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Power Structure in Contemporary Hong Kong: A Case Study of “Initial Statutory Minimum Wage Rate Settlement” in 2010

A Project undertaken in partial fulfillment of the requirements of the BSocSc (Hons) in Policy Studies and Administration
City University of Hong Kong

By

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April 2012
Power Structure in Contemporary Hong Kong: A Case Study of “Initial Statutory Minimum Wage Rate Settlement” in 2010

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Kwong Ying Ho
April 2012
## Abbreviations

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<tr>
<td>FTU</td>
<td>Hong Kong Federation of Trade Unions</td>
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<td>CTU</td>
<td>Hong Kong Confederation of Trade Unions</td>
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<td>HKSAR</td>
<td>Hong Kong Special Administrative Region</td>
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Abstract
Understanding the power structure is the first step to analyze policy making process in every society. Smith (1995) suggests that the political power is usually distributed in the three main sectors namely the government, business sector and civil society. The only difference is how the power distributed in the society while some are evenly distributed but the others may not. In this regard, the theories of pluralism, neo-pluralism, elitism, Marxism and corporatism provide us with different theoretical approaches to understand the distribution of power in a society.

The objective of this study is to analyze the mode of labour protection policy making process in contemporary Hong Kong in the perspective of neo-pluralism. It seeks to analyze whether the labour protection policies are settled by political bargaining, if the government has its policy preference, and whether the business sector enjoys privileged position in the policy process.

The case of initial statutory minimum wage rate settlement in 2010 will be adopted. It would be a good example for us to understand the interaction between different stakeholders. On the one hand, the business sectors demanded for setting the initial minimum wage level at around $22 to $24 so as to minimize the influence for running businesses. On the other hand, the labour sectors sought the initial minimum wage should be safeguarded not only the staff but also his or her family members; therefore, the proposed wage level should be about $33. After expressing their confrontational opinions, the Provisional Minimum Wage Commission decided on starting the minimum wage legislation at $28. At last, the statutory minimum wage began on 1 May 2011.

The case of initial statutory minimum wage rate settlement is significant in the sense that many actors were involved and there were a great deal of conflict of interest among different parties during the negotiation process. More importantly, not only the business and labour sides, the Hong Kong government was criticized to be actively intervened in the policy making process. In other words, the government was the judge and player as well. As mentioned by Ma (2007) and Scott (2005), they believe the civil society expands their political influence whereas the political power of executive branches has been diminished after the handover. Cheung and Wong (2005) remind us that the business sector is still holding the dominant political positions in the policy making process. Accordingly, it is reasonable to believe that this case example could enhance our understanding the power structure in contemporary Hong Kong from the neo-pluralistic perspective.
Chapter One: Introduction

(I) Background of this Topic

Understanding the power structure is the principal factor determining the mode of policy making in a particular political system (Hill, 2005). Individuals or groups who share common interests connect with each other to voice their demands and pressure the government to have policies or actions. Every individual and group target for holding the dominant position in attempt to maximize their own influence in the public policy making process (Chan, 2009).

In a modern, diversified and pluralistic society, according to Anderson (2006), public policy making has usually been regarded as a political process engaging in compromises, conflicts and struggles among the stakeholders with confrontational interests and values on specific policy issues. For the sake of ensuring the public policy is acceptable to various groups or individuals, policy makers have to put every effort to strike a balance between different stakeholders within the policy community. Hence, Dye (2008) describes politics as the “struggle among groups to influence public policy (p.21)”. It is under this circumstance that policy making is getting in line with the pluralists while the political power is evenly distributed among different groups and all groups are holding equal opportunities to involve in policy making.
Particularly, Hong Kong has long been regarded as the pluralistic and diversified society which is well-known as interests and values diversity (Fong, 2008). Starting from 1980s, the public policy making has been rapidly politicized and highly competitive among the stakeholders including the Government agencies, Legislative Councilors from various political parties, interest groups, business sectors and media, etc (Scott, 2005). All of them involved in the policy making in order to ensure their policy preferences are actively reflected in the final policy outputs. As a consequence, Hong Kong SAR Government officials are now confronted with various stakeholders with diverse interests and demands on policy issues.

In this regard, minimum wage rate settlement represents a major political battleground in the handover period. As pointed out by Waltman (2008), minimum wage issue is usually a focus of controversy in every society because it touches on broad interests and involves a number of stakeholders, including employer-side, employee-side, political parties and grassroots associations. Waltman (2008) thus sums up that minimum wage settlement is immersed in the politics of public policy making. The above analysis by Waltman has been fully reflected in the case of “Initial Statutory
Minimum Wage Rate Settlement” in Hong Kong.

