....Members from the labour sector should focus on requesting the Government to use the investment returns from our reserves to bring benefits to society.....I implore the business sector and the grassroots, or the political parties representing the business sector and the grassroots — the leftist, centrist or rightist — to truly engage in more co-operation at this point of time, and jointly call on the Government to help the disadvantaged in society. (James Tien, 2012.11.14)

In his discourse, the member of Liberal Party asked for labour's cooperation to form a 'cross-class' alliance, co-demanding the government to spend more on meeting the needs of the poor. Not only were the causes of poverty induced by corporations neglected, but additional taxation and market regulation were also rejected. The business sectors and their political representatives directed attention to the government by downplaying the role of corporations and highlighting their competitive pressure. As a result, the request for increasing government expenditure could be seen as a strategy to minimise business sectors' costs in the politics of poverty reduction, in which their calculation of interest overrode their ideological opposition to state welfare. This notion was echoed by the Industrial (II) FC representative's pursuit of a cross-class 'consensus'.

to alleviate poverty effectively, a consensus in the community and the industrial and commercial sectors must be reached.....Increasing tax will only add to our burden. Labour issues such as minimum wage, standard working hours and universal retirement protection have come up one after another, it is not easy at all for the industrial and commercial sectors to cope with them..... (Lam, 2012.11.14)

In addition, the measures of poverty alleviation promoted by business were in line with the needs of employers to deal with labour shortages, with an emphasis on restructuring the social security system to increase the supply of labour force for particular service industries. The employment-centred principles concurred with HKSAR government's workfare approach and paved the way for the enhancement of IWBs. The representative of Wholesale and Retail FC admitted that tightening the CSSA for able-bodied could lessen the extent of labour's under-supply, which resulted in win-win situations.

In fact, there is a serious labour shortage in the employment market. Nearly all restaurants are placing job advertisements and the wages offered are much higher than the minimum wage level. And yet, they still fail to employ the proper staff.....We therefore see the need to review the CSSA system..... This would not only ease the labour shortage problem in Hong Kong, but also help people who are willing to work to shake off poverty. This is actually beneficial to all. (Fang, 2012.11.14)

The second set of attitudes concerned the definitions of the objectives of IWBs and welfare. Overall, the business sectors concurred with the government that providing transport subsidies and low-income assistance should primarily encourage employment and therefore facilitate the geographical fluidity of labour market. The LegCo members of Transport agreed with the purpose of WITS to reward cross-district employment. The Insurance FC representative held that the WITS should be

characterised as a policy tool of workfare that ensured the more preferable treatment (higher income) of low-income persons and cultivated the ethos of self-reliance.

the purpose of providing a transport subsidy is to help low-income people in need and encourage them to work.....This can encourage the public to seek employment in the more remote places as well as taking up employment.....
(Miriam Lau, 2010.11.10)

it is hoped that this initiative signifies the Government's shift from its approach of tackling the poverty problem by pure social welfare initiatives over the years to a new mindset of replacing "pure social welfare" with "workfare".....the Government should adopt a positive method by offering a subsidy to them to support and encourage them to maintain self-reliance....."welfare recipients" should not receive more preferential treatments than those to "low-income persons"..... (Chan Kin-por, 2010.11.10)

The conflation of workfare measures and IWBs was later advocated by the Liberal Party during the review on WITS. The Liberal Party simultaneously proposed a time limit for the unemployed on CSSA and an allowance for the working poor who were not eligible for CSSA. Therefore, the development of IWBs was promised in alignment with the set-up of poverty line yet at the expense of the out-of-work benefits. By differentiating their attitudes towards two types of benefits, many business representatives showed selective and conditional support for welfare and poverty alleviation, regardless of the interventionist nature of IWBs in the labour market.

The Liberal Party suggests that the Government should provide a work incentive scheme that encourages employment, and working poor families that are not eligible for CSSA but their household incomes are 50% or less than 50% of the relevant median household income can apply.....To avoid their long-term reliance on CSSA, the Government should actively consider

the practice adopted in other developed countries which stop providing assistance to recipients after a reasonable period of time (Yick, 2011.11.30)

Although the curtailment of unemployed CSSA was merely the policy suggestion of one pro-business party, without wide support from many commercial sectors, the many purposes of IWBs were mentioned by other business' stakeholders. Put another way, various pro-business parties endorsed IWBs in a loose and pragmatic manner, in which some inconsistencies had existed among the justifications since the reviews of the WITS. The New People's Party's LegCo member clearly claimed that the reformed WITS was *de facto* an income subsidy for low-income family rather than a so-called transport subsidy.

I feel all the more strongly that this is not a transport subsidy to encourage employment because the cross-district requirement has been removed.....What society needs is actually a low-income supplement. This scheme does not encourage employment, nor is it related to transport. (Regina Ip, 2011. 11.30)

Some business representatives' views on IWBs had changed over the years. A member of New People's Party was doubtful about the allowance-like welfare approach to poverty alleviation, compared to the human capital approach to the development and investment of competitiveness. Yet he started to support the idea of low-income subsidy in 2013, with an emphasis on the upside of IWBs for employers in maintaining an abundant labour supply. The change will be further understood by examining the LegCo voting records (see below).

I advocate that "teaching someone to fish is better than giving him a fish". While the same amount of money can be used to provide monthly subsidies for living expenses, the resources can otherwise be used to encourage the grassroots to undergo retraining for self-enrichment, thereby enhancing their competitiveness. (Michael Tien, 2012.11.14)

In fact, the more the Government subsidizes, the more the number of people working across districts. It indicates that more low-income families will benefit from it, and employers in urban areas can hire enough workers. That is basically a multi-win situation indeed. (Michael Tien, 2013.12.4)

Although some representatives of the business sectors basically agreed with the principle of low-income subsidy, they still worried about the use and the long-term fiscal burden to the government and HK's economy. The representative of Sports, Performing Arts, Culture and Publication FC was sceptical whether the children would be the final beneficiary of IWBs; the Tourism FC member questioned the fiscal capacity and stability to pay for higher welfare expenditure under the financialised economy and government budget.

if we provide a monthly lump-sum subsidy to the poor families, it is most likely that the parents will spend the money on everyday expenses or on food. Even if the parents are willing to allocate a portion of the subsidy to their children, they will very often spend it on their education. (Ma, 2013.12.4)

to exercise prudent financial management, the granting of subsidy should be implemented in a gradual and orderly manner. Though we have had stable financial income in recent years and the Government has a huge surplus, given the uncertain prospects of the local economic situation, it is still unknown whether our fiscal position will be adequate to cope with the demand arising from our ageing population in the future.....We have to bear in mind that social welfare measures, once introduced, will be easy to implement but difficult to withdraw. (Yiu, 2013.12.4)

Few of the pro-business parties and FC members addressed the issues of wages in the discussions of IWBs, but they opted to highlight transport expenses and rent as an inevitable result. Given that employers and the government opposed to the price regulation of public transport and private rent, and to adjust the minimum wage to a

liveable level, urging the government to establish IWBs was the easiest response for corporations to deal with unaffordable living costs for the poor and the potential disincentive of low pay employment. In other words, the deep-rooted causes of working poverty on both income and expenditure sides were not challenged. As a policy tool, IWBs were relatively favourable for the business interests, especially with a huge fiscal surplus. The Finance FC member conceded that IWBs were a minimum wage complement to top up the income of the working poor, despite the fact that they were funded by taxpayers. Again, the benefit of increasing the workforce during labour shortages was reframed as being for the economy's and society's good.

By nature, establishing a low-income subsidy system indeed is, on top of the minimum wage, an additional wage protection measure. The former's funding is borne by taxpayers, while that of the latter is paid by employers.....Ensuring an adequate workforce to support the sustainable economic development of Hong Kong and the proper use of public resources are also in the interest of the whole community. (Ng, 2013.12.4)

Whilst the working poor were widely known as the main beneficiary of IWBs, employers' interests were disproportionately acknowledged and examined in the promotion of wage subsidies. Although they were not the primary proponents of IWBs, the business sectors showed conditional and contingent support to the expansion of such allowances, which could be regarded as the sectors' reluctant compromise with the pressure from civil society and bureaucrats' attempts to act. Therefore, the welfare ideologies of business were not strongly upheld and outweighed by their interest consideration in reality. Regardless of the disagreement on the technical issues, the business sectors endorsed the major direction (Pricilla Leung, 2013.12.4).

The last set of attitudes concerned eligibility, generosity, and conditionality. Despite their general support to IWBs, members of the business sectors had contrasting views on the levels of the means-test and the necessity of an asset-test. The Liberal Party basically urged the government to relax eligibility for IWBs whilst retaining the means-

test in order to ensure the fiscal 'prudence' and limited the benefits for the neediest groups. Moreover, the means-test and asset-test were recognised as a means to prevent welfare abuses, which echoed the conventional residual welfare ideologies.

on behalf of the Liberal Party, I propose an amendment today in support of relaxing the income and assets requirements to allow more people to be benefited.....but we cannot agree with her because removing all restrictions will inevitably lead to abuses of the mechanism. Neither should the Government act in this manner if public funds are used with prudence.....
(Miriam Lau, 2010.11.10)

The policy suggestions of the business sectors tended to be technical and instrumental and focused on the relatively small uplift of income and asset limits. For instance, many members focused on the take-up of the benefits and the 'irrationality' of the rational design of the income limits. As the calculation of the poverty line was based on the half of the median household income, within which the difference of income limits between two- and three-person households was small, this was criticised as unfair to the recipients and inconsistent with the aims of encouraging employment. Individual-basis, thus, was proposed instead of family-basis in the reforms of WITS.

.....in addition to the amount of the subsidy, the effectiveness of the WITSS hinges on the eligibility requirements on applicants, which should not be set at too high a level. (Chan Kin-por, 2010.11.10)

My purpose of proposing this amendment today is to draw the attention of the Administration to the need of addressing the unfairness arising from the household income limits on families with two or more members.....the Government has indeed distorted its original intent of providing work incentives for individuals in insisting that applications for the transport subsidy must, like applications for other government benefits, be family-based rather than individual-based. (Miriam Lau, 2011.11.30)

Despite the general support of the idea of IWBs, some disputes arouse among the pro-business camps. The asset-tests were seen as the best tools to identify 'real' targets in poverty, on the one hand; some reinstated employment promotion as the primary objective of IWBs, asset-tests could be counter-productive, on the other. More specifically, the member of the New People's Party opposed the government's plan to adopt the institutional framework of social assistance in the implementation of IWBs.

If a system with no asset test is established, the actual poverty situation will be distorted and our resources cannot be committed to helping people with urgent needs. (Yiu, 2013.12.4)

However, it is different when it comes to encouraging people to take up employment.....It is fundamentally wrong for the Government to adopt the concept of CSSA and use the family as the unit in calculation. It is necessary to conduct means tests. If a lot of people own some assets, are all these applicants with assets not allowed to receive the subsidy? (Regina Ip, 2011.11.30)

The contentious responses indeed reflected the contradictory nature of means-tested IWBs, in which expanding the coverage to subsidise working poor families and to maintain their employment was necessarily in tension with keeping the welfare residual for the most deserving. Apart from eligibility, the generosity of WITS received less controversy as the corporate representatives were more likely to blame the government for its stinginess.

Regardless of the number of trips taken, people can only receive a one-off payment of \$600. That is actually like a living subsidy which cannot encourage citizens to travel across districts to work. (Michael Tien, 2013.12.4)

After the four LegCo motion debates on IWBs, business was relatively silent in discussing the details of the newly introduced LIFA. The only relevant speech was about the work conditionality of the LIFA that was at the centre of debates between

the pro-poor camp and the government. A LegCo member of the Liberal Party, Frankie Yick, agreed with the government to adopt a higher allowance for rewarding the poor to work longer, yet it was only mentioned in a low-key manner (Subcommittee on poverty, 2014.5.12). He claimed that the working hours requirement set by the government was 'not so unreasonable' for a full-time workers to be entitled to the LIFA.

In a nutshell, the pro-business parties and the LegCo members of FC welcomed the introduction of a poverty-line for measurement and identification of eligible targets, but they were sceptical about the use of cash-allowance to tackle poverty. However, the business sectors did not act according to what they believed in purely ideological terms as they increasingly supported the establishment of means-tested IWBs for the working families and individuals in poverty. There were two reasons for their positive attitudes: the first of which was that IWBs were arguably consistent with employers' interests by smoothing the transactions of labour supply and demand; second, from the employers' perspective the government with fiscal reserves was capable of funding poverty-alleviation programmes, instead of asking the business sector to pay more. As an immediate and simple solution, state-funded IWBs were favourable to increase the corporations' workforce and thus minimise their costs in facing labour shortage. Regarding the design of IWBs, they stuck with the philosophy of residual welfare and its dilemma, in which the allowance should be restricted for those economically neediest (below poverty line) whilst eligibility had to be relaxed to cover more low-income workers and families. Work conditionality was justified as it ensured the deservingness of long working hours, whilst the existing benefit levels should be reviewed.

The reserved and reluctant support for the expansion of IWBs from the business sectors was shown in their voting records. For those pro-business parties, they generally voted for the relaxation of the eligibility of IWBs in 2010 and 2011 whilst voting against the abolition of the assets-test (Table 8.1). Despite their reserved support for IWBs, the parties did not vote for the motion about poverty alleviation in

2012 due to other policy packages of tax reforms, social insurance, and rent control. Alternatively, they initiated an in-work transport subsidy via the electronic tickets as a form of in-kind welfare. After being rejected by other pro-poor LegCo members, the pro-business camps turned out to vote for the motion of establishing a low-income subsidy system in 2013. Except for the FC with more individual votes and with the background of other political parties, most of the individual FC members had similar voting trends with the pro-business parties (Table 8.2). By their voting records the business sectors showed contrasting attitudes to various kinds of welfare. They opposed social insurance and out-of-work benefits, whilst conditionally agreeing with IWBs. This manifested a pragmatic orientation towards welfare from the business sectors in supporting the expansion of IWBs, through which a cross-class 'consensus' and a loose 'advocacy coalition' was unintentionally emerged to endorse the government's policy choice.

Table 8.1 Voting Results on Motions Related to In-work Benefits across Pro-business Parties (2010-2013)

	2010	2011		2012					2013					
Motions and policy initiatives	Motion on WITS: Relaxation of eligibility and generosity	Comprehensively reviewing and perfecting the WITS	Abolition of asset-test	Relaxation of criteria and introduction of dual-track approach	Poverty line and second safety net, diversified economy, and improvement of tax regime	Social insurance for retirement, disability and unemployment	Alleviating poverty		60% of median household income as yardstick, improving CSSA and WITS, negative income tax, and the rent control	Improving Old Age Allowance, subsidy for carers, and improving tax regime	Poverty eradication, negative income tax, and comprehensive retirement protection	Establishing a low-income subsidy system	Incorporating the WITS and using electronic tickets	Low-income subsidy system to support poor families
Liberal Party	✓	×	✓	×	×	×	×	×	×	×	✓	✓	✓	
Economic Synergy (2008-2012)	✓	×	✓							NIL				
Business and Professionals Alliance for Hong Kong (Since 2012)		NIL		⊖	×	×	×	⊖	×	×	⊖	⊖	✓	
New People's Party (Since 2012)		NIL		×	×	×	×	×	×	×	✓	✓	✓	

Source: LegCo (Appendix II)

✓ Voted for; × Voted against; ⊖ Voted abstained; – Absent

Table 8.2 Voting results on motions related to in-work benefits in Functional Constituencies across the business sectors (2010-2013)

	2010	2011	2012		2013						
Motions and policy initiatives	Motion on WITS: Relaxation of eligibility and generosity	Comprehensively reviewing and perfecting the WITS Abolition of asset-test	Relaxation of criteria and introduction of dual-track approach	Poverty line and second safety net, diversified economy and improvement of tax regime	Social insurance for retirement, disability and unemployment	Alleviating poverty 60% of median household income as yardstick, Improving CSSA and WITS, negative income tax, rent control		Improving Old Age Allowance, subsidy for carers, and improving tax regime	Poverty eradication, negative income tax, and comprehensive retirement protection	Establishing a low-income subsidy system Incorporating the WITS and electronic tickets	Low-income subsidy to support poor families
Accountancy	✓	✓	✓	✓	⊗	⊗	✓	✓	✓	×	✓
Agriculture and Fisheries	—	—	—	✓	⊗	⊗	✓	✓	✓	✓	✓
Architectural, Surveying, Planning and Landscape	✓	—	—	×	×	×	⊗	×	×	✓	✓
Catering	—	—	—	—	—	—	—	—	—	—	—
Commercial (I)	✓	—	—	⊗	×	×	⊗	×	×	⊗	✓
Commercial (II)	—	—	—	×	×	×	×	×	×	✓	✓
Engineering	✓	×	✓	⊗	×	×	⊗	×	×	⊗	✓
Finance	—	—	—	⊗	×	⊗	⊗	×	×	✓	✓
Financial	—	—	—	⊗	×	×	⊗	×	×	⊗	✓

Services											
Import and Export	—	—	—	✓	⊙	⊙	✓	✓	✓	✓	
Industrial (I)	—	—	—	⊙	x	x	⊙	x	—	—	
Industrial (II)	✓	—	—	x	x	x	x	x	⊙	✓	
Information Technology	✓	✓	✓	✓	✓	✓	✓	✓	x	✓	
Insurance	✓	⊙	✓	⊙	⊙	⊙	⊙	✓	✓	✓	
Real Estate and Construction	✓	—	—	⊙	x	x	⊙	x	—	—	
Rural	—	—	—	⊙	x	x	⊙	x	—	—	
Sports, Performing Arts, Culture and Publication	—	—	—	x	x	x	⊙	⊙	✓	✓	
Textiles and Garment	✓	—	—	x	x	x	x	x	✓	✓	
Tourism	✓	✓	✓	⊙	x	x	⊙	x	✓	✓	
Transport	✓	⊙	✓	x	x	x	x	x	✓	✓	
Wholesale and Retail	—	⊙	✓	x	x	x	x	x	✓	✓	

Source: LegCo (Appendix II)

✓ Voted for; x Voted against; ⊙ Voted abstained; – Absent

The role of business in the making of in-work benefits

The business sectors' final approval of IWBs partially explains the 'successful' expansion of the new welfare via the corporations' unused veto power. Although the votes on motions of the LegCo members did not have any significant power in the process of policy-making, their views did shape whether the government implemented particular welfare policies. Business' power fostering the promotion of IWBs in different ways was addressed in the interviews with the policy-makers. A respondent claimed that the political power of the business sectors to influence the decision-making of the government was inherited from the colonial era.