Since the handover, local politicians, the business sectors and the general public have paid more attention on the unreasonable wage level of workers. After the Asian financial crisis in the late 1997, the low wages and high unemployment issues were successfully drawn the public awareness on protecting the labors’ dignity (Hong, Ip, Lee, & Chan, 2001). Moreover, the media successfully indicated that low wages problem was not only existed in the private sector but also the contract workers in Housing Department while the unreasonable wage level could not maintain such a high living standard as Hong Kong (Ho, 2010). Finally, most of the citizens accepted the problem of “working poverty” and demanded for the legislation of statutory minimum wage in 2010. During the policy making process, the Provisional Minimum Wage Commission had been holding a number of consultations with different political actors whose concerned with setting the acceptable minimum level settlement.

Throughout this period, the various stakeholders, including the employer-side, employee-side, representatives of the local business community and legislative councilors from different political parties, interacted and bargained with each other so as to discuss how the minimum wage rate should be established. Given their
conflicting interests and standpoints, all these parties came into an open conflict to strive to advance their policy preferences. After a series of negotiations, the Government announced on 16 July 2010 that establishment of the statutory minimum wage in Hong Kong and began the statutory minimum wage rate at HK $28 per hour on 1 May 2011 (Labour Department, 2011).

(II) Objective of the Research

The objective of this paper is to examine the dominant mode of labour protection policy making process in contemporary Hong Kong. Through the interpretation of the case of “Initial Statutory Minimum Wage Rate Settlement” in 2010, this research paper argues that the neo-pluralism is the dominant mode of power structure in the labour protection policy.

This research paper attempts to investigate the distribution of political power in the aspects of government, business sectors and society. Being one of the controversial political disputes in post-handover period, the issue of “Initial Statutory Minimum Wage Rate” offers us a remarkable example to understand how complicated and politicized Hong Kong’s policy making environment has become.
(III) Research Questions

This research paper investigates the following questions:

- Is the setting of the Statutory Minimum Wage Rate settled by the political bargaining?
  - **Access to policy process** would be the indicator to examine this question.

- Does the Government have its policy preference in setting the statutory minimum wage rate making process?
  - **Role of government** would be the variable to test this question.

- Do the business sectors enjoy the privileged positions in statutory minimum wage rate making process?
  - **Distribution of political power** would be adopted to measure this question.

(IV) Significance of the Study

Understanding the power structure is the first step to analyze the policy making process in every society. But the studies of power structure in Hong Kong are mainly focused in other policy areas rather than the labour protection policy. Some of them are revealed as follows:
In environmental policy, Francesch (2004) argues that the policy making in Hong Kong is a mix of the pluralist and corporatist approaches. On the one hand, only few green groups and political parties doing research in policy analysis have influenced the government agenda. Thus, Francesch (2004) believes it is pluralism. On the other hand, the “functional constituencies” in Legislative Council depend on government for recognition and support in return for a role in policy making. Therefore, it is a kind of corporatism. Under this mixed power structure, the environmental policy in Hong Kong is only considered the short-term economic benefits rather than the long-term protections (Francesch, 2004).

Wilding (2006) asserts that the Hong Kong government is not neutral but put its policy preference in housing policy. Since 1990s, land sales accounted for more than 30% of government revenues. For the sake of maintaining these stable incomes, the government has to retreat to a much narrower and limited housing policy as well as leave the ground clear for the housing developers (Wilding, 2006). Also, the significance of the property market to Hong Kong’s economy gives property developers immune political power and influence. As a result, the power structure in housing policy is more or less similar to elitism while the property developers
monopolize the political power and influence and the government has its preference to offer advantages to them (Wilding, 2006).

In addition, Fong (2008) conducts a research on the power structure in Hong Kong by using the case study of the 2003 “Zero-Three-Three” civil service pay reduction settlement. He attempts to argue that the political transition has in turn resulted in changes to the policy making process from typical elitist model to a neo-pluralist model. From the case study of civil servant pay policy, he explains that the government officials in Hong Kong are still taking the old mindsets that serving the business sectors are equivalent to serving the whole Hong Kong. Hence, he encourages the officials should master the skills of political management while getting the society consensus before policy implementation.

In “Hong Kong: Becoming a Chinese Global City”, Chiu and Lui (2009) investigate the case of Cyberport incidents in 2001 and conclude that the urban policy in Hong Kong is similar to elitism. The government skipped the usual practice of open land auction and granted the project to Pacific Century Group owned by Mr. Richard Li, the son of business magnate Mr. Li Ka Shing. The economic elites are able to monopolize the policy making process without the consultation or participation of the
public. Thus, Chiu and Lui (2009) consider the urban policy is under the power structure of elitism.

To sum up, Francesch, Wilding, Fong, Chiu and Lui concentrate the research related to power structure in Hong Kong on environmental policy, housing policy, civil servant pay policy and urban policy respectively. Rare studies attempt to do research on labour protection policy and analyze the power structure in this policy.

Meanwhile, in the field of labour policy, statutory minimum wage has become a controversial issue in recent two decades. However, academic studies have been mainly focused on the effect or reasonable pay level under minimum wage rather than the power structure in the policy making process. Some of them are as follows:

In “Hong Kong requires which models of minimum wage”, Wong (1999) suggests that Hong Kong should adopt the positional types of minimum wage first and develops into vocational types of minimum wages later. At last, he remarks Hong Kong should develop the statutory minimum wage as soon as possible to protect the living standard of the working class.
In 2006, Shih (2006) points out that the incompetents will become the immediate victims under minimum wage policy because the employers are not willing to hire them at the minimum wage level with slow working efficiency. As a consequence, Shih (2006) concludes that minimum wage in Hong Kong is the evil rather than the merit.

Cheung (2011) points out that the statutory minimum wage standard, 28 Hong Kong dollars per hour, is not able to maintain the basic living standard in Hong Kong. Then, he compares and indicates that Hong Kong was suffering from an extremely low wage level when comparing with other developed countries such as Austria in HK$ 121 or United States in HK$ 56.6 per hour. Finally, he suggested that the Hong Kong government should take the lead to assist the middle and little enterprises in reduction of operational costs rather than rely on the postponement of the settlement of minimum wage.

In sum, Wong, Shih, and Cheung concentrate on the “potential” types of minimum wage, the victims of minimum wage, and reasonable minimum wage level in minimum wage settlement respectively.
Although they are studying on minimum wage settlement in Hong Kong, their foci are the aspects of models, potential disadvantages and social justice in different wage level instead of the distribution of political power in the minimum wage policy making process. More importantly, Hill (2005) reminds us that understanding the power structure should be the prerequisite to analyze the policy environment. Hence, this study would fill in the gap in the current literature by providing more information of the power structure in the labour protection policy.

(V) Scope of the Study

The scope of this study is to examine how the theory of neo-pluralism is applicable in Hong Kong by analyzing the political interactions among different stakeholders in the Initial Statutory Minimum Wage Rate making process in 2010.

With this core theme, this research paper will not go into the wage level arguments like whether HK$ 28 per hour is a reasonable wage level to maintain the basic living standard. Similarly, the current review on the relations between unemployment rate and statutory minimum wage are also not the focuses of this paper and thus will be excluded from analysis.
(VI) Short Reviews on Theoretical Framework

Power structure, also named as “nature of state power” by Hill (2005), is affected by both relative influences of the state and societal factors (Ham & Hill, 1993). From this perspective, how public policy is formulated and implemented are largely determined by the power structure of the society (Hill, 2005, p.13). There are mainly five theories explaining power structures, each of which provides a theoretical perspective to analyze the policy process (Ham & Hill, 1993; Hill, 2005; Nordlinger, 1981):

- From the perspective of classical pluralism, public policy to a large extent is a reflection of interests among various groups in the society based on the assumptions that an open platform is available for all individuals and groups to get involved in the policy process, that political power is equally distributed among them, and that the government acts as a neutral party (Ham & Hill, 1993). Therefore, public policy is largely reflected of the preferences of various societal groups (Ham & Hill, 1993).

- Neo-pluralism also emphasizes on such open platform of policy process. However, although the political power is widely dispersed in society, the distribution of power is in fact unequal in the hand of individuals and groups
(Dahl, 1992). The inequality of ownership of economic resources will result in the concentration of political power in the hands of economic elites which means the business sectors (Dahl, 1985). Moreover, the government has its own preference on policy to give the favors to the business class in order to maintain the stable amount of investment and employment rate (Hill, 2005).

- Marxism suggests that the general public is unable to influence the policy process as the political power is concentrated on the hands of the bourgeoisie, commonly known as the business class (Thatcher, 1998). The participation in politics is determined by one’s economic power. Furthermore, the state is an instrument which serves the interests of the economic dominant class.

- Elitism also mentions that citizens are lacking in the platform to engage in policy process. The political power is in the hands of several elites like government officials, big businessmen or professionals and they are the core of policy making (Heywood, 2002). The government is not neutral as it operates under guidance of elites.

- Corporatism points out that the commercial sectors and organized labor unions
enjoy prior privilege in accessing the platform of policy process while others are excluded (Ham & Hill, 1993). The government acts as a mediator between businessmen and labors whereas they are the main participants in the policy process.