They are undeniably important, from the era of British colony to nowadays, in HK's policy-making. Any policies that might affect their interest would be against by them. Either the minimum wage or the standard working hours, was rejected by their notions that employers would have to dismiss employees and to close after the implementation of those labour protections. It was surely not the case.....The policies not increasing their costs tended to invite less opposition, unlike the minimum wage and universal pension. The business would fight back by all means unless the welfare was purely paid by the government. (Policy-maker B)

In general, the business sectors are powerful to negotiate with the leaders in the government. The government is not determined to implement policies that are not welcomed by employers, so comparatively we (as a NGO representative) are voiceless. Therefore, the policy advocacy for the poor should avoid their opposition, and the best is to win their support. (Policy-maker C)

With the support of employers, IWBs were the kind of welfare regarded as doing no-harm to business' interests. Indeed the long-term impact of IWBs to the enterprises and market was unknown but the employers were sensitive to the short-term impact of welfare on the labour market. The belief that IWBs could maintain the work incentive of low paid workers and help their children's

development was echoed by business. More importantly, the principle of IWBs as a preservation of the morality of work and the 'less eligibility' rule that the incomes of 'hard-working' persons should not be lower than those receiving welfare, was also appealing to the business and employers. The so-called consensus was based on the conventional work ethic and pressing needs of employers of low pay jobs, incentivising the business to strategically support it whilst rejecting improvements in the minimum wage or other labour market regulation.

Even the pro-business parties recognised the poverty issues, especially the phenomenon that the wage in HK was unliveable and lower than the benefit levels. This argument was also claimed in the movement for minimum wage, which could reach the largest social consensus.....I don't see any reason for the business to oppose it in the sense of a wage subsidy and their positions mainly depend on immediate consideration of gain and loss. As long-term calculation of business sectors required solidarity and coordination, I don't think they have such act. (Campaigner A)

In the past, some pro-government media attacked us as 'welfarism' when we mentioned CSSA and poverty. So, we were cautious on the responses of the media during advocating the LIFA. It was revealed that even the stakeholders in business in general agreed with our rationale and the design of LIFA.....Some of employers concerned about the impact of welfare on employment. It was difficult to hire employees in 2013-14 and the employers concurred with the economic functions of IWBs to meet their commercial needs. (Policy-maker C)

Employers' endorsement of IWBs indicates that the business sectors in liberal welfare regime do not necessarily oppose the expansion of welfare. In this case they supported two forms of welfare. First, benefits should function *de facto* in favour of employers, in which their welfare scepticism derived from non-interventionist and minimal state notions was practised contingently and selectively. Put another way, the difference between out-of-work benefits and IWBs led to

business's contrasting attitudes as the former was seen as a protection that increased the choice of the unemployed and reduced the supply of labour for low paying sectors. Second, the finance of welfare should entirely rely on government's tax revenue. Under HK's tax regime, employers' contributions to the public are restricted to the low and standard rate for (profit) tax. One of left-leaning members of the CoP even suggested that IWBs were framed as irrelevant to the employers but were only the responsibility of government. As a result, the establishment of IWBs in society were arguably less disputed than other benefits because the employers showed tacit support for them as pro-business benefits.

After the announcement of the LIFA, there was not much objection but a great consent.....To certain extent the LIFA was funded by tax without employers' direct payment.....In case the welfare was only paid by the government and the employers' were happy with that and let the government do it. (Policy-maker E)

Business's short-sightedness on profit and labour costs was seen as a long-lasting institutional arrangement that only focused on maximisation of own interest in the liberal market regardless of externalities. On the one hand, it could be attributed to the policy context lacking power for regulating the business sectors, not to mention the macro-economic policies coordinating the enterprises for long-term investment. On the other hand, the liberal market institution originating from the colonial period was kept intact in the post-colonial era. This might result in a strong continuity of the dominance of low-cost business model focusing on wage suppression as a cost-containment for competitiveness, instead of innovation and skill development.

Many employers only concern their annual profit without paying attention to government policies. If you ask them to increase the employees' income, it is okay for not taking from their pocket. They are irresponsible to the society but responsible for their own short-term interest by maximising profits and then withdrawal. Regarding to the welfare, employers could be more generous as it is paid by the

government although by nature in long run they have to pay as well. However, they respond differently to IWBs and wage increment. Wage is an issue about immediate payment to workers, whilst welfare is framed and lobbied by the government in the way that employers don't need to contribute any. (Policy-maker D)

Business' attitudes and behaviour were cultivated and secured by the non-democratic regime, through which they acquired political power that maintain their best interest in the first and second levels of distribution. Whether under colonialism or the sovereignty of China the business sectors were continually seen as the greatest governing partner of the government at the expense of the interests of workers. The institutionalised imbalanced power between capital and labour yielded to an uneven distribution at the primary level, in which the in-work poverty was exacerbating and more visible after the economic recovery and rapid inflation. Against this backdrop, IWBs were a compromise between labour, capital, and the state, despite its potential contradictions with the government's conventional welfare ideology of a minimal state.

Beijing tended to co-opt the business sectors rather than other stakeholders as HK was still considered as a city for finance and commerce. So, government policies should not seriously violate their benefits.....IWBs were somehow inconsistent with the 'big market, small government', but our government was rich. Some of the class conflicts were politicised and triggered the government to appease the lower class. Without those allowances, workers could not maintain their living through wage alone. It was a trade-off between wage and welfare to ensure the workers' reasonable life. Because of our poor distribution at the first level, we need the second distribution by using the public revenue, which is unsustainable. (Policy-maker F)

The 'compensational' nature of IWBs was echoed by an activist of trade union. Under the socio-political pressure, HK government and business endorsed this particular welfare expansion because they do not want to change the existing

employment relations and the structure of labour market. IWBs were the remedies for poverty alleviation with lowest cost, regardless of individual- or family-need. Different kinds of IWBs: TSS (2007), WITS (2010) and LIFA (2014), were introduced alongside the establishment of a Statutory Minimum Wage (2011). These benefits could be taken as a complementary to the minimum wage to ensure the income level of working poor and to prevent the unlimited rising labour costs. This explained the discrepancies between business anti-welfare rhetoric and its endorsement of state intervention. It could be regarded as unfair as the tax revenue came from taxpayers and this was used by business to subsidise their labour costs.

Some of the representatives from the business suggested the government to initiate low-income subsidy instead of uplifting minimum wage. Although they verbally opposed the 'welfarism', they do enjoy the fruits of welfare. The employers indeed understood how difficult the working poor were and the society was increasingly hostile towards them. So they finally supported the IWBs. The government then used their fiscal capacity to make some patchy fix in order to dodge any institutional changes apart from the 'minimal' minimum wage. (Campaigner C)

Whilst this logic might come with a simple conclusion that IWBs could reduce the pressure for a minimum wage rise and subsidise low paying employers, a more nuanced analysis is needed as the results of interviews about the relationship between IWBs and employers' subsidies were far from straightforward and conclusive.

In-work benefits as subsidies for employers?

The policy-maker interviewees had mixed views on the subsidy role of IWBs for employers, in which two main themes emerged about the functions of wage subsidy and the contingent impact on minimum wage. Regarding the wage subsidy, two contrasting perspectives appeared focusing on the 'real' beneficiary of IWBs: workers and employers. The view supporting employers as the primary beneficiary

of IWBs tended to accept the idea of ‘business’ subsidies’, and vice versa. Indeed the government admitted that IWBs did play the role of a wage subsidy.

Many working families, not receiving any welfare, are in poverty as they have more dependants and expenditure that their wage can’t afford, such as a five-person household with only one breadwinner. Our policy is to give the eligible working families, say four-person household, a monthly \$2200 allowance, which is not a one-off but a continual wage subsidy. (SLW, 2015d)

Whilst the government claimed itself to be cautious about distorting the labour market or undermining work incentives (Leung, 2014), it was unclear how IWBs could refrain from intervening the market. Notwithstanding the subsidy nature of IWBs, respondents showed different understanding about who the ‘primary users’ were. Some campaigners indeed accepted the role of wage subsidies and justified it due to the principle of meeting family needs, which was different from the meaning of wage as a reward of work. Whilst the minimum wage was a wage regulation negotiated by the power dynamics between capital and labour, its adjustment could not base on family needs in reality. IWBs as a kind of social allowance, thus, could deal with family needs and was complementary to the wage protection.

IWBs are income supplement for family needs and minimum wage is dealing with low pay. The definition of low pay may be somehow associated with needs, but the wage-setting, even the living wage, could not entirely depend on the family needs. As some families with different size may below or over one standard. Minimum wage undoubtedly has impact on the labour market and should depend on the affordability of the enterprises and a social consensus. (Campaigner A)

Furthermore, some policy-makers emphasised that the pre-existing minimum wage prevented the possibilities of turning the LIFA into employers’ subsidies. It was a strategic consideration to call for a comprehensive IWB after the introduction of minimum wage, without leading to employers’ subsidies.

If the government had not implemented minimum wage, we won't advocate for the LIFA. We think it is appropriate to initiate a new IWB to help low-income families after the introduction of minimum wage, which avoids the LIFA indirectly subsidising employers. Will the employers pay less due to the IWBs? It is possible but I still can't see any evidence, I'm not sure. Of course its design targets on the families' income instead of the individual's. It is complex for the employers to abuse the subsidies for paying less because the system was not a direct subsidy filling the gap between wage and the income threshold of IWBs. Rather it is a subsidy calculating different families' needs and compositions. (Policy-maker C)

In their arguments, family- and needs-based IWBs were by nature and principle different from the functions of a wage. Therefore, wage subsidies and wages were not a trade-off but in a complementary relationship that primarily met the needs of low-income families. Whilst this interpretation of the objectives of IWBs was valid in some senses, it could not entirely deny the element of employers' subsidies in the WITS and LIFA despite their family- and need-basis. It was argued by other policy-makers and campaigners that IWBs were *de facto* employers' subsidies because they inevitably reduced the pressure of wage growth for enterprises and potentially undermined the momentum of the movement for minimum wage and pro-labour reforms, such as collective bargaining.

Through delivering the WITS and the LIFA, the pressure for higher minimum wage is undermined under a seesaw effect. Especially for the unskilled and the outsourced workers, the state of low-wage will be kept.....Of course it is a subsidy to employers. Indeed many employers could stick to the level of minimum wage but workers' income could be topped up by the benefits during labour surplus, adding that these allowances maintain the workforce. (Policy-maker F)

For some campaigners, the government's initiative of IWBs was not intentionally to subsidise employers as there were other forces giving birth to them. However, as

an outcome the WITS and the LIFA were generally welcomed by the business sectors, especially for those expecting IWBs as a supplement to the minimum wage. In other words, the allowances were perceived by employers as a relief for pay rise, regardless of the fact that the real wage-setting was shaped by other structural factors.

The government's decision is heavily shaped by the business sectors. As the IWBs were primarily promoted by the NGOs, not initiated by the government officials, the government might not plan to subsidise the employers despite its real impact. At the initial stage of the discussion of low-income subsidies, some employer representatives showed much support to this aspect as they welcome it for reducing the expenditure on wage costs. It was good news to the employers. (Campaigner B)

Whilst the functions of IWBs on wage-cost relief perceived and desired by employer representatives might be realised, the actual association between the amount of IWBs and wage restraint effect is to be proven. It seemed that some respondents agreed with and emphasised on the strong tendency of the effect of wage restraint but some respondents did not. Notwithstanding the inconclusive wage effect, the design of the LIFA was arguably in favour of the exploitative employment relations in HK. As the LIFA's conditionality for long working hours combined with its eligibility for low-income families, the low pay jobs requiring long working hours were encouraged by the government. Through the rewards of IWBs, more workers were attracted to enter those low pay sectors and the existing workforce was also maintained. Regardless of the direct benefits to employers, IWBs as a part of the social security did support the low pay jobs by giving allowance to the supply-side in the labour market.

Government's proposal of LIFA was restricted to the exploitative employment relations in the business. The working hours required for the higher allowance are much longer than the standard working hours, 48 per week, initiated by trade unions and the international labour standards. This requirement fitted in the business competition by longer

working hours and by lowering wage cost, which subsidises those low pay jobs and sustains their existence.....It is unacceptable that the function of minimum wage is eroded due to the emergence of IWBs. Otherwise, it will be a clear supplement to the employers' wage exploitation. (Campaigner C)

IWBs were principally regarded as an additional top-up to the wages of low paid workers and working families in poverty on the one hand; and, on the other, they potentially benefited employers by reducing the pressure of wage growth. Therefore, it would be premature to claim IWBs only as an employers' subsidy leading to wage reduction or suppression. Indeed, the effect of IWBs on wage restraint was still unknown as the wage-setting was shaped by other institutional factors. Some interviewees, thus, took a more ambivalent and conditional attitude, about both the LIFA and WITS, but they were generally against taking IWBs as employers' subsidies. A former government official agreed with the employment-centred approach to poverty alleviation, whilst he was sceptical about entitling low paid workers for IWBs, instead of helping workers' dependants alone.

In case of two adults in a family with full-time and part-time jobs but their wage still can't provide a basic subsistence, it wasn't a welfare but labour issue. You can't use welfare to cure the problems of minimum wage. Giving IWBs to the single working adults is a kind of employers' subsidies.....To be sure, in other countries even low-skilled workers could enjoy pay rise due to the power of trade unions. But their counterparts in HK don't work. (Policy-maker A)

In this regard, the design of IWBs arguably led to the extent of employers' subsidies as the allowance to the workers *per se* was a seesaw or trade-off to their wages. However, the government's support to workers' non-employed family members was more justifiable and irrelevant to the effect of employers' subsidies. Campaigner A admitted that the effect would be possible if the eligibility for IWBs used a sliding scale. This was because the scale was in turn a 'tax rate' that the workers' families would lose more benefits if they earned more. According to

Campaigner A this effect tended to be weak in the case of HK as the benefits were delivered based on two income levels instead of a sliding scale. In addition, the argument of 'employers subsidies' assumed that employers could make use of the IWB and could accordingly adjust the wage level as they wanted. The two assumptions required two pre-conditions: first, that employers were sensitive to and familiar with the IWBs, at least their eligibility and generosity, so that they could take advantage of IWBs at the margins of the income threshold; and second, employers could unilaterally control the wage-setting, and the employees would not negotiate for higher wage or not search for other jobs with higher wage due to IWBs.

It could be a subsidy for low pay employers on paper if the employees' wage was slightly under the threshold and stopped their bosses from pay rise. Honestly this effect would be subtle. The application procedures were complex and retrospective, so employees' decisions about employment and request for pay rise for applicants was not so linear. Although some economists suggested that in long run both employers and employees would be trained to 'play the game', I was not convinced at the moment. (Campaigner A)

Put another way, the actual decisions of employers and employees were not simply determined by the provision of IWBs. Therefore, the final outcome of employment choice and wage-setting were shaped by other institutional contexts that prevented or mediated the effect of employers' subsidies. One of the key policies would be the minimum wage.

Because of minimum wage, the employers could not unlimitedly suppress the wage. We could assume that a number of workers don't need to apply welfare if the minimum wage can cover their expenses. Yet this depends on the level of minimum wage, which is too low in HK. In case the minimum wage functions well, there should not be the effect of employers' subsidy. (Policy-maker D)

Policy-maker E also echoed that the wages paid by employers would not consider workers' family responsibilities. However the minimum wage should meet the needs of subsistence on an average basis enough for the working person and certain number of dependants. Families with more members inevitably needed state subsidies apart from their wage even it was already the living wage. In his analysis, the LIFA and WITS were as if the secondary safety net besides the CSSA, so the problem of employers' subsidy was not induced by the benefit system but by the wage regime.

To summarise, HK's IWBs could be an employer subsidy but it was contingently subject to many institutional and contextual conditions that were extra-welfare mediations. The tendency of IWBs shifting towards an employers' subsidy primarily depended on the inadequate level of the minimum wage, the welfare knowledge and institutional space allowing employers and employees to adjust their expectations on the wage. The subsidies to employers via IWBs tended to be subtle and invisible, in which they might not be aided by directly paying less to the workers.

In-work benefits for increasing labour flexibility and availability

Apart from the wage-related themes, some employees and employers were concerned about the direct effects of IWBs on their actual practice in the labour market. According to their views, the themes regarding the flexibility and availability of workers emerged. Some workers suggested that the allowance could stimulate the work incentive for more people to enter the labour market, especially for both 'unwelcome' jobs and workers with low motivation.

It will be easier for employers to hire as some people who don't want to work will be encouraged by the allowance. Some job vacancies have not been taken for long time and the benefit could help, which is good for the development of the enterprises. (LECSSA recipient B)

Therefore, employees were in general responsive to the economic incentives of welfare and this was also regarded by workers as a 'win-win situation' for

themselves and the corporates. This notion of a 'dual-beneficiary' was somehow shared by individual employers although the latter was less sensitive towards state benefits, including the actual amount of allowance and the eligibility. Some employers were more concerned about the flexibility of labour supply.

As a supplement to the workforce, the transport allowance encourages more workers to enter the market. Not only increasing the preconditions for cross-border employment, the IWBs also enhance the fluidity of the overall labour market. It is helpful to employers as we occasionally face labour shortage in some districts.....Without the assistance of government, it is difficult for SMEs with lower competence to compete, which could be seen as a market regulation to prevent oligopoly.....This kind of allowance is advantageous to both employers, employees, and the market. (Cleaning service employer)

Speaking of the most significant meanings of IWBs for low paying employers, one employer emphasised that during the period of economic growth and buoyant labour market, the WITS and LIFA generally had a visible and direct effect in offsetting the rising labour costs driven by the increased job choices of low paid workers. Whilst the bargaining power of employees in the tight labour market was boosted, employers' interest was potentially undermined if their labour demand was not met. IWBs as a policy tool of social provision smoothed the operation of labour market. The performance of such benefits, therefore, relied on the market conditions due to their pro-market welfare conditionality. On the basis of more employment and longer working hours, higher caseloads of IWBs could imply more transactions in the low pay labour market.

During economic downturn, workers are more willing to do the jobs in the remote areas. Yet they would have many choices during economic growth and say 'why do I need to work for you?'.....Any government policies incentivise more potential applicants for the jobs absolutely benefit employers by giving them more choices of employees. It may be disputable to let taxpayers pay for it as it consists part of employers'

profit. Without IWBs, the cost of recruitment will be increased. (Social enterprise employer)

The focus placed on the influence of welfare on labour supply was echoed by a restaurant owner. She mentioned that the keen competition induced by labour shortage led to rising wage costs in the labour-intensive service sector. In contrast to the IWBs, she regarded out-of-work benefits, such as unemployed CSSA, as detrimental to her business interests. She attributed the labour shortage to the existence of out-of-work benefits that created welfare dependency, especially for newly arrived women. Therefore, IWBs' direct effects on labour market tended to be increasing the labour availability and flexibility in short-term; yet it still have an impact on limiting the growth of wage costs in longer run.

Why should the women go out to work? They can use all the time to take care of children and scrounge. Unemployment benefits might generate a bigger challenge than minimum wage to employers who need massive unskilled labour, especially during economic upturn. (Restaurant employer)

In a nutshell, IWBs as a social allowance funded by the HKSAR government were exceptionally welcomed by employers under a particular set of political economic variables. Despite business representatives' own ideological tensions between state intervention and minimal welfare, their interests were better maintained by IWBs rather than progressive tax reforms and stricter wage regulation. The business sectors' sceptical but practical attitudes led to their endorsement of IWBs for poverty alleviation, adding that the government has huge fiscal reserves. Their support was crucial to form a consensus and to pass the motions for establishing a low-income subsidy and the relaxation of transport allowance. Although there is not enough evidence supporting the argument that IWBs act as an employer subsidy to directly reduce their wage costs or restrain wage growth, the LIFA and WITS could still be seen as the benefits that unintentionally increased the labour supply for and lowered the transaction costs of low paying employers. In other words, even though the emergence of IWBs was not created purely for employers'

interests, the pro-employer's functions of IWBs did exist. Employers' attitudes towards the government's responsibility in the alleviation of working poverty implicitly encompassed their motivation for wage restraint.

Regarding the reputation of the newly established LIFA, the government boasted that the policy was commended by the International Monetary Fund (IMF) due to its benefits to the business and so-called to the society as well.

The International Monetary Fund (IMF) has endorsed this Scheme in glowing terms and considers it an effective policy measure in "incentivising labour productivity and reducing welfare burden". These positive values would bring benefit not only to the employees, their families and their offspring, but also to the employers and companies, as well as the economy and society as a whole. (SLW, 2016d)

As a group of policy actors equipped with structural veto-power in the making of welfare policies, the business sectors' endorsement of IWBs ultimately fostered the formulation of IWBs.

Conclusion

This chapter examined the emerging themes about the politics of IWBs' formulation, in which three main lines of analysis were revealed. First, the state-focused themes emphasised the administration's credit-claiming, huge fiscal reserves, and the political opportunities engendered by the elective competition, leading to the government's implementation of IWBs as a low-cost and fast approach to alleviation of in-work poverty. Second, the society-focused themes addressed the role of the advocacy movement conducted by pro-poor NGOs and the policy platform of CoP in promoting IWBs (Chapter 3). In this process, a cross-class consensus and a loose advocacy coalition were generated under a policy context of increasing socio-political pressure. Finally, this surprising consensus and coalition depended on the business sectors' welfare pragmatism and short-term interest calculation. Given the labour shortage in the low-end service sectors, the employer-focused themes evidenced that IWBs were in favour of employers through the

effect of increasing labour flexibility and availability, and of potential wage restraint. The pro-business parties' contingent endorsement for IWBs was also characterised by employers' negative attitudes towards out-of-work benefits. It was shown that IWBs could benefit employers by increasing the labour supply during labour shortage and reducing the wage costs. Hence, the complexities in the interactive dynamics of the state, society, and the business were considered in the formulation of IWBs.

Chapter 9

Explaining In-work Benefits in Hong Kong, 2007 to 2017

Introduction

This chapter synthesises the findings (Chapter 6 to 8) and answers the research questions about the main factors behind in the emergence of in-work benefits (IWBs) in HK, the features and roles of IWBs, and the implications of IWBs for social policy. It also connects the findings to the political economy and policy regime framework (Chapter 2 & 3). It is argued that the emergence of IWBs was not simply a product of the bureaucrats' decision to meet the objectives of in-work poverty alleviation and fostering employment, suggested by the mainstream literature (Chapter 4). IWBs were embedded into the institutional, ideational, and power-interest relations, and shaped by the dynamics between capitalist structures and policy actors. Moreover, IWBs are not simply an income supplement for the working poor but play a complex set of key roles in the mediation among market, state, and society.

The first section begins with the identification of multi-aspect contexts and stratified mechanisms that gave rise to the IWBs. In so doing, it examines the necessary and sufficient conditions that emerged from the data and generates a theoretical model that sheds light on the complexities of particular factors. The second section addresses the nature of IWBs and their repercussions on work and labour market institutions in HK. By situating IWBs in HK's welfare capitalism, it reveals how IWBs contribute to the continuity and changes of a policy regime revolved around the working-age poor. Finally, this chapter draws lessons from the HK experience for social policy studies by suggesting new concepts, with the emphasis on possibilities for social change.

Explaining the generative mechanism of IWBs: institutions, ideas, and politics

Informed by a critical realist policy analysis (Chapter 5), it is of vital importance to explain an outcome by mapping out the contexts and underlying mechanisms that drive its emergence and trajectory. The so-called 'generative mechanism' refers to

the interaction among a set of necessary and sufficient conditions (Fletcher, 2017), which brings about and shapes the development and forms of social policy. It should be noted that these conditions were not created for the making of IWBs but operated in particular contexts. The formation of a generate mechanism for IWBs in HK manifested the mixture of structural selectivity and open-ended contingencies over time, within which the interplay between institutions, ideas, and politics involved different social actors and structures (Little, 2015).

Significance of HK's political economy and institutional framework for IWBs' development

In order to obtain a full understanding of IWBs, their emergence should be situated in HK's political economy and institutional contexts, along with comparative perspectives on their counterparts in the UK and US. Derived from the three dimensions of HK's political economy (Chapter 3), the economic model, political institutions, and welfare regime are connected to IWBs' trajectories and their governance. First, the polarised growth model and labour market institutions gave rise to the in-work poverty in HK as a prerequisite of IWBs. Whilst the economic recovery since 2006 benefited the rich and middle-class workers in HK's dualised service economy, the sluggish growth of low-income workers' wages exposed the weakness of existing employment relations, in particular the wage-setting system at the lowest end labour market. Therefore, the weakened bargaining power of labour during economic downturn did not revive in the presence of economic growth. This post a great challenge to the long-lasting myth on the 'Trickle-down theory' that assumed the market mechanism would automatically profit the least advantaged due to the upper class's incomes and assets increased. The principle of minimal intervention in labour market, the reliance of market-led employment model, the wage-squeeze driven by financialisation, and the individualised bargaining structure excluded the policy options of a liveable minimum wage (MW), resulting in the possibility of reducing wage-welfare differentials. In addition, the fiscal conservatism stipulated by the Basic Law also prevented a tax regime that fostered a sizeable redistribution of wealth. Consequently, the mean-tested IWBs were the only policy choices that fitted HK's economic model and labour market institutions.

Second, the political institutions with limited democracy in HKSAR, inherited from the colonial era, shape the politics of labour and welfare by vesting strong veto-power of the business (Chapter 3). On the one hand, the Administrative-led executive of HK government dominates the policy-making over the legislature, which implies that government officials were central to the decision to introduce IWBs. On the other hand, as the Basic Law inherently incorporates business into the governing-alliance of HKSAR, the executive could not violate or ignore the interests and attitudes of business in both Executive Council (ExCo) and Legislative Council (LegCo). While the ExCo included many representatives of business, the LegCo also institutionalises the voices of business via the Functional Constituency (FC) and its veto-power. Therefore, the establishment of IWBs should fulfil the socio-political needs of an authoritarian government and economic needs of employers, regardless of their awareness. Furthermore, the restricted election of the CE also promoted a limited political competition among the pro-Beijing candidates. IWBs were part of the result of the CE election in 2012 (see below).

Third, HK's residual welfare regime and its productivism uphold a work-first approach to means-tested benefits for the working poor, coupled with the ad-hoc expansion during economic growth and budgetary surplus. Whilst the re-establishment of the Commission on Poverty (CoP) introduced a poverty line in 2012 due to technical-administrative reasons (Chapter 3 and 6), IWBs as the measures introduced to alleviate in-work and intergenerational poverty were characterised by their implicit work ethic and the antagonism towards social assistance. Despite the fact that CoP and the CE took initiatives to address new needs of the working poor, the historical legacy and institutional framework of residualism and productivism still shaped the politics and governance of IWBs (Chapter 8). Thus, any expansion of income maintenance policies had to promote employment and to prevent the use of out-of-work benefits.

These three aspects of political economy and institutional context enabled and constrained the trajectories of HK's IWBs, which share some similarities with IWBs in the UK and US. They generally appear in the liberal-residual welfare regimes that relied on means-tested benefits and safety net that promote the idea of state

welfare as the last resort to the poor. Second, HK's IWBs as well as the UK and US emerge under the liberal market economies, where the states weakly organise, coordinate, and regulate the economies and employment relations. As a result, HK's IWBs seemingly resemble their counterparts in the UK and US as a complement to the low-road model of employment and as a wage constraint for the low pay employers. However, some differences also exist among the cases of HK, UK, and US, which leads to the particularity of HK's IWBs.

First, the tradition of colonialism and the current authoritarianism results in protracted democratisation of HKSAR. With limited democracy in political institutions and at workplace, a strongly disciplined workforce is continually cultivated to compete for the low pay jobs in the labour market. Combined with a semi-democratic regime that is different from the UK and US, the policy choice of the work-first approach to welfare in HK receives less political challenges but requires stronger employers' approval in the political system biased towards the business. This potentially undermines the space for the civil society to negotiate with the government about the conditionality and generosity of HK's IWBs. In contrast, some expansion and relaxation of IWBs in the UK and US were introduced by left-leaning parties (Chapter 4).

Moreover, the labour market institutions that reside IWBs are different. Apart from their individualised employment relations, the relationship between IWBs and MW are different in the three cases (Chapter 4). Whilst US's MW legislation pre-existed the EITC introduced in the 1970s, UK's wage supplements predated the MW legislation in 1999. The MW legislation in HK took place in-between the introduction of the WITS and LIFA. The MWs in HK and US are comparatively less effective than that of the UK because of the adequacy to meet the needs of basic living. When IWBs in the UK were taken as part of the make-work-pay strategy under the New Labour government, their counterparts in HK and US are more likely to be a wage subsidy for employers in the absence of effective wage regulation.

Finally, the economic conditions of HK government during the introduction of IWBs were almost the best among the cases of UK and US. Both the WITS and LIFA were

established in low unemployment rates, continual budgetary surplus, and developing fiscal reserves of the government. Therefore, the favourable economic conditions vested HK government the fiscal capacity to execute IWBs that occupied a small proportion of public expenditure (Chapter 3). The current spending ratio of HK's IWBs over the social security is relatively small due to their low take-up rates (Chapter 6). Despite its higher number of caseload than other working-age benefits in HK, for instance, the unemployment assistance and single parent CSSA, their relative importance to the overall welfare spending is weaker than that of the UK and US. This implies that the actual expenses and functions of IWBs in HK are far from the government expected to alleviate in-work and intergenerational poverty.

In sum, the trajectories of IWBs are shaped by HK's political economy and institutional framework, in particular to its political and labour market institutions, and its economic-fiscal conditions. Whilst they enabled the emergence of IWBs, they also limited the functions and development of IWBs in HK.

IWBs in multi-layered contexts

The interviews and policy documents revealed that the introduction of the Transport Subsidy Scheme (TSS), Working Incentive Transport Subsidy (WITS), and Low-income Working Family Allowance (LIFA) appeared against the background of many events. Based on the notion of 'multi-layered contexts' (Falleti & Lynch, 2009), different aspects of circumstances could be classified into political, economic, social, and policy contexts, coupled with the historical and institutional legacies, which together set the scene for IWBs.

First, the Administration continually underlined the necessity to follow the conventional principles of welfare policy and fiscal discipline in designing IWBs (Chapter 6). It was assumed that the household-based unit for means-testing was 'effective' because it was consistent with the long-lasting arrangements of welfare, despite the inadequate evidence supporting such argument. As a result, the government argued that the newly initiated poverty line and IWBs were in line with the existing residual welfare regime, which did not signal a shift of welfare paradigm. More importantly, IWBs were marked by their incentive effects on

labour market participation and strengthened the work ethic of the poor. The implicit market-supremacy and work-first approach to benefits could be traced back to the colonial era. In addition, the architecture of HK's liberal market economy also historically prevented the choices of macro and demand-side intervention in the labour market that would undermine the short-term interest of business, in favour of individualised bargaining. Thus IWBs, as a new form of welfare, were inherited from the pre-existing welfare ideologies and labour market institutions, although it did not necessarily signal a path dependence (see below).

Second, the political context related to the election of Chief Executive (CE) aided the rise of IWBs. The TSS was introduced in mid-2007 after the reappointment of Donald Tsang as the CE. The idea of introducing a proper IWB (later as LIFA) and the decision of relaxing the eligibility of WITS and reviving the Commission on Poverty (CoP) emerged in the electoral competition (Chapter 8). Within the pro-establishment camp, candidates were partially pressurised by the quasi-democratic regime to make electoral promises and sought wider political support. IWB then became one of the policy proposal in Leung's manifesto and was realised afterwards. Hence, the political context the election paved the way for employing IWBs as a source of political legitimacy under HK's electoral authoritarianism.

Third, the economic contexts of the relatively higher unemployment in remote areas and the increasing overall employment rate reflected a partially buoyant labour market with stagnated wage growth and intensified in-work poverty. The latter was particularly addressed after the establishment of poverty line, despite consecutive years of economic growth and the minimum wage (MW) legislation. The unbalanced economic recovery and ample job opportunities with insufficient wage composed of the economic backgrounds of the TSS, WITS, and LIFA.

Fourth, the social contexts were more aligned with the WITS and LIFA, whereas the TSS was more associated with the economic contexts. As suggested by the interviewees (Chapters 7 and 8), the modification of WITS and setup of LIFA were in accordance to the cross-class discontent on the government's fiscal conservatism and huge reserves. The 'riches' of the government fuelled rising social pressures for

more poverty-alleviation against the escalating Gini Coefficient (from 0.533 in 2006 to 0.537 in 2011) and rising in-work poverty. The growing consciousness and pressure in the civil society for greater state support to the working poor was then translated into the requests for new welfare measures. In other words, the class-based needs for improving living standards and cross-class dissatisfaction with the government promoted the social basis for policy changes.

Finally, the policy contexts in 2007 opened up the possibility and shaped the subsequent paths for using wage supplements to boost the income of the working poor (Chapter 3 & 6). There were two main reasons for introducing new initiatives for poverty-alleviation. The first of which was the policy gaps in addressing the working poor and the district-based unemployment. The unmet economic needs for income protection of working families and compensation of additional transport costs mirrored limitations of the existing safety net. The second was the already retrenched and reformed in out-of-work benefits. In this connection, the generosity of the safety net was undermined and the punitive conditionality was widely applied to the abled-bodied recipients. In addition to the improved labour market conditions, the number of unemployed welfare claimants had showed a remarkable decline since 2006. Consequently, the fiscal pressure and space for further curtailment of out-of-work benefits was small, which limited the policy choice thereafter to enlarge the welfare-wage differentials by shrinking the safety net.

Whilst these structural and contingent contexts enabled the emergence but constrained the forms of IWBs, they did not directly generate the 'outcome' as IWBs. These circumstances could be seen as the fields in favour of the birth of IWBs, within which a set of factors operated as a mechanism resulting in the IWBs.