This research will review the classical writings of prominent scholars from these five schools of thought fall into further discussion and analysis. Through the changing political environment, this paper will argue the neo-pluralism is more applicable to Hong Kong’s circumstances and therefore should be adopted as the theoretical framework for the analyzing policy making in Hong Kong.

(VII) Structure of the paper

The whole paper will be divided into seven chapters. Firstly, I have introduced the main theme as well as the significance of this research paper. Secondly, the literature review will discuss the study on policy process, power structure and Hong Kong political environment. Then, the theoretical framework will be explained which indicators will be adopted in this research. In the fourth part, the research methodology will be examined how to collect the data, the limitations and contributions of this study. Moreover, the background of “initial statutory minimum
wage settlement” will be presented in details. In the sixth part, I will adopt the neo-pluralistic perspective to analyze the case. Finally, I will sum up my findings and discuss the theoretical implications.
Chapter Two: Literature Review

(I) The Study of Public Policy Process

Hill (2005, p.13) suggests that the discussion of public policy making should be grounded in a wider consideration of the power structure. In this regard, how the policy is formulated and implemented which rely on the power structure of the society. Thus, we have to understand the public policy process at a starting point.

In political science, there are thousands of definitions of “public policies” (Anderson, 2000, p.3). For example, Dye (1998) defines public policies as “whatever governments choose to do or not to do” (p.2). Dye views all decisions from the institutions as the public policies. Then, on the other hand, Easton understands the public policies as the authoritative allocations of values to the society (1965, p.129). For Easton, the public policies respond to the demand from the interest groups and individuals (as cited in Hui, 2003). Furthermore, Lasswell and Kaplan comprehend the public policies as “a projected program of goals, values and practices” (Hill, 2005). They consider the public policies imply the values of the society. Anderson (2000) develops the public policies in the instrumental perspective. He views the public policies are problem-oriented for solving the economic, social or political problems.
According to Heywood (2002), the study of public policy is usually based on the “policy process which means the mechanisms through which policies are formulated and implemented (p.400)”. Hill (2005) suggests that power structure is the principal factor to determine the policy. In other words, how public policy is formulated and implemented are largely determined by the power structure of the society. In addition, Ham and Hill (1993) identify five major contending theories of power structure namely pluralism including classical and neo-pluralism, elitism, Marxism and corporatism. Each provides different conceptual approaches to understand the distribution of power, the operation of a political system and finally the development of policy process (Ham & Hill, 1993; Hill, 2005, pp.26-41).

Ho (2010) mentions that the core of the minimum wage settlement is in fact politics. There are political conflicts, negotiations and bargaining within the minimum wage policies making process. Furthermore, politicians and different interest groups try to gain supports and advance their own policy preferences in the labour protection policy.

In the forthcoming paragraphs, I will review the classical writings of prominent scholars from these schools of thought with a view to developing a theoretical
framework for analyzing the distribution of political power in contemporary Hong Kong.

(II) Nature of Power Structure

Nordlinger (1981, as cited in Ham & Hill, 1993) summarizes five main theories of power distribution within a political system, namely pluralism, neo-pluralism, elitism, Marxism and corporatism:

(i) Pluralism

Smith (1995) states that pluralism attempts to argue the society is difference and diversity. This implies that no single group, class or organization can dominate the society. Pluralism views a separation between the state and civil society organizations as well as the variation in the interests which are successful in particular policy areas. It is believable that power is non-cumulative and dispersed. When time goes by, pluralism has been developed and reformed into different interpretations and Smith (1995) suggests that classical pluralism and neo-pluralism are the two common approaches to explain the power distribution of the society. Hence, in this research paper, I will only focus on the two common pluralistic approaches and neglect the other frameworks like reformed pluralism, radical democracy as Smith (1995)
(a) Classical Pluralism

The core values of classical pluralism is that political power in modern society is widely and evenly distributed in the society instead of controlling by some privileged groups or individuals. Each individual and group enjoys an equal opportunity to play a part in the bargaining process (Heywood, 2007).

In the past few decades, the theory of pluralism has been further advanced and improved by the political scientists Robert Dahl. According to Dahl (1992), political power of the western countries is fragmented and evenly distributed among different groups. From Dahl and his followers, despite some groups are influential but no groups or individual are fully powerless. In other words, there is no dominant individual or group in the policy making process. Even the least powerful ones can definitely exert influences on the decision making of the government (Hill, 2005).

Dahl and Lindblom (1953) argue in the publication “Politics, Economics, and Welfare” that the policy process is operated under the principle of rule by many, and there is an open platform for all individuals and groups to bargain and negotiate for policy
development, that is “polyarchy”. In his book “Who’s Governs?”, Dahl (1989) further elaborates the concept of “polyarchy”. He states that in spite of economic and political privileges, all groups representing different individuals have the right to influence the bargaining process and no individual or group can dominate it. Moreover, individuals who share common interests formally or informally connect with each other to voice their demands and pressure the government to have policies or actions (Dye, 2008).