Conditions and mechanism giving rise to IWBs

A generative mechanism of social policy refers to the causal process and interaction of a set of necessary and/or sufficient conditions that involved the interplay between structures and agencies, resulting in a particular social policy (Weber, 2007; Hedström & Ylikoski, 2010; Little, 2015) (Chapter 5). On the basis of the data

analysis different conditions of political economy played key roles in bringing about the IWBs in HK.

There was a necessary-cum-sufficient set of conditions identified in the data, which was essential for IWBs, and more importantly, its presence alone could lead to the existence of IWBs. The condition that could play these two roles was the support and enthusiasm of the Administration. Some policy-makers attributed the IWBs to the willingness of the bureaucrats as the most crucial factor to the emergence of IWBs (Chapter 8). It was argued that although the suggestion of TSS and LIFA was promoted by the CoP (Chapter 6), the main driver was the decision of the Administration, which was in charge of the CoP. In addition, the relaxation of TSS and its modification to WITS were the direct instructions of the government. The expansion of IWBs, therefore, could be understood as a credit-claiming policy choice of the government. This was claimed to mitigate the political pressure and increase the legitimacy of the government in the absence of universal suffrage. What made the decision of the Administration necessary and sufficient for the existence of IWBs was HK's Administration-led regime. This outweighed the executive power for the government over the Legislative and Judiciary power. Seemingly, as long as the Administration decided to initiate the TSS, WITS, and LIFA, the government could be managed to promote them whether by the platform of CoP (the case of TSS and LIFA) or by itself (WITS). Without the permission of the Administration, other necessary conditions could not lead to the outcome of IWBs.

However, the notion that the Administration caused IWBs hid the fact that once the Administration's approval became the necessary and sufficient condition for IWBs, the two entities ontologically overlapped. This logically eliminated the explanatory power of the Administration's move on IWBs. Despite the vital role of the Administration widely emphasised by interviewees, it told us nothing about the generative mechanism of IWBs. The support of the Administration, therefore, should be seen as a factor sparking off the emergence of IWBs but it cannot explain other institutional, ideational, and interest-power conditions. Put another way, the question is what conditions fostered the approval of the Administration to the introduction of IWBs?

This first brings us to the sufficient but not necessary conditions for IWBs, in which their presence ensured the existence of some IWBs but they were not essential for all IWBs. The first of which was the ideational power from the threat of the closing welfare-wage differentials and the dissatisfaction on lagged behind wage income in the context of long-lasting idea of 'less eligibility' and work ethic. These perspectives were expressed across classes and parties in the discussion of LIFA in different ways (Chapter 7). For the government, business, and many policy-makers, it was dangerous to allow the income of working families at the bottom of the labour market and of large families to fall close to the benefit level ensured by the safety net. Their assumption was that the working poor would exit low paid employment if they realised the small difference between wage and welfare income. For claimants and progressive advocates, they found that it was morally unacceptable to let the income of working persons and their dependants fall below the safety net level, which was taken as the threshold of minimum subsistence level (absolute poverty). Against the institutional and policy context, there were three reasons linking this idea to the adoption of LIFA. First, the threat of narrowing welfare-wage gap and the resentment on the unemployed in principle could be reduced by curtailing the unemployment welfare. Yet the social assistance had undergone substantial retrenchment between 1999 to 2006, which made the government difficult to impose further cut back, given the absence of budget deficit. Second, the income of working poor families could be raised by increasing the MW (introduced in 2011) and/or by providing more universal childcare services for freeing second earners to enter employment. However, the long-lasting liberal market economy and residual welfare model precluded these policy choices. Third, the amount of allowance offered by the existing WITS was not enough to amplify the gap and stabilise the working poor in low pay jobs. The threat of a diminished welfare-wage gap coupled with the dissatisfaction propelled the government to respond by introducing stronger IWB, the LIFA, outside the safety net and WITS.

The second sufficient but not necessary condition for IWBs came from the establishment of the relative poverty line in 2012 as its presence could guarantee the existence of LIFA in the economic context of rising income disparities between

working families. Despite the already existing working poor, it was not officially recognised by the government and addressed by social policy without a threshold of poverty line. There were two functions of the poverty line (Chapter 6 and 8). First, it was designed as an income threshold for the purpose of objective measurement, through which the numbers and the extent of working poor families could be detected by the government and society. Second, it showed how many and in which way people in poverty were not supported by existing welfare policies. As a result, the poverty line introduced was not only the most authoritative indicator for measurement, it embodied the state's moral obligation and reflected its ability and performance in poverty alleviation. The presence of this new institutional arrangement ensured a new form of IWB in the case of LIFA. However, the poverty line was not a necessary condition for IWBs as it did not exist during the introduction of TSS and WITS.

Whilst these two sufficient conditions appeared in the case of LIFA, another two necessary conditions happened in both the cases of LIFA and WITS. First, the institutional politics of a budgetary surplus and increasing fiscal reserve were necessary for IWBs. According to the fiscal discipline implemented between 2003 and 2006, the main task for the HK government under budget deficit laid in the pursuit of fiscal consolidation and balanced budget. Hence, the Administration would not introduce new welfare policies until the fiscal surplus reappeared (Chapter 6, Figures 6.15 and 6.16). Therefore, the surplus budget and increasing reserves were essential for the government to support IWBs. Apart from allowing the new welfare spending of government, these positive fiscal conditions also fuelled new politics across different class, which was reflected on the cross-class accusations on government's fiscal conservatism (Chapter 7 and 8). The policy-makers, NGOs, and welfare users complained about the government's inadequate action for the poor during the times of fiscal surplus. Besides, the corporations strategically demanded that the government bear more responsibilities to efficiently use its reserves and shifted the costs from the business to taxpayers. Given the immensely unequal income distribution at the primary level, it was

expected for the state to play a stronger role in redistribution via the abundant fiscal reserves.

The importance of fiscal conditions for the emergence of IWBs was magnified by the structural dilemma under the policy contexts. Not only the IWBs claimants, but also the government, policy-makers, and employers gave much attention to the relentlessly rising living costs of the working poor (Chapter 7), such as transport and private rental costs. Consequently, the living standards of the working poor lagged behind economic development because their income growth was outstripped by most people's and eroded by rising living costs. On the one hand, these issues correctly addressed the income distribution and the affordability of public services in relation to in-work poverty. On the other hand, the lagged behind income and uncontrollable living costs were linked to the fundamental structure of HK's political economy, for instance, the labour market regulation and privatised ownership of housing and transport services. Embedded deeply in business interests, these structures were politically untouchable under the pro-business authoritarian regime (Chapter 8). As a result, the structural dilemma between pressing social needs and the neoliberal state was in principle incompatible but it could be mitigated via extra social spending by the government with strong fiscal capacity. In a nutshell, the surplus budget and accumulating fiscal reserves empowered the HK government to alleviate in-work poverty by successively expanding IWBs to top up the working poor's income, without violating the interests of the employers and departing from the existing institutional paths. Although this approach to supplementing the living expenses of the working poor somewhat contradicted the minimal state imperative in the short-term, it was a policy instrument with relatively low political and economic costs in the long-term.

The second necessary condition for all types of IWBs was the failure of labour market institutions, which predominantly shaped other necessary and sufficient conditions. First, the introduction of TSS could be attributed to the mismatch at the low-end labour market between the unmet demand in urban and un-utilised supply in remote areas (Chapter 6). It was assumed that the geographical immobility of employers and employees could be unilaterally solved by approving IWBs for the

unemployed to channel them to the urban job vacancies (Chapter 6 & 8). Second, the expansion from cross-district TSS to within-district TSS was driven by the irrationality of higher within-district transport costs in remote areas, which stirred the sense of unfairness for those working within remote districts. Therefore, the use of cross-district IWBs for the purposes of compensating for transport expenses could not be justified in the context of poorly designed transport fees. TSS was originally adopted as a 'spatial fix' of the labour market and was later turned to an income supplement for wage-earners from remoted areas. However, this arrangement invited further criticisms of the geographic unfairness between low paid workers living in remote and urban areas, as the original purpose of incentivising cross-district employment was replaced by a supplement to transport costs. The unintended consequences of the TSS expansions exposed the second and deeper territory-wide failure of the labour market as a whole that could not guarantee the adequacy of wage to pay for the rising expenses. As this was seen as an incentive to employment exit for the working poor, the introduction of WITS and LIFA was to alleviate the in-work poverty and low pay during economic growth. The failure of the labour market to provide living wages and incomes for larger size families also mirrored the failure of the existing state intervention, such as the MW and childcare policy. Third, the labour market, especially at the labour-intensive and low-end, failed to solve the labour shortage in the times of burgeoning employment opportunities (Chapter 8). Because of the rigid labour market supply, competition for unskilled workers greatly raised the labour costs of recruitment for employers. Constrained by the wage ladders and the prevention of ripple effects on other wages, the employers rejected to continuously uplift the wages for the unskilled jobs and this limited their capacity to resolve the labour shortage.

These three forms of labour market failure urged the government with an employment-centred social policy to use IWBs to smooth and stabilise the labour market transactions by boosting workers' spatial mobility and maximising their participation. Against the backdrop of declining unemployment welfare spending and caseloads, the main focus of welfare and labour market policy shifted to working families in poverty with the new emphasis of the IWBs approach.

Finally, the emergence of IWBs could not be independent of the politics of the surprising cross-class consensus on them. This consensus was composed of employers' endorsement and NGO's advocacy. Regarding their attitudes towards IWBs, employers generally demonstrated contrasting views to the safety net, MW, and the proposal of universal pension (Chapter 8). Whilst the out-of-work benefits were seen to offer workers' choice to leave employment, IWBs were welfare policy that could increase the labour market supply and generate downward pressure on wages. No matter whether individual employers or the business representatives, they in general supported the IWBs with less silence on the LIFA due to its larger scale. Despite the welfare scepticism among corporations, they adopted a pragmatic perspective on IWBs to focus on their short-term interests for cost minimisation. The NGOs in the welfare sector and civil society also considered in-work poverty and IWBs as the policy window for advocating stronger income protection for the poor (Chapter 8). In fact, the idea that 'work was the best route to get out of poverty' was contradicted by the more visible in-work poverty and low pay, which undermined the moral foundation of work ethic as the poor had already fulfilled their obligation to contribute (Chapter 7). Therefore, the NGOs and workers were more confident to request for state intervention according to the mainstream beliefs about work and poverty. IWBs, thus, were more strategically favourable for the NGOs than other institutional changes within employment relations, given their political feasibility. Despite the conflicts over the views on work and welfare across classes, employers' pragmatism and NGO's advocacy unintentionally converged at the points of IWBs introduction and expansion. This cross-class compromise placed IWBs as a pro-employer and pro-poor measure and increased their popularity in the public. Without NGO's socio-political pressure and employers' withheld veto-power the government would not have authorised all types of IWBs.

Figure 8.1 The Stratified Mechanism Generating IWBs in HK

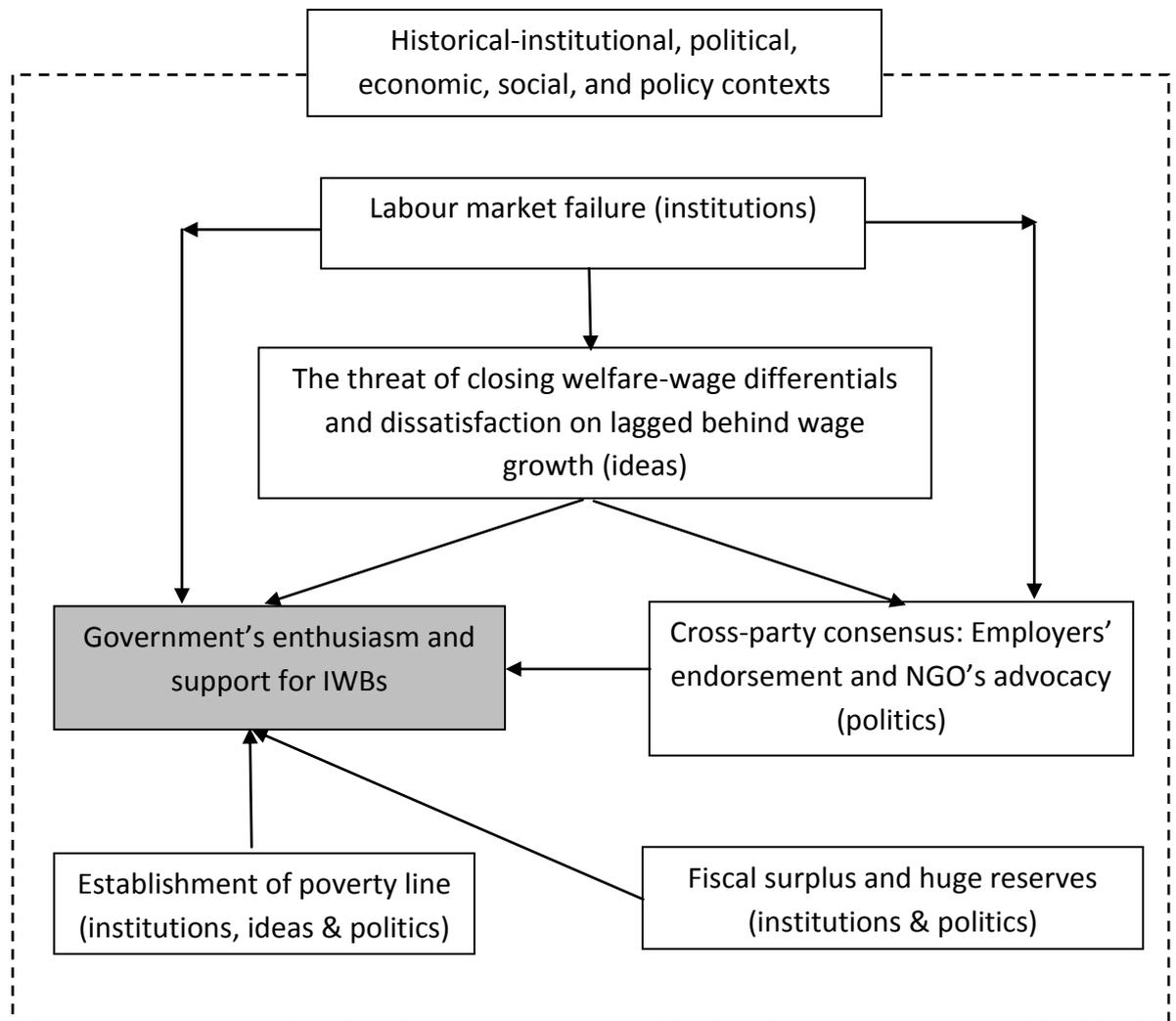


Figure 8.1 shows the model of the stratified generative mechanism for IWBs in HK. The arrows represent the causal power and dynamics among different factors. It is argued that the failure of labour market institutions drove the government's decision on TSS and fuelled the threat of a narrower welfare-wage gap and the dissatisfaction about sluggish wage growth. These ideas gained tripartite support from government, employers, and NGOs from the welfare sector. Meanwhile, coupled with labour market conditions these ideas facilitated the formation of cross-class consensus on interests. In addition, the fiscal conditions 'capacitated' the government to realise the objectives to encourage employment and alleviate

in-work poverty. They also fuelled the fiscal politics to spend more on the deserving working poor. The establishment of the relative poverty line unmasked the severity of in-work poverty and discredited the government in poverty alleviation, which led to the final approval of a new income maintenance for the working poor. Despite the existence of different necessary and sufficient conditions, the model of multi-level mechanism suggests that origins of IWBs were multi-causal. On the one hand, labour market failure, cross-class consensus, and the favourable fiscal politics were necessary to all forms of IWBs. On the other hand, the poverty line and the ideas about welfare-wage differentials only played particular roles in shaping the LIFA. All the conditions were operational and interacted with the broader contexts, but were not determined by them.

Informed by this dynamic mechanism, the constraining and enabling structures were linked to the path-shaping agency of particular powerful groups within given circumstances. Thus, the explanation of IWBs in HK was embedded in (1) the material needs experienced by workers and employers, and decisions made by government officials; (2) the institutional arrangements of different policies supported (or challenged) by underlying ideas and discourses; (3) the capitalist social relations with contradictory interests and crisis-tendencies. These conditions of the generative mechanism were key to explaining the institutional changes and continuity (Béland & Powell, 2016; Jacobs, 2016).

Revisiting the political economy of welfare in relation to IWBs

As different schools of welfare political economy have contrasting explanatory logic and theoretical emphases (Table 1.1), they could be examined by the development of IWBs in HK to reconsider their applicability and relevance. The first of which is the Marxian analysis. The two-fold functions of IWBs to encourage employment and increase the income of the working poor carried the dual functions of controlling and caring for workers at the low-end of the labour market. This echoed the functions of capitalist welfare by imposing class discipline and providing some economic security for workers (Piven & Cloward, 1972; Ginsburg, 1979; Gough, 1979). Viewed from the Marxian perspectives (Offe, 1984), the main driving forces

of IWBs lay in the economic need to revive the profitability of employers of low pay jobs due to market failure and the political need of credit-claiming for the authoritarian government. Whilst the case of HK showed less obvious and indirect relationship between employers' profits and IWBs, it is argued that IWBs as the satisfiers of business needs were not intended but structurally existed underlying the interrelatedness of capitalist welfare and market. However, the pursuit of profit behind welfare was far from stable and predictable (Jessop, 2016), as evidenced by the dilemma of a productivist-residual welfare regime and the negotiation for IWBs under changing class and fiscal politics. Consequently, it suggested that the IWBs were the welfare seemingly more compatible with capitalist market in the absence of fiscal crisis than other social policy with stronger effects of labour de-commodification, for instance, social assistance and the MW. As such, the features and nature of welfare matter to understand the tensions within capitalist political economy, yet they were overlooked by the Marxist theories.

In this connection, the institutional approach was more sensitive to the relationship of IWBs with other elements of income maintenance, and their policy contexts. The notion of institutional interdependence was key to addressing the interaction among IWBs, safety net, and MW in the welfare-work regime (Hall & Soskice, 2001a; Höpner, 2005; Deeg, 2007; Campbell, 2010). In addition, the evolution of IWBs as the new welfare measures for in-work poverty should be taken as path dependence of the productivist-residual model (Pierson, 2004; Jacobs, 2016), coupled with incremental changes (Mahoney & Thelen, 2010) (see below). These findings echoed the multiple-trajectories of income maintenance in the neoliberal and austere contexts (McEnhill & Taylor-Gooby, 2018).

Apart from the importance of state officials, the actor-focused perspectives on business and social policy were strongly relevant to the emergence of IWBs in HK as employers' policy preferences were structurally protected by their power (Farnsworth & Holden, 2006; Miller & Mooney, 2010; Paster, 2015). Business contingently and strategically supported some state welfare favouring their interests (Meyer & Bridgen, 2012; Paster, 2013), which was necessary for employers in HK to unusually withhold their veto-power and led to the formation of

cross-class support for IWBs. However, the power resources approach had difficulties in explaining the social context without corporatist and democratic regime, and powerful social movements. In contrast, ideational power and embeddedness was noticeable in the establishment of IWBs (Campbell, 2002; Somers & Block, 2005; Schmidt, 2008), including the roles of normative and instrumental ideas to legitimise descriptions of problems and solutions underpinning IWBs. The notion of ‘coalition magnets’ was evidenced by the consensus on the welfare-wage gap and the surprising alliance under the politics of budgetary surplus (Béland & Cox, 2016).

What this research suggests for welfare political economy is that the dynamics of IWBs, for instance, institutional interdependence, path dependence, ideational embeddedness, and the role of business, could not be understood independently from capitalist social relations. The institutionalisation of IWBs as pro-market welfare inevitably manifested the tensions and dilemmas of welfare capitalism.

Understanding the features and roles of IWBs

Derived from the above analysis, this section examines their nature and features as a ‘new’ social policy in relation to welfare and labour market institutions. There were three features marked by the IWBs in HK: work conditionality for fulltime employment, the dilemma within a productivist-residual welfare regime, and the contextualised tensions between wage-earner and employer welfare. While these features could be more or less found in IWBs across countries, there were distinctive meanings yielded in HK’s policy contexts.

Conditionality of fulltime and low pay work

The work conditionality embedded in IWBs was based on the principle of ‘higher income for working families than the non-working’. Therefore, eligibility was generally designed with some minimum working hours, a phase-in range to increase work incentives and family income, and a phase-out range to gradually diminish the marginal return of extra work. The work conditionality in HK’s IWBs was orchestrated as a two-tier system with the principle of ‘the longer working

hours, the more benefits' to encourage fulltime employment instead of part-time. It was seemingly reasonable to promote more employment for the purpose of self-reliance. However, the minimum working requirement for higher allowance in the original design of LIFA was 208 hours per month and 144 hours for the basic allowance (Chapter 6). The Administration, therefore, imposed a fulltime condition for the full entitlement, which redefined the IWBs as the in-fulltime-work-benefits (IFWBs). The two-tier working hour system was implemented in TSS, WITS, and LIFA with different extent. Despite the lower requirement for lone parents, the working hour conditionality reduced the varieties of work to a full-time basis and in turn punished those could not work as full-time or underemployed persons.

There were some questions raised about the rationality and justification of HK's IFWBs. The first of which is about the targeting and subsidisation of IFWBs. When full-time conditionality was combined with the means-tested eligibility, the benefits would narrowly concentrate on the working persons with longest working hours and lowest hourly pay at the MW (or slightly higher) (Chapter 7). Consequently, the IWBs in HK were most accessible for this prototype of claimants. However, the IFWBs in turn subsidised the employment with lowest productivity although it might not be the initial objective. Targeting on the basis of fulltime and low hourly pay made HK's IWBs not only the IFWBs, but also the in-lowpay-work benefits (ILWBs). The institutionalisation of low pay jobs and low pay sectors was unintendedly entrenched by the ILWBs' and IFWBs' characteristics. The second problem is that the child allowance was attached to the LIFA as conditional welfare. Perhaps it was progress to introduce a child allowance for the working poor, yet the current arrangement conditionalised child benefits. On the one hand, it penalised the children with parents working less than 144 hours per month who were not entitled to the LIFA; the conditional child benefits, on the other hand, commodified child welfare as it was unequally distributed to some children premised on their parents' market performance, rather than to all children because of their own age status. This further undermined the social rights of children as independent citizens. Third, as the IWBs were entirely conditional on the labour market participation, the strongly commodified income maintenance inevitably extended and/or translated

the market risks into welfare provision. Hence, the inequalities and precariousness inherited from the labour market would be also reflected in the IWBs, through which the income insecurity and disparity within the working poor, i.e. between stable and precarious employment, could not be reduced but enlarged according to their total working hours. Some IWBs claimants with more standard jobs might predict and ensure their working hours, whereas others with temporary, part-time, and zero-hour contracts were not entitled to full subsidies.

The underlying logic of IFWBs and ILWBs was that working hours were completely the result of personal choice in a tight labour market where fulltime jobs were available. Regardless of bad jobs and difficulties confronting the working poor, the work conditionality and eligibility together conveyed the message that breadwinners should work as long as they can and, in return, they would be rewarded by the government. IWBs based on such individualistic notion on work both maximised the welfare-wage gap and enlarged the income differentials between fulltime and non-standard work, which were potentially regressive within the lower working class.

Hierarchy of deservingness, varieties of work ethic and the undeserving rich government

The stratified work conditionality could be understood from a moral perspective. Based on the discourse of 'encouraging self-reliance and employment', the IWBs, especially for the LIFA, possessed a hierarchy of beneficiary which classified different levels of deservingness in line with generosity (Figure 6.7). The conditional and means-tested IWBs continued the residual welfare philosophy to blame the undeserving poor, but extended the target from the unemployed poor to the non-fully employed poor via the stratified benefits according to working hours. Whilst the government justified the use of IWBs due to the danger of closing the welfare-wage gap, the division of IWBs were more likely to be contested as some claimants saw it as unfair and unfavourable to the unprivileged in labour market (Chapter 7). In other words, the hierarchy of deservingness within the working poor was more

controversial than the deservingness distinction between working and non-working poor.

Derived from the interviewees, four kinds of work ethic could be identified with contrasting rationales (Chapter 7). The idea of strong individualism mainly upheld by the government, employers, and a minority of claimants, which attributed poverty to behavioural irresponsibility and personal deficits. Despite their working status, some of the working poor without fulltime jobs could be seen as partially fulfilling of work obligation and should be blamed for their 'choosiness' about fulltime jobs during abundant jobs growth. Second, the mutual contractualism emphasised the multi-lateral based obligation in the welfare-work nexus. As a contractual obligation the right of one party is premised upon an others' duty, and vice versa. It would be unjust to ask the poor to fulfil their work duties without corresponding state and employer support. As such, income support for the working poor should be adequate, generous and accessible enough as they had already exercised their moral obligation to work and contribute. Third, the situationalism was sympathetic to the living circumstances of the poor and multiple-barriers to (full time) employment. Despite its recognition of the importance of work for the poor, it broadly considered how social contexts shaped the possibility of more work, for instance, childcare needs, employment relations, and training opportunities. Instead of an orthodox-like belief in full time work, the situational ethics paid more attention to the complexities of and social conditions for employment, and expanded the definition of work to a set of work-related activities. Finally, the pragmatic progressivism mainly narrated by the progressive campaigners and workers challenged the welfare conditionality and the ethos of self-reliance in a neoliberal context. It was argued that the individualistic work ethic ignored the root causes of in-work poverty and low pay as the result of the failure of social policies and the inequalities generated by the market. More importantly, the existence of in-work poverty undermined the legitimacy of the work ethic.

Apart from strong individualism, the three views cast doubts on the mainstream work and welfare ethics promoted by HK's IWBs. Whilst there were disputes about the deservingness of the working poor, a widespread discontent with the

'undeserving rich government' emerged. The aforementioned cross-class consensus was remarkable in urging the government to spend more because it was 'too rich' with seemingly unlimited fiscal reserves (Chapter 8). The advocacy in support of IWBs argued that the 'ultimate' undeservingness was evidenced by the government's wealth and fiscal conservatism. Criticisms of the undeserving rich government took over other conflicts on wage-profit distribution between workers and employers. Hence, the attention and hostility was then diverted to the government from business, and in-work poverty was then considered to be solved by 'punishing' the government to redistribute more to the working poor.

Dilemmas of the productivist-residual welfare regime

HK's welfare regime has long been depicted as a productivist and residual model, in which production is prioritised over protection (Chan, 1998; Kim, 2015) (Chapter 1 & 3). IWBs as the new welfare measures epitomised the regime's inherent dilemmas between production and protection. There were four sets of dilemma characterised by the productivist-residual IWBs and they could not be eliminated unless structural reforms appear.

First, the workfarist reforms of the safety net aiming at welfare-to-work transition were faded out in HK after 2006 as unemployment sharply declined during the economic recovery and high labour market demand. Another two emerging types of welfare-work nexus promoted by the IWBs were 'welfare-for-work' and 'welfare-with-work' (Chapter 6). The 'welfare-for-work' implied that the benefits (TSS & WITS) were specifically provided for increasing the attractiveness of work. However, the amount of incentivising benefits was limited because the residual welfare traditions and neoliberal ideologies to avoid 'distorting' the labour market by offering 'too generous' welfare. The 'welfare-with-work' nexus referred to the welfare that would be accompanied with in-work poverty and low pay. This suggested that the IWBs for the working poor could be permanent as long as the existence of low pay jobs and the breadwinner model. Yet this arrangement contradicted the policy rhetoric of self-reliance as the provision of IWBs signalled the impossibility of the so-called 'economic independence' to rely on wage income

alone (Millar & Bennett, 2017). On the one hand, the HK government attempted to use IWBs to prevent employment exit and the entry of safety net; on the other hand, the long-term use of IWBs would generate structural dependence on welfare (see below). Thus, the welfare-with-work nexus contradicted the neoliberal tenets on market supremacy and welfare dependency.

The second set of dilemmas concerned the design of benefits and the objective to foster employment. Different from IWBs based on the tax system in the UK and US (Chapter 4), HK's IWBs were unsurprisingly implemented as means-tested as a safety net in the light of its residual welfare regime. As a result, the design of IWBs was complex as it requested the applicants to provide proof of income, assets, and employment conditions. These requirements made the application of IWBs similar to social assistance and inevitably engendered stigma and barriers for applicants (Chapter 7). As the IWBs were targeted on the working families in poverty, the income threshold of the eligibility limited the coverage of claimants. These welfare-like features revealed the fact that IWBs in the residual framework were *de facto* a welfare, although the government tended to deny it and demonised the out-of-work benefits. Consequently, the IWBs shared most of the drawbacks of other means-tested welfare and this seriously jeopardised the take-up of IWBs and their pro-employment potentials (Chapter 6). The over-estimation of the use of IWBs was associated with the under-estimation of welfare stigma, and more importantly, with the simplistic and mechanical assumptions about the decisions made by the poor about welfare and work. The residual welfare with a clear-cut threshold wrongly supposed that (1) the poor would automatically apply for welfare as long as they were eligible; (2) they would give up welfare or work to maximise their income after a rational calculation of interests (Chapter 7). The underlying micro-rational approach to the welfare-work nexus de-contextualised and de-politicised human behaviour in broader social relations. The economic reductionism in social policy overlooked the contradictions between the goal of promoting employment and means-tested welfare.

The third dilemma was that the familial basis of IWBs and their unit of assessment was unfavourable to second earners and single workers. As the model prioritised

and subsidised the breadwinners with full-time jobs, the assessment of working hours only depended on the same person's work. As such, the second earners in partnered families were discouraged, especially by the LIFA (Chapter 7), not to mention the lack of a care policy. In addition, households with dependants other than child, such as older and people with a disability, could only receive the adult allowance. Therefore, the LIFA favoured working poor families with children as one of the regime's policy objectives was to alleviate intergenerational poverty. In so doing, the special needs of older and disabled working poor families were ignored. Furthermore, single low paid workers were ineligible for the LIFA and they were only eligible for the less generous WITS as the government attempted to avoid direct subsidy on wages. Yet the rate of WITS was frozen in 2007 and it was far from catching up with inflation. In brief, the IWBs displayed a clear 'familial selectivism' biased towards working families with children, without adequate evidence to exclude the households with adult dependants in need. While this selectivism limited the coverage, it also limited the capacity of IWBs to promote employment.

Finally, as the fiscal surplus and job availability were essential for IWBs, this market-oriented welfare was incapable of resisting or ameliorating the risks and insecurity brought by the volatility of the market economy. Although there is not enough evidence to conclude that HK's IWBs were not counter-cyclical, it was still reasonable to consider them as good weather welfare based on burgeoning job availability (Raffass, 2017) (Chapter 4). Regardless of job quality and employment relations, these IWBs opted to reward or compensate long hours of work and low paid employment by wage top-ups. Hence, IWBs were *de facto* the labour market and economic policy that put the maximisation of total working hours and minimisation of absolute labour costs over the average productivity of labour, overlooking the importance of unit labour costs and labour's skill profiles. It was a clear sign of 'low road investment' and 'fast' approach to low quality employment in the liberal market economy (Estevez-Abe et al., 2001; Kalleberg, 2009; Berry, 2014). Despite the 'productivist' principle of the pro-market welfare, IWBs in this sense were unproductive and tied to the 'short-term gain, long-term pain' of

productivity at the expense of wage equality, skill advancement, and investment on innovation.

Contextualised tensions between wage-earner and employer welfare

As Chapter 4 suggested the dual faces of IWBs and the need for a contextual understanding on them, the data analysis depicted a mixed picture of the dynamics between wage-earner and employer welfare, which went beyond a trade-off (Chapter 7). First, there was no sign of employers' unilateral cutting wages due to IWBs in the context of tight labour supply and economic growth. While there was evidence of wage erosion effects associated with EITC in the US (Chapter 4), the notion of employer subsidies was somewhat 'proved' in that case. However, Chapter 8 showed that the assumptions of IWBs' effects on pay cut did not match the data. The employees and employers both were not sensitive to and familiar with the eligibility, generosity, and conditionality of IWBs, leading to their difficulties to curtail wage according to the top-up of IWBs. Despite the sluggish MW growth, low paying employers were generally facing competition for unskilled workers from other enterprises and sectors. Hence, employers could not unilaterally slash or even freeze wages without pressure from the workforce, otherwise they would suffer a loss of employees. It is argued that the wage-setting in the low-end labour market was shaped by many contextual and institutional factors, in which IWBs play a relatively limited role, especially in the high labour market.

Second, derived from the data the IWBs were favourable to increase the flexibility and availability of labour supply. As the cross-district employment was incentivised and the low pay was compensated by IWBs, the workforce was stabilised through reducing the financial burden of the working poor and substantially topping up the income of families with children via the LIFA. In this connection, IWBs could function as employer relief and wage restraint in offsetting the upward pressure of labour costs in the face of labour shortage (Umney et al., 2018), which was believed by individual employers and business representatives (Chapter 7 & 8). Whilst the law-like view on IWB-led wage erosion was unsound in HK's case, the downward

pressure and wage restraints generated by IWBs in the context of unliveable minimum wage and individualised bargaining was subtly present. Because of the unawareness of social policy and weak welfare knowledge displayed by employers, it was dangerous to exaggerate the responsiveness of employers to IWBs.

On the one hand, IWB claimants in reality increased their family income despite being confronted by various difficulties (Chapter 7). On the other hand, employers also benefited from the relieved pressure of workforce competition, potential wage restraints, and increased labour availability and flexibility. It was difficult to calculate the ratio between wage-earner and employer benefits. The government, therefore, recognised IWBs as the 'win-win' approach to workers and employers. Owing to the mixed result, it is argued that the dual faces of IWBs made them 'market welfare', rather than either wage-earner welfare on the supply-side or employer welfare on the demand-side. Market welfare referred to the institutional and spatial re-embeddedness of low paid jobs, enterprises, and sectors in the labour market. Higher caseloads of IWBs implied greater transactions in the labour market. The TSS spatially fixed the geographical mismatch between labour supply and demand; the WITS and LIFA institutionally fixed the inadequacy of wages and instability of the workforce.

However, this is not to suggest a pluralist analysis that the market welfare was structurally neutral for employers' and employees' interests, and its repercussion depended on contingent factors. In fact IWBs structurally institutionalised exploitative employment relations and supported low paid employment. The precarious rapprochement on IWBs between capital, society, and government concealed three facts. First, existing wage protection was inadequate to ensure basic living standards and bargaining power of workers, in which IWBs did not change low pay and only alleviated in-work poverty. Second, the costs of IWBs were primarily funded by taxpayers, the middle-high income workers in HK's tax regime. Third, the LIFA for many claimants was inherently time-limited as they would become ineligible after their children grew up; yet the subsidisation of low pay jobs and sectors were relatively permanent regardless of the entry and exit of IWBs. These facts diverted attention away from corporate responsibilities and the reform

of labour market institutions. As such, the IMF appreciated the LIFA and translated the idea of market welfare into the economy and society's interests (Chapter 8).