Apart from the groups and individuals in the society, the role of government is to regulate conflicts in society rather than to dominate society in pursuit of particular interests (Smith, 1995). In other words, in classical pluralistic perspective, the state is neutral in the bargaining process while merely follow the decision from the citizens. In shorts, the government is only the servants but not the master of the citizens (Schwarzmantel, 1994).

Moreover, the role of government can be examined in the theoretical approach. Dye (2008) suggests that politics means different groups complete for the influence in the society. The function of the government is to resolve the social conflicts between groups by:
establishing rules of the game in group struggle,

arranging compromises and balancing interest,

enacting compromises in the form of policy, and

enforcing these compromises.

As a result, the government is only the judge who makes the rule of games (Dye, 2008).

To sum up, pluralism believes that there is an open platform available for all individuals and groups to get involved in the policy process, that political power is equally dispersed among them, and it is remarkable that the government is only the neutral “judge” among them to resolve the social conflicts without any policy preference.

(b) Neo-pluralism

In the above review on classical pluralism, we understand that it asserts the political
power is evenly and widely distributed in modern societies. From the standpoints of classical pluralism, the government is neutral actor which is not biased in favor of specific interest or group (Heywood, 2007, p.90). In theory, classical pluralism is regarded as the best form of government while it is probably consistent with the concept of modern democracy which implies everyone is equal within the political system (Smith, 1995). However, in reality, the classical pluralism is under the challenge from theories like elitism and Marxism. Hirst (1990) criticizes that the idea of Dahl is too ideal and it is impossible to include all citizens in the political process. In fact, many citizens are inactive because their income and wealth as well as the political resources are unequally distributed (Hirst, 1990, p.40). Therefore, the classical pluralist theories have been updated and revised into “neo-pluralism”.

In essence, neo-pluralism is a theory which is rooted and remains faithful to pluralist values. Unlike the classical pluralism, neo-pluralism takes due account of the privileged position of the business sector in the policy making process and argues that state is a political actor which pursues its own policy preference (Heywood, 2002). Therefore, although the political power is widely dispersed in society, the distribution of power is in fact unequal among groups and individuals (Dahl, 1992; as cited in Ham & Hill, 1993). Dahl (1985) also points out that inequality of the ownership of
economic resources results in concentration of political power in the hands of few which mean the business sector instead of in the hands of many. This is known as the “deformed polyarchies” (Dahl, 1985).

The imbalance of political power is originated from the role of the business sectors in the economic development as they can control the amount of investment and the employment rate of the regions, which are crucial for politicians to maintain popular support. Then, for Lindblom (1977), business sector is advantaged by two important factors:

- First, government is dependent on a successful economy and so has a tendency to provide inducements and advantages to business. The requirements to meet the needs of business mean that it achieves “a privileged position in government” (Lindblom, 1977, p.175).

- Secondly, in market economy, many decisions are taken by business concerning investment and employment. Despite the impact that these decisions have over other people’s lives, they are not subject to democratic control (Lindblom, 1977, p.172).
Under these circumstances, business sectors are able to take advantages from the government easily (Lindblom & Woodhouse, 1993). As a consequence, they are privileged in the bargaining process and negotiation process.

At last, neo-pluralism asserts that the state has her own sectional interest. Heywood (2002) points out that the government officials like civil servants and police officers would also pursue their own sectional interests. In this sense, the government could be considered as an interest group or a political actor who has its own preference in the policy process. Thus, she is not neutral in the neo-pluralistic point of view.

To summarize, neo-pluralism emphasizes on an open platform of policy process. Although political power is widely distributed in the society, it is unevenly dispersed while the business sector is holding the dominant position. It is remarkable that government has its own preference on policy making.

(ii) Elitism

Elitism contends that political power is mainly concentrated on the hands of a small number of political elites and public policy usually represents the values and interests
of those elites (Ham & Hill, 1993, p.26). Therefore, in elitism, public policy can also be considered as the preferences and values of governing elites (Dye, 2008).

Michels (1996, as cited in Heywood, 2007) suggests that there is “the iron law of oligarchy”, in which political power is concentrated in the hands of a small group of dominant figures who can organize and make decisions, rather than in the hands of an apathetic rank of organizations. Elitism advocates that the mass are apathetic and ill informed about public policy, therefore, the elites actually shape mass opinion on policy questions more than masses shape the elite’s opinion (Evans, 1995). As a whole, the policy making process is under control of some leading groups which are comprised by the power elites, and the policies are reflections of their values. It is under this circumstance that the government is not neutral.