Although the creation of IWBs was not designed for employers, their pro-market principles made them necessarily pro-employer under the structure of a capitalist labour market with power asymmetries in employment relations (Offe, 1985).

Comparative perspectives on the forms of IWBs in HK

The aforementioned characteristics of IWBs in HK could be compared with the UK and US cases in order to pinpoint their different emphasis. As a form of IWBs the WITS and LIFA shares some general principles of IWBs in the international contexts (Chapter 4), in which they adopt the family-based eligibility and favour the breadwinner model that restricts the access of childless families to the entitlement. Therefore, the design of IWBs in this sense resembles the form of social assistance for the working poor, despite their different targets. Whilst IWBs in HK target the working poor and put the work incentive as the central objective as well as their counterparts in the UK and US, they have different forms and extent to which welfare conditionality is set, leading to different policy implications.

First, HK's IWBs follow the path dependence of residualism and means-tested welfare that requires the application and income-asset proof of the poor (Chapter 3). In contrast to the means-tested IWBs, the tax credit systems in the UK and US incorporate the benefits into the tax systems that simplify the claiming process and minimise its potential stigma. However, the uses of TSS, WITS, and LIFA involve the complex administrative procedures impeding the systems' accessibility (Chapter 7). This differentiates HK's IWBs from that of the UK and US because on the one hand, the HK government and business is constrained by welfare-scepticism and fiscal conservatism (Chapter 8); on the other hand, the tax records of employees in HK was less transparent and far-reaching under the so-called 'simple and low tax' regime (Chapter 3). This institutional feature of IWBs is resulted from the historical legacies and political economy of HK.

Second, HK's IWBs are designed as the two-tier of working hours, in which the requirement of working hours is highest for the higher allowance of LIFA (Chapter 6). It is not an income maintenance policy that fills the gap between wages and an income threshold, but depends on both the work intensity and economic conditions of claimants. This form of welfare conditionality in HK displays an extreme productivist approach to IWBs and reflects the disciplinary character of welfare provision that constructs an ideal citizenry of hardworking poor (Chapter 3). However, these productivist IWBs exclude the working poor in precarious employment who suffer from income instability. Compared to the cases of UK and US, HK's IWBs tend to narrow the deservingness of the working poor to workers with longer working hours and lower hourly wages (Chapter 4). This strict targeting in turn undermines the coverage and popularity of IWBs in HK.

It is argued that the significance of HK's political economy and institutional contexts not only shape the path and politics of IWBs, but also craft their forms and mediate their outcomes. This partly explains the divergent outcomes and trajectories among HK, UK, and US, despite the convergent driving forces of in-work poverty and the convergent needs for IWBs.

Development of IWBs: policy changes and continuity of HK's welfare regime

The introduction of IWBs manifested some changes in HK's welfare regime while the extent to which these changes signalled a new regime of change in the welfare-work nexus requires closer examination. Derived from the previous analysis, the emergence of IWBs could be summarised as two major changes.

The first of which was the new income maintenance provision for those in work and unemployed. Before the introduction of IWBs, the government was reluctant to expand any income protection for the working poor in its residual welfare regime, and social assistance for the unemployed was the only welfare for those of working age in HK. However, the acceptance of IWBs symbolised the government's acknowledgement of in-work and child poverty, leading to corresponding state intervention. This was surprising for a government with long-entrenched beliefs in the market and a minimal state. Despite their similar administrative procedures,

IWBs pushed the boundary of the targeted beneficiaries of the safety net to those in employment and included families slightly above the poverty line. This broke the 'rules' of residual welfare as the working poor were not necessarily the least economically disadvantaged and they had been self-reliant for a long time. Also, the IWBs admitted that the market failed to fulfil social needs and required state intervention. Differing from the transitional employment services and activation measures, IWBs as IFWBs and ILWBs were an institutional arrangement unprecedentedly designed for permanent and stable subsidisation. This could be taken as a policy sea-change in HK's history of residual welfare.

The second change was the new surplus politics underpinning the making of IWBs. While the divide between government-business and NGOs-unions was sharpened, they reached an unusual compromise for the approval of IWBs due to pragmatic and fiscal politics. Business was pragmatic to focus on maximising short-term interests and the NGOs were also pragmatic to achieve step-by-step changes and sustained the momentum of advocacy. Their strategic choices were united under the budgetary and surplus politics to exert socio-political pressures on the government's fiscal conservatism (Fong, 2015). Based on their pragmatic and fiscal politics, business abandoned its welfare scepticism and the government stopped the demonization of 'populist welfarism', and the NGOs prioritised IWBs over other structural reforms. These new politics on the one hand facilitated the establishment of IWBs in favourable fiscal and economic conditions; but the tripartite pragmatism and somewhat short-sightedness, on the other hand, could hinder their long-term commitment to social development and the possibility of structural changes.

Informed by the literature on political economy and institutional interdependence (Chapter 2), these changes around IWBs could be understood as incremental changes of the policy regime of income maintenance policies (Streeck & Thelen, 2005; Mahoney & Thelen, 2010). As such, we have to situate IWBs in their policy and historical contexts, examining their interrelationship. First, the emergence of IWBs was associated with the 'drifting' of social assistance and the MW, which were at the centre of the citizen-state and labour-capital conflicts. This process referred to the 'frozen' generosity and conditionality of the safety net under the context of

increasing economic risks and income insecurity. Despite the biannual adjustment of the MW, it lagged behind the pay rise of the better-off and rising living costs. Consequently, the real purchasing power of income protection of social assistance and the MW was relatively eroded and being obsolete in the changing environment without any nominal curtailment. While business could not abolish the MW, the government could not eliminate unemployment benefits, there were substantial barriers for the pro-labour organisations to demand the betterment of these social policies. The MW and the safety net as the 'controversial' income maintenance measures were intentionally kept unchanged in order to minimise the costs of employers, given the lack of space to scrap them. This gradually undermined their original de-commodification effects.

However, the drifting of the MW and safety net still generated tension between welfare and wage income as the individual-based MW could not ensure a working family's income was higher than the family-based safety net. The welfare-wage gap was inevitable because of their different nature and units of assessment. TSS, WITS, and the LIFA were gradually introduced and expanded afterwards, which demonstrated the 'layering' of IWBs parallel with the 'old' income maintenance. This layering had two features. First, it did not challenge the principles of the original policies but entrenched their work-first approach and wage floor objective. It should be noted that the incrementalism of IWBs was shaped by structural dilemmas and contingent politics (see above). Second, the expansion of IWBs was selective and biased towards the deserving poor and households with children, but the paths and the timing of increments were fraught with uncertainties and the government's contingent needs.

Regarding the question of policy change or continuity, the IWBs and their relationship with social assistance and MW evidenced that incremental policy changes did exist. They were by nature functional and institutional changes for using a new policy tool to deal with new problem; yet there were no normative changes for the welfare-work ideas and distributive changes of power asymmetries between classes (Hemerijck, 2013). In contrast to the mainstream institutional change literature (Streeck & Thelen, 2005; Mahoney & Thelen, 2010), these

changes were not promoted by the powerful actors who attempted to act against the existing systems. They were initiated by powerful actors (government officials) for the purposes of maintaining the path-dependence of HK's welfare regime, which pointed to the institutions and ideas supporting the welfare-wage gap. It is argued that the internal dilemma of the productivist-residual regime, spatial and institutional fixes of IWBs, were necessary for the reproduction of existing welfare and employment relations. Nevertheless, whether IWBs could solve or create new dilemmas was still a question. Based on the experience of HK's IWBs, changes in policy and politics should not be simply taken as a seesaw between path-departing or path-dependent practice and a dichotomy of either expansion or retrenchment in the clear-cut sense (Hacker, 2004; Häusermann, 2012; Jensen et al., 2014). Policy changes could be deliberately promoted for policy continuity and they could also unintendedly maintain the institutional and ideational dependence.

The development of IWBs showed strong institutional and ideational dependence accompanied with limited path-departure, thus it did not change the defining features of HK's welfare regime, for instance, its employment-centred welfare and hostility towards out-of-work benefits. The institutional and ideational continuity of the productivist-residual welfare regime was in line with HK's low-road business model, putting wage suppression as cost-containment for competitiveness. On the one hand, the authoritarian-neoliberal government was empowered by the administration-led polity and 'fiscal capacity' to tentatively relax the tensions between wage inequality and social needs, this might pacify the unhappy working poor, NGOs, and even business. On the other hand, the new welfare and old power imbalance unavoidably generated new tensions and instability, given that IWBs were powerless to stop structural domination of capital. More importantly, the pressure from NGOs and trade unions was also accumulated and responded to the new welfare measures as a policy feedback. Despite the incremental pragmatism of advocacy, they were not satisfied with asking for more IWBs as long as they did not ignore the structural inequalities in neoliberal capitalism.

Implications for social policy studies: lessons from IWBs

Drawing on the lessons from the HK experience, this section connects the discussions of IWBs to broader social policy studies by suggesting three concepts for new understandings of the welfare-work nexus: incentive-led conditionality, welfare precarity, and working-poor policy regime. They capture the emerging trends of welfare and work and provide insights for future research.

Incentive-led conditionality and new welfare politics

The 'ubiquitous conditionality' extended from activation measures for the unemployed to low paid workers implied that the meaning of 'in-work' was reduced to 'in-full-time-work', regardless of the structural barriers to employment and the values of unpaid work (Dwyer & Wright, 2014). While the workfarist reforms were characterised by punitive conditionality with increasing sanctions and stricter work requirement (Chapter 4), the conditionality shown in IWBs was implicitly implemented in a different way. Based on the analysis of IWBs in HK, 'Incentive-led conditionality' was identified and defined as the increasing state income support depends on the working poor's sustained fulltime employment due to the recognition of their working hours. This echoes Dwyer's (2016) description that the state rewards citizens' prescribed conduct, full-time employment, in order to turn social citizenship to be earned. What differentiated Incentive-led conditionality from punitive conditionality was the positivity that emerged in the absence of sanctions and the presence of admiration (Dean, 2012b; Clegg, 2015). Incentive-led conditionality was associated with intensified targeting for those classified at the highest rank of the deservingness hierarchy (Figure 6.7), with child, longest working hours and lowest pay.

Despite its benign policy discourses, the downsides of Incentive-led conditionality should be noted. As a form of conditionality it also emphasised behavioural change and market-related performance of individuals. This subtly reinforced the contractarianisation of welfare in exchange for financial rewards by maximising work (Collins & Mayer, 2010). Incentive-led conditionality and contractarian welfare not only shifted the entitlement for income maintenance from need-based and

status-based citizenship to employment-based, it reduced state support to a supplement for market and dissolved welfare into work incentive and behavioural control (Leggett, 2014; Whitworth, 2016). The hidden punitive and disciplinary elements, therefore, was covered by a humane face as a desirable 'welfare choice' for the poor. Although some claimants agreed with the principles of incentive-led conditionality (Chapter 7; Dean, 2012a; Sykes et al., 2015), the 'apply and comply' rules of IWBs in HK structurally locked the poor into low pay jobs. IWBs on the basis of enlarging the welfare-wage gap justified the neoliberal work ethic, deservingness divide, and the punitive conditionality imposed on out-of-work benefits (Millar & Bennett, 2017). Arguably, incentive-led conditionality as 'active proletarianisation' and the punitive conditionality as 'coercive commodification' were two sides of the same coin (Grover, 2012; Dukelow & Kennett, 2018).

Labour market insecurity and welfare precarity

While IWBs principally relied on the workers' continual employment and stable availability of full-time jobs (Immervoll & Pearson, 2009; Cousins, 2014), the emerging labour market insecurity posed critical challenges to the future possibility of IWBs. It was because the case of HK only indicated the roles of IWBs in a tight labour market and under favourable fiscal conditions. However, IWBs in HK still displayed the instability generated by interrupted employment, for instance, sickness of workers (Chapter 7). Yet the precarisation of employment was increasingly global and economic insecurity was also fuelled by the financialisation of international market and neoliberal social policies (Standing, 2011; Pulignano, 2017; Tridico, 2017). The liberalisation of the labour market characterised by deregulation and dualisation suggested that neoliberal states tended to move employment relations towards more precarious or polarised forms (Thelens, 2012). Without the macro intervention and subsidisation of low pay sectors, the labour market stability could not be ensured and its failure would not be fixed (Offe, 1985, Peck, 2001) (Chapter 4).

In this connection, the income insecurity engendered by precarious employment would be duplicated in IWBs. Although IWBs favoured stable fulltime employment,

claimants as the least advantaged in the rising gig economy could not easily predict and control the employment contracts and working hours. Employers' business risks and costs were first transferred to the workers via precarious employment relations, the pro-market IWBs reproduced the insecurity with its work conditionality. Hence, the more precarious the work (unstable working days or shorter working hours), the more precarious the IWBs (benefit fluctuations). Unlike conventional income maintenance, the pro-market IWBs downplayed the needs of precarious workers and the roles of levelling income variations. In addition, productivist-residual and liberal welfare regimes subordinated social policy into economic development, IWBs' design and implementation, therefore, were also bound by the idea of a 'self-regulating' market and the imagined welfare dependency. On the one hand, residual means-tests, full-time work conditionality, and precarious employment together made IWBs a form of precarious welfare (Standing, 2011; Greer, 2016); on the other hand, they undermined the potential and protective functions of IWBs. The double attachment of precariousness in employment and IWBs deepened the labour (re)commodification and punished the most vulnerable in the market. As a result, IWBs might follow the marketised employment services and market-friendly social investment approach to bring out Matthew effects (Cantillon & Van Lancker, 2013; Carter & Whitworth, 2015).

Working-poor policy regime in comparative perspective

Esping-Andersen's (1990) initial welfare regimes study was centred on unemployment benefits and their extent of de-commodification of labour power. Since then a number of institutional studies shed light on various types of policy regimes, for instance, workfare regimes (Dingeldey, 2007; Aurich, 2011) and gender regimes (Sainsbury, 1999; Pascall & Lewis, 2004). Particular policy regimes imply a set of institutional arrangement organised for distinct policy fields and their policy contexts (Chapter 1). Accordingly, the policy regime revolved around working poor in the context of neoliberalisation is increasingly central. The interaction within income maintenance policies, such as IWBs, out-of-work benefits, and pensions, shapes the degree and ways in which a government alleviates or reproduces market inequalities. Meanwhile, the interconnectedness and complexities among income

support, employment relations, labour market institutions, and family and care policies is key to shaping the prevention, patterns, and outcomes for the working poor (Lohmann & Marx, 2018). IWBs and in-work poverty as one of emerging themes of welfare regime should further discussion on the relationship between welfare and low pay work (Esping-Andersen, 1999; Rueda & Pontusson, 2000; Huber and Stephens, 2001a). It is suggested that policies alleviating in-work poverty, for instance, the minimum wage, could somewhat depart from the path of liberal welfare regimes (Wilson, 2017). Even within the so-called East Asian welfare regimes, the cross-country and intra-country dynamics of social security, labour market, and economy are variegated (Hudson et al., 2014; Kim, 2015).

Moreover, the working poor policy regime could contribute to empirical research in at least five ways. First, it could inform social policy by drawing deeper class, gender, age, and race implications, especially how the underlying normative foundation constructs the work ethic, social control and class discipline (Wiggan, 2015; Umney et al., 2018). Second, the working poor policy regime could be operationalised for comparative studies, in which a set of related policy inputs and policy outcomes could be qualitatively and quantitatively compared and theorised the explanation of diverging and/or converging tendencies. It could be assumed that the working poor policy regime would display path dependence and strong correlation with other social policies according to the types of welfare regime and varieties of capitalism (Ebbinghaus & Manow, 2001; Schröder, 2009; Hassel, 2013). Third, for single country studies, the working poor policy regime can link to other regimes, such as the fiscal-social policy nexus (Koreh & Béland, 2017; Haffert, 2017). Fourth, the study of the working poor policy regime could add value to political economy by introducing a new dimension to examine the capitalist dynamics of structures, institutions, and actors (Streeck, 2011; Lynch & Rhodes, 2016). Finally, the working poor regime could complement work in sociology as there is increasing emphasis on integrating work, political economy, and institutional analysis (Ciccia, 2015; Riain et al., 2015). It could also engage in a dialogue with the imaginations of work (Weeks, 2011; Evans & Tilly, 2015; Foster, 2017) and unconditional basic income (Van Parijs

& Vanderborght, 2017; Downes & Lansley, 2018), to rethink the meanings of work, poverty, and welfare.

Conclusion

The above discussions cover the explanation for and political economy of IWBs' generative mechanism, the features and roles of IWBs, the policy changes and continuity characterised by IWBs, and the implications for policy studies. Inspired by critical realism, social policy research should have a key objective to examine the possibility for social changes. The data analysis and conceptualisation of HK's IWBs could suggest three sites of contestation for policy advocacy.

First, the introduction of IWBs signalled the existence of institutional incoherence and dysfunctional regimes (Vidal, 2013a), which necessarily created conflicts and difficulties for maintaining long-term stability of social policy (Lynch & Rhodes, 2016). These structural dilemmas opened new spaces for collective actors to renegotiate the primary distribution of market and the secondary (re)distribution of state. More importantly, the neoliberal economic model underlying the IWBs and rising in-work poverty triggered the pro-poor and pro-labour organisations to propose structural reforms and alternatives to them, such as campaigns for wage-led and inclusive growth, decent work and national living wage regulation, and upgrading of job quality.

Second, while IWBs possess dual faces of wage-earner and employer welfare, the visibility of welfare for corporations and their roles in shaping social policy are relatively low (Titmuss, 1976; Swenson, 2002; Farnsworth, 2013; Paster, 2015). Despite employers' support for IWBs and the unstable cross-class consensus, employers' responsibilities of in-work poverty and low pay were hidden and shifted to the state and taxpayers (Dean, 2012a; Bertram, 2013; Jeroslow, 2013; Clegg, 2017). Hence, how much and in what ways the resources were redistributed from the state to the business at the expense of the needs of disadvantaged groups worth more social attention and should be democratically monitored, which emerges as a new field of class struggle.

Finally, the restructuring of work society raises questions about redefining work, the work ethic, and deservingness. While unemployed welfare users have long been regarded as underserving poor, some appropriated this concept to argue for the 'undeserving rich' (Rowlingson & Conner, 2011). Looking forward, there could be a new work ethic that classifying 'undeserving work' with poor job quality or employer-dominated employment relations. In addition, the boundaries of work should be extended to the unpaid work outside the market. Accordingly, IWBs should also support those in unpaid work, such as care and domestic labour.

Based on the data analysis, this chapter answered the research questions and has mapped out three ways for social change and policy advocacy in relation to IWBs and in-work poverty. The limitations of this research and the remaining conceptual puzzles will be addressed in the final chapter.

Chapter 10

Conclusion: The Promise and Perils of In-work Benefits in Hong Kong

Introduction

This chapter begins with a brief overview of the thesis and highlights the main findings and arguments in order to answer the research questions. It is followed by a summary of the conceptual and practical contribution made by this thesis to social policy. The last section concludes with a reflection on the research limitations and suggests some future directions for research.

This thesis is about the dynamics of IWBs' policy formulation and their nature as a new kind of income maintenance policy in HK. Informed by the political economy approach to understanding welfare development (Chapter 2), this research situated the emergence of HK's IWBs in their historical and institutional context (Chapter 3), and in the international policy context as a sign of changing welfare-work nexus under the neoliberalisation and post-industrialisation of capitalism (Chapter 4). With an emphasis on interlocking institutions, ideas, and interest-power, it adopted a policy regime perspective to critically examine the internal features of IWBs and the external forces that shape the formation of them. This multi-level analysis derived from critical realism (CR) as the philosophical foundation of the research, which suggests a mechanism-based explanation of IWBs via identifying the necessary and sufficient conditions (Chapter 5). Based on CR this research employed an intensive-qualitative approach to investigating HK's IWBs as a case study of social policy. After theoretical and purposive sampling, it scrutinised policy documents relevant to IWBs and conducted in-depth interviews with key policy stakeholders, including policy makers, welfare claimants, employers, campaigners, and practitioners. Thematic analysis and coding was then undertaken to identify and compare the emerging themes in the data.

In so doing, Chapter 6 traced the development process of IWBs introduced and modified since 2007 and placed them in the broader policy contexts of out-of-work benefits retrenchment and the budgetary surplus. By untangling the conditionality

and eligibility of IWBs, it rendered an institutional analysis that disclosed the objectives and underlying principles of the new welfare in alignment with the low pay labour market and social assistance. Chapter 7 offered an ideational analysis taking stock of the perspectives on IWBs. They were classified into normative and instrumental notions with contrasting logic about the meanings and functions of work and welfare. Chapter 8 focused on the politics of IWBs by investigating the preferences and power of the Government administration, pro-poor NGOs, and the business. These key policy actors had different roles and pursued various goals that shaped the establishment and outlook of IWBs. Chapter 9 synthesised these analyses and elucidated a generative mechanism that explains the rise of IWBs in HK at a given context. It then reconceptualises the nature of IWBs' conditionality and the complexities of their political economic roles. Finally, the implications of HK's IWBs for social policy studies and policy practice were discussed.

Main findings and the answers of research questions

This section revisits and briefly answers the three research questions with reference to the findings of previous chapters. The first research question is 'What are the nature and features of IWBs in HK?'. The institutional analysis of the IWBs (Chapter 6) first identified the gradual expansion of IWBs from the Transport Subsidy Scheme (TSS) to Working Incentive Transport Subsidy (WITS) to Low-income Working Families Assistance (LIFA). This trajectory signalled the transformation of IWBs' functions: TSS was introduced as an individual-based supplement for subsidising low paid workers' transport cost and boosting cross-district employment in remote areas; WITS was initiated as a city-wide and family-based subsidy for increasing the income and maintaining the work incentive of working poor families; LIFA was established to enhance the alleviation for intergenerational poverty and to further promote full-time employment. These IWBs were means-tested and implemented with different levels of work-related conditionality. TSS and WITS were targeting full-time and part-time low paid workers with lower minimum working hours whilst the LIFA was specifically designed for the workers with longer working hours and the families with more children. Their emergence should be located in the broader direction of welfare development in HK shifting from the retrenchment of out-of-

work benefits to the creeping growth of IWBs. The policy emphasis moved away from the welfare-to-work agenda upon the unemployed to the principles of welfare-for-work and welfare-with-work, in particular to support the rising and more visible working poor.

Second, the claimants' experiences of and attitudes towards IWBs also mirrored the latter's features at the street-level (Chapter 7). It is shown that many recipients were hostile to the complicated means-testing process and the work conditionality on full-time basis of LIFA. It is suggested that it was difficult to meet both the work requirement and the means-test eligibility. This partially explains the low take-up of LIFA and its limited coverage of the working poor families. In addition, the LIFA and WITS were complained of their disincentive effects which discouraged the employment of the second earners due to their family-based means-testing. Also, the TSS was also mentioned about its inadequacy and lack of adjustment. Despite these criticisms, claimants generally supported the existence and expansion of IWBs. Therefore, the importance of IWBs for the working poor was affirmed but the architecture of IWBs constrained their potential benefits to the recipients.

Third, the findings revealed a deservingness hierarchy and selective familialism that underpinned the IWBs (Chapter 7). It was argued that the division of IWBs' generosity is based on the stratification of employment types, in which the longest working hours of full-time employment and lowest pay was set at the highest rank in the deservingness hierarchy as they were regarded as the most hardworking and the poorest; the working poor with precarious jobs were put at the lowest rank as they were seen to 'choose' being under-employed. Moreover, family types were also crucial in supporting the low paid workers. Families with children and breadwinner with long working hours were prioritised by higher allowance. In contrast, the single working poor, families with non-child dependents and with dual earners were marginalised in the IWBs. The eligibility and generosity of IWBs embedded a division of deservingness within the working poor in HK (Chapter 6).

Fourth, the IWBs were justified by varieties of work ethic and the notion of mutual-responsibility. There were strong normative claims held by most of the policy

stakeholders that in general the working poor should be supported by the state (Chapter 7). Despite different perspectives on IWBs, the notion of a welfare-wage differential was widely addressed based on the two sides of work ethic. On the one hand, the poor were required to participate in paid employment as their obligation and the precondition for state support; on the other hand, it was unacceptable that the incomes of the working poor were lower than those of the unemployed living on the social safety net. The former implied a moral responsibility upon individuals and the latter signposted the obligation of the state. As a result, the work-based entitlement of welfare and work ethic were both reinforced by IWBs as a work-oriented income supplement.

Finally, IWBs were arguably a *de facto* fix for labour market. The earlier version of TSS mediated the geographical mismatch between the job vacancies in urban and labour supply in remote areas. By subsidising transport costs, the TSS was adopted to encourage the cross-district employment. The WITS and LIFA were a wage supplement to top up the household income of the territory-wide working poor and to maintain their incentives of staying at the low pay jobs. In the eyes of employers IWBs could stimulate higher labour availability and flexibility in the market, which were considered a better welfare than the social assistance for the market. Therefore, IWBs were far from pure income maintenance provision but a supply-side labour market policy for stabilising the workforce in order to smooth and boost labour market transaction, especially in the low pay employment.

The second research question was the 'What are the main factors in the emergence of IWBs in HK?'. Drawing on the generative mechanism suggested in Chapter 9, HK's IWBs were primarily driven by a stratified mechanism consisted of different necessary and sufficient conditions (Figure 9.1). First, labour market failure was the main necessary condition for all IWBs, including the aforementioned geographical mismatch and the inability to offer liveable income for livelihood. This predominantly created the pressure for state intervention to ensure the functioning of the labour market. It is argued that the sluggish wage growth for low pay jobs potentially closed the gap between welfare and wage income. Second, the continual budgetary surpluses and increasing fiscal reserves were also necessary to

the emergence of IWBs. After the end of austerity and fiscal consolidation, the government was more willing to respond to the pressing needs and voices for the working poor. Without budgetary surpluses, the HK government with a long history of fiscal conservatism would not approve expenditure on subsidising low paid workers and their families. The third necessary condition for generating IWBs was the welfare politics. It is shown that the surprising cross-class consensus was vital for reaching a 'welfare agreement' as the business groups withheld their veto power that previously declined many pro-poor and pro-labour requests (Chapter 8).

Apart from these necessary conditions, there were two sufficient conditions of IWBs. The first of which is the threat of reducing welfare-wage differentials. Under the light of the work ethic and welfare-scepticism, this fuelled the fear of undermining work incentives for the existing working poor among government officials and policy makers (Chapter 6 & 7). Against the backdrop of weak labour market regulation and demand-side intervention, the government opted the wage top-up for poverty alleviation and work incentivisation. The second sufficient condition to IWBs was the establishment of a relative poverty line. Although the TSS and WITS were introduced in the absence of poverty line, the LIFA was regarded as a corollary of the relative poverty line because the latter 'technically' mapped out which social groups in poverty were not supported by the existing social security. The threat of reducing welfare-wage differentials and the introduction of poverty line, therefore, were the sufficient conditions in the case of LIFA.

These necessary and sufficient conditions together gave rise to the TSS, WITS, and LIFA in HK. The explanation of HK's IWBs in this sense could be taken as multi-causal with structural causes of dysfunctional labour market and the hegemony of work ethic, intertwined with the contingent politics among bureaucrats, NGOs, and business. The 'new' welfare was more or less introduced to sustain the welfare-wage gap without curtailment of welfare and uprating of minimum wage.

The third research question is 'What are the theoretical and policy implications of IWBs in HK?'. There are several implications for social policy studies and policy

practice. First, the full-time and low-pay conditionality displayed by HK's IWBs rewarded or compensated long working hours and low wage work, which were presented in the positive face of welfare conditionality (Chapter 9). However, the humanised appearance of conditionality normalised and institutionalised the exploitation of labour. If the welfare-to-work activation was the social control of unemployed welfare users under the individualised work ethic, IWBs' incentive-led conditionality imposed the market and labour discipline via the 'apply and comply' principle upon the working poor, maintaining them in the low pay employment. Furthermore, the hidden conditionalisation of child benefits of LIFA subordinated the social rights of children in poverty to the employment performance of their parents.

The second implication for social policy comes from the strict work-centred welfare conditionality that manifested the dilemma of HK's productivist-residual welfare regime. Despite the neoliberal rhetoric of 'welfare dependence' and 'economic independence', the neoliberal labour market institutions, favouring weak macroeconomic intervention and regulation, required the long-term subsidisation of the low pay sectors through the provision of IWBs to the working poor and their families. Due to the limits of further curtailment of social safety net, the welfare-wage differentials could not be ensured by the doctrine of minimal state. Whilst the government, business, and society tended to disregard IWBs as a welfare, the existence and use of IWBs demonstrated the failure of 'self-regulated market'. As means-tested benefits, the application of IWBs inevitably involved stigma and complicated procedures, which limited the take-up of the targeted beneficiary (Chapter 6 & 7). This contradicted with the objectives of fostering employment and of enhancing support to the working poor. Moreover, IWBs were the policy instrument to alleviate in-work poverty with less political obstacles and lower economic costs. Yet they were characterised by a 'low-road' approach to the socio-economic development and investment. IWBs heavily relied on the jobs available in the private labour market without the attempts to upgrade the job quality. As a result, IWBs emerging in a neoliberal context might be a 'good weather' policy that could not render counter-cyclical effects; they might also exert a 'Matthew effect'

within the poor as those with stable employment were rewarded the most, while the precarious workers with higher income insecurity were in turn 'punished'.

The third implication is the structured tensions in IWBs between wage-earner and employer welfare. On the one hand, IWBs were directed towards workers to increase their family income, which was undoubtedly a type of wage-earner benefit. However, IWBs at the same time were conducive to employers' interest as they could generate downward pressure of wage or lessen the strain for wage growth by increasing the labour supply and competition. It was evidenced in time of a tight labour market and labour shortages (Chapter 8). Notwithstanding, the dual faces of IWBs do not suggest a contingent and pluralistic notion of the political economy of IWBs. Rather than a simplistic dichotomy between zero-sum and positive-sum interests of workers and employers, it is argued that the policy contexts and labour market conditions can shape the power and interest balance between labour and capital. Thus the understanding of IWBs cannot be separated from the broader political economy.

The last implication is that the emergence of IWBs displayed an institutional change of layering of income maintenance after the drifting of out-of-work benefits. However, the drifting and layering of the income maintenance appeared as policy changes in fact (deliberately or unintentionally) served the ultimate goal of institutional and ideational continuity, maintaining the pre-existing welfare relations and political economy via new policy instruments. This finding goes beyond a dichotomous understanding between policy change and continuity: change could be part of the continuity agenda and/or could unintentionally lead to continuity.

The (new) welfare questions and policy implications

Beside the three research questions, this thesis also raised some new questions and approached old questions in a new way. The first of which is the roles of IWBs in current political economy. Apart from the increasing uses of IWBs in liberal welfare regimes, it is widely believed that the financialisation of economy could further undermine the share of wages in economic growth (Chapter 4), coupled with the

decline of unionisation. Consequently, no matter whether implemented in the form of tax system or means-test, IWBs as a wage subsidy is seemingly an easy and low-cost way for policy-makers to 'alleviate' in-work poverty without reconfiguring the employment relations and violating the short-term interests of employers. However, it is doubtful that IWBs could escape from the post-industrial trilemma between equality, fiscal discipline, and job growth, not to mention their ability to exert counter-cyclical effects during economic downturn. IWBs indicate a 'low road approach' to the institutionalisation of low pay jobs and jeopardise the investment incentive on productivity in both public and private sectors. In other words, IWBs should be regarded as a branch of labour market and economic policies, although they could neither rebalance the power asymmetries in labour market nor remove the structural domination of post-industrial and finance-dominated capitalism. While IWBs could raise the income of working households in poverty, policy makers should not take IWBs as a panacea for in-work poverty and low pay.

Second, IWBs on the one hand could promote the employment of breadwinners; but, on the other hand, they could harm second earners' employment, indicating a highly gendered design. How IWBs orchestrate the household-basis and/or individual-basis for application reflects and shapes the extent of adult-worker or dual-earner model. Also, IWBs are potentially 'abused' by employers to restrain wage growth. The design and policy package of IWBs, therefore, matters to reduce the adverse effects of IWBs. Some policy measures should be implemented complementary to IWBs to ensure second earners' employment and protect the household's income. Put another way, IWBs are one of branches of the welfare-work regime and they interact with other social policies, for instance, care policy and collective bargaining institutions. Their roles are structurally constrained by the broader socio-economic contexts while inter-dependent on other fields of policy, which could generate new tensions between policy regimes.

In addition to the new questions revolving around the nature of IWBs, some old welfare questions are still unanswered despite the rise of IWBs. First, the dilemma between the objectives of income protection and work-first approach to employment is not yet solved. This thesis argues that the full-time based

conditionality of IWBs cannot protect precarious workers from income poverty and insecurity. These workers are currently excluded from the definition of working poor because of no full-time job, as social protection fails to address the income fluctuation of those workers. An IWB based on income-threshold might better serve this purpose, yet it is regarded by the government as a disincentive for full-time work (Chapter 6). This brings back the continual importance of 'conventional' income protection in the wake of workfarist reforms and the investment thesis, such as social safety net, employment protection legislation and coordinated wage regulation. While IWBs could not replace the out-of-work benefits, the former should be taken as a complement to the latter, instead of dissolving the latter into former as promoted by neoliberal policy makers and academics. Second, IWBs as a market-oriented policy instrument not only cannot eliminate market failure but may translate the costs and risks from private sectors to public services. The spectre of capitalist welfare paradox suggested by neo-Marxist school still haunts current welfare capitalism, for both democratic and authoritarian regimes. The capitalist labour market is inherently driven by profit maximisation and only the extra-market institutions and democratic power at workplace, including the union engagement and state redistribution, could counter capital's monopolising power and the tendency of exploitation.

Despite these ever-present structural constraints, some implications for policy and practice could still be drawn. For the most pressing needs of the working poor, policy makers in the short-term should consider relaxing the eligibility and shortening the minimum working hours in order to expand the coverage of working poor and reduce procedural barriers of application. This is favourable for both the low paid workers and the government to increase the take-up and legitimacy of IWBs. For the mid-term and meso-level changes, the government should introduce the principle of a living wage into the adjustment of the minimum wage to reduce the potential of benefits to be directed to the employers instead of workers (Chapter 4 & 9). The long-term policy implication is that the government should not perpetually and solely rely on IWBs to fix labour market failure. Macroeconomic interventions and strategies are necessary for the government to boost its long-

term commitment to full employment and investment in public and private sectors. This prevents the permanent subsidisation of the low paid sectors with low productivity and cost-minimising competitiveness. These short-term, mid-term, and long-term policy implications call for a more democratic government to regulate the domestic market in a globalised economy; also, stronger societal power to monitor the state and market is also vital to reduce social inequality and precarity.