Then, whose will be the elites of the society? Heywood (2002, p.79) answers that the high socioeconomic status, academic qualifications, bureaucratic positions and good political connections of the power elites are able to enjoy an “an access to the highest level of executive branch of the government”. Furthermore, Mills (1956) emphasizes that the pressure of elections largely absorbed by middle levels of power for example congress and state governments. As a result, the masses have a limited access to the
core of policy process.

In sum, elitism points out that citizen is lacking in platform to engage in policy process. Nevertheless, the elites have possessed all the political power and dominated the policy making (Roskin, 2008). The government is not neutral but following the direct guidance of the elites.

(iii) Marxism

Marxism suggests that political power reflects the distribution of economic power in the society and the state is an instrument which serves the interests of the economic dominant class (Ham & Hill, 1993, p.26).

From the Marxist perspective, the capitalist mode of production gives rise to two distinctive social classes:

- The bourgeois which owns and controls the mode of production

- The proletariat which is the working class (Miliband, 1969, p.16).
Indeed, the power of state is highly concentrated on the hands of bourgeoisie while proletariat has no chance to access to the policy process. They conceive the state as well as the policy process as an instrument of class oppression. According to Poulantza (1973), the role of state is to maintain the long term interest of capitalism. This situation is also reflected in the policy process. Karl Marx in Communist Manifesto points out that “the power of the modern state is merely a device for managing the common affairs of the whole bourgeois class” (1973, as cited in Taylor, 1995).

Ralph Miliband (1969) further analyzes that civil servants and public officials are the representatives of the industrial and business leaders which mean the capitalists, as they are sharing the similar background. To be clear, the state favors the capitalists and is not neutral. The bourgeoisies enjoy disproportionate privileges with the sole power in policy making that allows them to protect their interests.

To sum up, Marxism suggests that the public is unable to influence the policy process as the political power is concentrated on the hands of the bourgeoisie. The participation in politics is depended on one’s economic power. Lastly, the government is a capitalist government which is in favor of the business sector.
(iv) Corporatism

Corporatists’ theories suggest that organized interests are incorporated into the processes of governance. These interests are granted an access to the institutions and privileged in the policy process (Heywood, 2002). In reality, commercial sectors and organized labour are privileged as they enjoy institutionalized access to the government. They are known as “peak associations” (Evans, 1995). In other words, there are formal bonding between the government and these two sectors. Together with the government, they form a “tripartite” (Heywood, 2002). Those who are not represented by the peak associations, including the consumer and promotional groups, could hardly express their opinion to government (Heywood, 2002). To a simplest sense, non-tripartite members of the society are more likely to be excluded from the policy making process while the state officials, business sectors and unions have greatest political power to influence and advance their own policy preference.

Marks (1986) highlights that corporatism is an theoretical approach to problem solving which demands the cooperation between the state and functional interests groups” (p.253). In other words, corporatists suggest that the state serves as an inter-mediator between the business groups and labour unions while the government
attempts to balance the interest between them (Ham & Hill, 1993).

In sum, corporatism suggests that the commercial sectors and organized labour union enjoy the privileged position in accessing the platform of policy process while others members of the society receive a limit of influence. The government acts as the mediator between the businessmen and labours, and these three actors are the main participants in the policy process.

(v) A Short Summary

The above literature review indicates that the power structure is the principal factor determining the mode of policy making in a particular political system. I have mentioned five theoretical approaches to the analysis of the distribution of political power among various political actors in policy process. The five approaches include classical pluralism, neo-pluralism, Marxism, elitism and corporatism. The main ideas of these theories are summarized at Appendix II. In the following part, I will present the policy environment in the context of Hong Kong and explain the more suitable framework for analyzing policy making in contemporary Hong Kong.
III) Hong Kong’s Changing Power Structure

In previous part, I have revealed that the dominant mode of policy making in the society should inevitably be depended on the power structure. In this part, I try to review the literature about the power structure of Hong Kong in the past few decades. This research adopts the view from Scott (2003; 2007) that Hong Kong has incrementally transferred from traditionally “central bureaucratic polity” to the “disarticulated political system”. Also, this political transition has brought the transition of power structure in Hong Kong from elitism to neo-pluralism.

(i) Classical Colonial Period: Elitism under the Central Bureaucratic Polity

Hong Kong became a British colony in the 19th century as a result of the British military invasions of the Qing Empire. During the 150 years colonial rule, British colonial government successfully developed Hong Kong from a small fish village to one prosperous economic regions in the world.

In spite of promoting economic growth, constructing different consultation channels and providing different social services, the political power was highly concentrated on the executive branches which headed by the British Governor. This mode of dominant political power can be termed by various political scientists as “administrative state”
(Harris, 1978), “bureaucratic polity” (Lau, 1982) or “government by bureaucrats” (Cheung, 1998). Obviously, it is consistent with the theory of elitism.

Under this power structure, Lau (2000) admits that senior civil servants especially those Secretaries of Departments and the Directors of Bureau took up the dual roles of policy making and policy implementation. They had been heavily involved in policy formulation process while, meanwhile, they still performed administrative duties and claimed their status as politically neutral civil servants.

From this perspective, the most notable feature of Hong Kong’s political system in the classical colonial period was that political power was invariably concentrated and exercised through an organized bureaucratic system. This model in colonial Hong Kong was most accurately described by Lau (1982) as a “central bureaucratic polity”. Under this power structure, political power was highly centralized in the bureaucracy who was politically autonomous and was “largely exempt from the interference by social and economic forces” (Lau, 1982, p.18). Indeed, there was no diffusion of power and effective checks and balances to manage the bureaucracy (Lau, 1982, p.38). Hence, the bureaucratic elites monopolized all functions in the polity from policy making to policy implementation (Lau, 1982, p.28).
Apart from holding the dominant political power, the bureaucracy also tried to involve those small groups of business elites and prominent Chinese figures in consultation process. Some scholars find that the “central bureaucratic polity” cannot explain the entire political context in Hong Kong. This approach is concentrated on the governmental institutions namely the interaction between the executive and legislative branches to control over the policy making process in Hong Kong but neglects other important reasons behind this problem. Then, King (2003) further mentions the socio-economic factor to analyze the power structure in the pre-handover period.

King (2003) argues that the embeddedness of both social and economic elites in the policy making institutions was the other factor which controlled the political power of Hong Kong. He describes this incorporation as “administrative absorption of politics” (King, 2003, p.90). By cooperating with local elites, the colonial government was successfully constructed the “elite-consensual polity”. The elites were taking on behalf of the social groups which represented the stances and opinions from its members (Tsang, 1997). When the colonial government embedded this kind of elites into the executive branches or other advisory bodies, it is easy to consult and collect their ideas in the policy making policy. Only by doing so, it guaranteed the policy was
gaining the support from the general society and minimizing the risk of political instability (Miners, 2001).

Cheung (2005) tries to combine the perspectives from both Lau (1982) and King (2003) and summarizes the classical colonial power structure as three main features:

- Political power was highly concentrated on the colonial Governor and top officials. The executive branch exercised dominant control over the policy making process whereas the function of Legislative Council was limited as the rubber stamp. It is remarkable that the members of Legislative Council were appointed by the Governor.

- All top posts of the colonial administration were filled by career civil servants. Also, the senior civil servants took up both the role of policy making and implementation.

- Colonial Governor was assisted by the Executive Council while members were mainly from the business and professional background. (Cheung, 2005)
To conclude, the aforementioned analysis explains that the power structure of colonial Hong Kong was “centralized bureaucratic polity”. Under this pattern of power distribution, the political power was mainly concentrated on the bureaucratic elites and a small group of local business and professional elites. It is under this circumstance that elitism should be the more suitable to describe the power structure of colonial Hong Kong.

(ii) Post-colonial Period: Neo-pluralism under a Disarticulated Political System

This central bureaucratic polity was no longer maintained over a century of late colonial period. Moving to 1980s, the development of social pluralism and rise of disarticulated power structure have seriously challenged the traditionally bureaucratic elites over policy making (Scott, 2005). As a consequence, the power structure of Hong Kong has been transited from administrative elitism to neo-pluralism.

(a) The development of social pluralism: emergence of civil society and rising political participation

In classical colonial period, the civil society in Hong Kong was weak and underdeveloped (Ma, 2007). At that time, Hong Kong people had little expectations towards government’s performance because of their “refugee mentality” and the
colonial government successfully exercised the “administrative adsorption of politics”.

It was under this circumstance that the political mobilizations were in low level and resulted in the underdevelopment of civil society (Cheung, 2007).

The negotiation over the future of Hong Kong from 1982 to 1984 and the Tiananmen Incident in 1989 had marked the turning point of rapid expansion of the civil society (Lo, 1998). Those incidents encouraged the public attention and engagement in political affairs. Then, the society has become politicized because of the rising political awareness of Hong Kong residents. The elected politicians and political organizations with different political values have joined together (Lo, 1998). As a consequence, an active civil society has started to emerge. The increase of civil society contributes to the growing awareness of the society and increasing expectation towards the HKSAR government (Lau & Wan, 2000).