Contribution to knowledge

Based on the answers to the three research questions and the (new) welfare questions addressed, this section summarises the contribution made by the thesis in generating new knowledge and pushing the boundary of social policy studies. First, it enriches the theorisation and meta-theorisation of welfare political economy. This thesis is the first study combining the political economy and critical realist approach to systematically explaining the emergence of IWBs. While many studies on IWBs focuses on the statistical impacts and correlations between variables (Chapter 4), this thesis goes beyond the descriptive evaluation of IWBs by theorising and politicising the understandings of IWBs as a form of capitalist welfare recrafting the labour market. This empirical study brought together the meta-theory and theories of welfare political economy to critically examine the institutions, ideas, and interest-power related to IWBs. As the first study on IWBs engaged with a wide-range of policy stakeholders in East Asia, it interweaves the structure and agency perspectives without falling into either structural-determinism or agential-voluntarism. This research, therefore, displays a sophisticated analytical approach to the investigation of IWBs, which could draw lessons for social policy studies in the international context.

Second, this research expands the understanding of welfare conditionality. As many works on welfare conditionality focuses on the roles of punitive workfarist measures targeting at the unemployed, it broadens the scope of conditionality to the incentive-led conditionality that claims to better fare the 'deserving' working poor. It scrutinises the positivity and popularity of IWBs under particular historical and institutional context. This pro-market welfare reinforces labour

(re)commodification while inevitably translating employment precariousness into the precarity of welfare. However, the varieties of work ethic and the notion of 'underserving rich government' upheld by policy stakeholders opened the space for challenging the extreme work-based conditionality of IWBs. Therefore, this research contests the normative foundation of incentive-led conditionality and unpack the dark side of work-based entitlement. While some studies pay close attention to the policy design and recipients' satisfaction on IWBs, the analysis of IWBs' outcome tends to be fragmented and piecemeal. The findings of this thesis challenge the mainstream apolitical and superficial perspectives that overstates IWBs' favourable impacts but overlooks their mixed consequences and meanings to the poor and welfare. It presents a complex picture of incentive-led conditionality as the welfare expansion in the context of residual model, budgetary surplus and burgeoning labour demand. The authoritarian government could claim credit through expansion of IWBs and further discipline the working poor. Incentive-led conditionality and IWBs, therefore, could be a new branch of social policy studies to articulate neoliberalisation and authoritarianism.

Third, it contributes to the emerging focus of the interaction between social policy and business. This research shows the necessary support of the corporation to IWBs which is unusual to the mainstream imagination of liberal market economy and residual welfare model. By revealing the dynamics of power and interests of employers in the discussion of IWBs, this thesis complicates the understanding of IWBs due to the co-existence of wage-earners' and employers' welfare. Employers' pragmatic preferences and withheld veto-power were evidenced to give rise of IWBs, which illustrates how the business could shape and 'tolerate' social welfare expansion in a particular way. This comes with a conclusion moving away from a one-sided or simplistic analysis to the complexities of IWBs' dual faces while still recognises the structural power asymmetries of capitalist labour market. Therefore, the pro-market IWBs initiated in a neoliberal context increase the transaction of labour markets and potentially reproduce the unbalanced employment relations. As the first thesis to involve the business dimension in discussion of IWBs, it delivers a political economy of welfare that unveils the hidden conflicts between employers

and wage-earners and re-examines the inherent tensions and paradox within capitalist welfare. The thesis offers a useful case study to the rising field of 'business and social policy' and fills the gap in East Asian welfare studies.

Fourth, this thesis interrogates the stability of productivist and liberal welfare models by addressing the contradiction between the liberal market economy and residual welfare provision. On the one hand, some East Asian welfare regimes purportedly maintain a strong continuity after economic crisis in the absence of democratisation (Chapter 1), which conveys a message that such model remains intact with strong institutional inertia. On the other hand, the findings reveal that the harmony between liberal labour market and residual welfare was contingent and this sowed the seeds of instability of their production-protection nexus in times of global competition. While neoliberal orthodoxy champions minimal welfare and labour market intervention, this results in enormous income inequalities and inadequacy for labour to sustain their livelihood due to the rising living costs (Chapter 2 & 4). Without effective wage regulation and collective bargaining, the adjustment of social safety net according to inflation may outstrip the real wage growth during economic recovery. Therefore, the relative generosity of welfare increases as well as the gap between welfare and wage. This unavoidable phenomenon upsets the protagonists of the 'less eligibility' principle as the relative generosity of welfare is in turn uplifted compared to the low-wage work. IWBs emerge to secure or enlarge the differentials by granting work-oriented subsidy to the working poor. The paradox of residual welfare is unravelled in that it requires a conditional welfare to prevent the use of unemployment welfare in the liberal labour market institution. The use of IWBs indeed contradicts with the policy rhetoric of 'self-reliance' and 'economic independence' through paid employment. These dilemmas are characterised by the tension between the objectives of promoting employment and protecting income in the contexts of residual welfare and a liberal market economy. Thus, this research shows the inconsistencies of and internal tensions within productivist-residual welfare regimes.

Finally, this thesis adds on the prevalent literature on welfare development in terms of policy continuity and change, and of expansion and retrenchment, suggesting a

dynamic examination that goes beyond dichotomous perspectives. First, the case study discloses a dialectical relationship between continuity and change, in which some policy changes were the vehicles for maintaining the existing welfare relations. Second, the findings show that the rise of IWBs as a welfare expansion could be in line with the retrenchment or 'drifting' of out-of-work benefits. Prevention of a particular kind of welfare via initiating another form of welfare illustrates the complexity of welfare politics. As a result, a fuller understanding of welfare development should move away from a binary framework and the over-reliance on the number of social spending. In contrast, more attention should be paid on the qualitative change of welfare relations brought by IWBs. Thus, the nature and form of social policy and income maintenance matters to the welfare development and outcomes.

Limitations of the research

Because of the intensive-qualitative approach adopted, this research does not aim to and is not possible to predict the future development of IWBs based on causal relationships among variables in a statistical sense. Whilst the theoretical framework and research questions were informed by previous literature (Chapter 2 to 5), this research is not conducted by testing the theoretical hypothesis but implemented by identifying the mechanism and features of IWBs in a retrospective approach. As mentioned in Chapter 5, this thesis is underpinned by critical realism with an emphasis on multi-level realities and relativist epistemology. In other words, the research ontologically and epistemologically does not pursue the so-called 'objective truth' and methodologically does not target quantitative data. Consequently, it should be careful to understand the limitations on qualifying the findings in order to prevent exaggerated interpretation despite the inevitable fallibility in critical social science research (Chapter 5).

In addition to the limitations about the philosophical foundation of this thesis, the research process also has several limitations and difficulties that should be acknowledged. First, this research adopts a qualitative approach to the in-depth case study of IWBs in HK. Whilst its primary purpose is to investigate the detailed

complexities and dynamics of IWBs that could inspire theoretical generalisation (Chapter 5), it could not outline a general pattern of IWBs, such as claimants' background and their attitudes towards IWBs, on the basis of representativeness. Despite its explanatory power on multi-causal relations of a mechanism-based analysis, an obvious methodological limitation of this research is that no statistical generalisation and causal relationship between variables could be drawn without randomised sampling. Second, the study was conducted during a period of high labour market demand. Therefore, the findings could not reflect the IWBs in circumstances of shrinking labour market, economic downturn, and budgetary deficit. Third, as the case study specifically focuses on the IWBs of HK, the experience of IWBs and perception of policy stakeholders are restricted to HK or other cases with similar political economy and cultural contexts. While the lesson from HK could inform other studies on IWBs, it should not be over-generalised to other cases. Fourth, the researcher faced substantial difficulties in recruiting business representatives of their political parties and employers associations. It may be attributed to the exclusiveness of the business sectors and their indifference to the welfare issues. In addition to the researcher's lack of networks with the employers and business, the recruitment of employers to interview was not perfect. Notwithstanding the interviewees of individual employers and evidence from policy documents, the recruitment of business should be improved. These research limitations are inevitable due to the constrained time and resources of a PhD student. Finally, although the findings are relevant to the work ethic and social assistance, the sampling of the research did not involve the unemployed claimants of out-of-work benefits. Therefore, the perspectives of unemployed workers on welfare and work should be included in the further research.

Reflections on the research

With regard to the direction of further research, there are at least four suggestions derived from the findings and analysis of the thesis. The first of which is the introduction of quantitative analysis in relation to the broader policy contexts. As many quantitative studies have focused on the demographic and socio-economic background of IWBs' recipients, more statistical methods should be used to

measure the correlation between IWBs and the macroeconomic indicators in order to evaluate the roles and impact of IWBs upon income poverty and inequality. While some of the qualitative studies inquiry the recipients' attitudes towards IWBs, more effort could be made on the general public's support on IWBs and out-of-work benefits.

Second, although this thesis has addressed the difficulties experienced by second earners in using IWBs, it is suggested to put specific emphasis on IWBs' gender implications. In particular, the lone mother claimants should be investigated more in-depth as they are constantly claimed to be the primary beneficiary of IWBs in the US and UK (Chapter 3). Their experiences ranged from application procedures to the making sense of welfare and work, should be taken more seriously in the social policy and gender studies. Following this, the interconnection between IWBs and gender regimes is also key to understand the interplay between work, welfare, and care.

Third, this research displays a detailed domestic case study, yet it could be strengthened by using comparative studies of IWBs. Cross-country comparison between models of IWB could be helpful to figure out the underlying causes resulting in cross-country differences, coupled with their characteristics. By conducting comparative process tracing methods, trajectories of IWBs' establishment could be mapped for identification of key institutions, ideas, and interest dynamics. In this connection, the interdependence between IWBs and other labour regimes could be assumed, such as the prevalence of precarious work, level of minimum wage, and labour market conditions. Employment and wage levels, and the generosity of social assistance could be the key factors driving the emergence and performance of IWBs. Therefore, more and better understanding of IWBs could be obtained via analysis of within-country and cross-country comparison.

The final suggestion for future research is about the behavioural and normative insights for policy and citizenship studies. As suggested by this thesis, the moral claims for desirable behaviour of the poor were widely promoted by the

government, business, and ordinary workers. Apart from IWBs' instrumental function of fiscal aid upon the working poor, of vital importance is the recent 'behavioural turn' of public policy that focuses on how the government shapes the performance of citizens by using 'nudge' or other means (Chapter 4). This provokes new controversies on the moral grounds of different versions of paternalism and authoritarian neoliberalism. Pro-market IWBs could be a useful case to illustrate the ways that 'stimuli' work on the modification of market-related behaviour and reshape citizens' expectation of welfare and work. This could link the cultural political economy approach to the institutional analysis of the welfare-work regime.

Final reflections

The production of this thesis was a marathon for the researcher in terms of time, effort, and money. It was arduous for me as a campaigner and social worker turning into a scholar, guided by an ambition to combine academic research and social change. Having said that, the PhD training in the UK is an invaluable opportunity for me to 'de-familiarise' with the topic which I thought that I was familiar with. There were so many things I gained intellectually and practically from the study, despite being up and down throughout the research process. Fortunately, I (still) have a strong commitment to academia and social justice after writing the thesis. Bringing social changes in a scholarly way becomes my new challenge under an increasingly marketised and managerial academia. Anyway, the part-time study and work over the past five years were incredible for me as I know it was the once-in-a-lifetime experience to immerse myself into research and study that I was dedicated to over half a decade. Hopefully I can contribute more to critical social science and policy development in HK and beyond.

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Appendix I

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Appendix II

LegCo meetings on in-work benefits

Date	Issues	LegCo meetings	Quotations in Chapter 7
2009.1.21	Motion on the assistance to low-income workers after the financial tsunami	Panel on Manpower	
2009.11.19	TSS	Panel on Manpower	
2010.1.14	TSS	Panel on Manpower	
2010.11.23	Transport Subsidy	Panel on Manpower	
2010.11.10	Motion on WITS	Council Meeting	Chan Kin-por, 2010.11.10; Miriam Lau, 2010.11.10
2010.12.16	Motion on the WITS	Panel on Manpower	
2011.11.30	Motion on reviewing the WITS	Council Meeting	Miriam Lau, 2011.11.30; Regina Ip, 2011.11.30; Yick, 2011.11.30
2012.2.16	Evaluation of WITS	Panel on Manpower	
2012.11.14	Motion debate on Poverty	Council Meeting	Christopher Cheung, 2012.11.14; Fang, 2012.11.14; James Tien, 2012.11.14; Lam, 2012.11.14; Yick, 2012.11.14; Yiu, 2012.11.14
2012.12.3	Evaluation of WITS	Panel on Manpower	
2013.12.4	Motion on Low-income family assistance	Council Meeting	Ma, 2013.12.4; Michael Tien, 2013.12.4; Ng, 2013.12.4; Pricilla Leung, 2013.12.4; Yiu, 2013.12.4
2014.5.12	Design of LIFA	Subcommittee on poverty	
2014.5.27	Decision on the design of LIFA	Subcommittee on poverty	

Source I: Issues and meetings (Legislative Council Webpage). [Viewed 13 June 2018]. Available from: <http://www.legco.gov.hk/index.html>

Source II: Records of Proceedings:

1. Legislative Council Minutes (2010.11.10). [Viewed 13 June 2018]. Available from: <http://www.legco.gov.hk/yr10-11/english/counmtg/minutes/cm20101110.pdf>
2. Legislative Council Minutes (2011.11.30). [Viewed 13 June 2018]. Available from: <http://www.legco.gov.hk/yr11-12/english/counmtg/minutes/cm20111130.pdf>
3. Legislative Council Minutes (2012.11.14). [Viewed 13 June 2018]. Available from: <http://www.legco.gov.hk/yr12-13/english/counmtg/minutes/cm20121114.pdf>
4. Legislative Council Minutes (2013.12.4). [Viewed 13 June 2018]. Available from: <http://www.legco.gov.hk/yr13-14/english/counmtg/minutes/cm20131204.pdf>

Source III: Voting Results:

- Council Meeting Voting Result (2010-2011). [Viewed 13 June 2018]. Available from: http://www.legco.gov.hk/general/english/counmtg/yr08-12/mtg_1112.htm
- Council Meeting Voting Result (2012-2013). [Viewed 13 June 2018]. Available from: http://www.legco.gov.hk/general/english/counmtg/yr12-16/mtg_1314.htm#toptbl

Appendix III

Interview guidelines

Employers

1. From the perspective of employer, how do you think about the new in-work benefits? Is it acceptable for your employees to seek for earnings proof from you?
2. To what extent these allowances for low-income families and low-paid workers could reduce your pressure of pay rise?
3. Do you agree these allowances can increase the flexibility and supply of workers for you to employ?
4. How do you comment on the so-called labour shortage in some labour-intensive service economies?
5. What is the impact of introducing and raising the Minimum Wage upon the employers in Hong Kong? What strategies have enterprises used to deal with the problems caused?
6. To what extent minimum wage should or should not take the family needs into account of adjustment?
7. How do you think about employers' and government's responsibility of taking care of workers' family needs?
8. How do you think about the principle of 'Self-reliance' for government to help the poor in Hong Kong?
9. To what extent social welfare may foster or undermine the interest of employers?

Campaigners and policy makers

1. General questions

- What do you think about the government's approach of welfare-to-work in Hong Kong? What are the positive elements and what are the worst aspects? Why?
- What do you think about the nature of in-work benefits in Hong Kong?
- What are the impacts of in-work benefits on low paid workers, employers and government?

2. Background-specific questions

- What are the main reasons giving rise to low pay, in-work poverty, and job-income insecurity in Hong Kong?
- Why and under what conditions does HK government expand in-work benefits?
- How do you think about in-work benefits as a subsidy to low pay employers and sector? Why or why not?
- What are the factors constraining and facilitating the expansion of social protection in Hong Kong?

Welfare users

1. Background: Job, wage, working time, household members, family income

2. Experience

- Why do you apply for the in-work benefit? How is the process of application?
- How would you think your life without the subsidy?
- To what extent your job and income is stable? What are the consequences to you and your family?

- How do you think about the current employment conditions?
- Do you have any suggestions to improve the in-work benefits?
- How do you compare increasing in-work benefits and pay rise?
- What would you suggest the government to improve your living standard?

3. Perception

- How do you think about the principle of 'self-reliance' promoted by the government in poverty alleviation? Any pros and cons?
- How do you comment on those new benefits conditional on applicants' paid employment?
- Do you think in-work benefits would affect your wage level? How?
- To what extent in-work and unemployed benefits could help workers?
- Do in-work benefits affect your employment choices? In what ways?
- Do your employers know that you applied the benefits? How did the employer respond?
- Do you think in-work benefits are good for employers? How?

Practitioner of employment services

1. Background: Objectives of the programme and main tasks
2. Experience
 - How do you think about in-work benefits' effects on the unemployed?
 - To what extent in-work benefits could encourage the unemployed to work and deal with their difficulties?
 - Which kinds of in-work benefits are most useful (or useless) for the unemployed? Why?
 - In what ways do in-work benefits could help the unemployed welfare user

leave the safety net?

3. Perception

- How do you think about the principle of 'self-reliance' promoted by the government in poverty alleviation? Any pros and cons?
- How do you comment on those new benefits conditional on applicants' paid employment?
- Do you think in-work benefits would affect the wage levels? Why?
- To what extent in-work and unemployed benefits could help workers?
- Do in-work benefits affect the poor's employment choices? In what ways?
- Do you think in-work benefits are good for employers? How?