After handover, Ma (2007) finds that the wave of the rising civil society groups do not stop but further intensified. But the focus of civil society is not related to the China and Hong Kong integration as mentioned by Lo (1998) but shifts to the tensional state and society relations in handover Hong Kong. According to Ma (2007), this trend closely related with people’s dissatisfaction with the HKSAR government. The
increasing public expectations towards the Tung’s administration were coincided with prolonged economic mistakes and a series of policy blunders (Chan & Chan, 2007). The interaction of these forces finally resulted in rising public dissatisfaction with the performance of Tung administration and HKSAR government.

Furthermore, Chan and Chan (2007) introduce the excrete turning point of the public from shifting the satisfaction to discontent to the governance system of HKSAR government in post-handover time. The two July 1 demonstrations in 2003 and 2004 have highlighted the milestone of further growth of civil society (Chan & Chan, 2007; Ma, 2007). After these two important protests, residents believe they are the masters of Hong Kong and confident to organize the civil society associations to involve in policy campaigns like “protection of the Victoria Harbour” and “protection of the Star Ferry Pier campaign” (Ma, 2007). We can see that people from different social backgrounds have joined together to form social group so as to pursue common goals and values.

To summarize, the number and the extent of political participation of civil society organizations are rapidly developed after the handover (Chan & Chan, 2007; Lau & Wan, 2000). Lam and Tong (2007) summarize some figures of the development of
civil society after handover in Hong Kong.

- Widespread use of demonstrations and rallies;

- Growing participations of professionals like lawyer and scholars

- Expansion of the various forms of political participations

- Share common political and social goals like universal suffrage

(b) The rise of a diffused power structure: breaking up of the centralized bureaucratic polity and the post-1997 constitutional changes

Apart from the rise of civil society in the late colonial and handover period, it can examine that the political culture of Hong Kong has changed from subject to participant culture. But it cannot explain that the rise of civil society was influential in the power structure and defeated the central bureaucracy which had already the powerful actors since pre-handover Hong Kong.

Furthermore, Scott (2003) further argues that another alternative approach to view the
new power structure of Hong Kong after handover. As aforementioned, the executive authority, in classic colonial period, held the dominant political power while the Governor had the power to appoint the Legislative Councilors and the Legislative Council acted as the rubber stamp rather than an effective checks and balances mechanism (Sing, 2003). In the late colonial period, the bureaucratic polity had begun to disintegrate and political power has become scattered among various political institutions.

Before Scott’s argument, Sing (2003) has developed that the democratic reform from the colonial government changed the power distribution of Hong Kong. According to Sing (2003), the first revolutionary change to the power structure occurred in mid 1980s as a result of the democratization of Legislative Council and the rise of electoral politics. As part of its overall strategy to ensure an “honorable retreat” from Hong Kong, the British colonial government decided to introduce various reforms to democratize the political system in the final years of the colonial rule (Sing, 2003). Importantly, the injection of democratic elements into Legislative Council implied that the legislature has become more and more difficulty in lobbying the legislature’s support for government’s policy proposals (Sing, 2003; Ma, 2007).
After handover, this kind of “diffusion of political structure” was still preserving while Scott (2000; 2005, p.217-218) describes this system of governance as a “disarticulated political system” and he further discusses the change of power distribution in Hong Kong:

“Basic Law did not provide a coordinated set of institutions. Rather, institutions, such as the Chief Executive, the civil servants, and the Executive and Legislatives Councils, were given certain powers and responsibilities. It was assumed that they would cooperate in formulating and implementing policy. In the event, there was considerable fiction between these institutions” (Scott, 2005, p.217).

Under this disarticulated political system, political power has become more diffused and political struggle exist between the executive and legislature and also between the Chief Executive and civil servants. The harmonious bureaucratic polity has been marginalized and replaced.

To conclude, under this diffused power structure, policy making has evolved into a process involving struggles among groups with conflicting interests and policies are
more likely to be settled by bargaining among the various political actors.

(c) Business sector remains the dominant position in the policy making process

Colonial governance was defined by a close state-business alliance. Business leaders had long been absorbed into the governing machinery. Goodstadt (2005) provides a colonial perspective to analyze the state and business alliance.

“To the colonial administration, the business and professional classes seemed the group most firmly rooted in Hong Kong because of their investments and ownership of assets. When the mainland or local political development threatened British rule, the business sector was believable the most reliable to cooperate so as to ensure the stability. Hence, the leaders of business and the professions were seen by the British as the best qualified to be involved in the colonial power system.” (Goodstadt, 2005, p.10)

It is under this circumstance that many leaders in local business community occupied unofficial positions in the Executive Council and the Legislative Council. Goodstadt (2005) successfully examines the business sectors are invited to form the alliance in
policy making but he cannot explain why the business elites are highly represented in the society. Then, Cheung and Wong (2004) adopt the corporatism to interpret this cooptation.

According to Cheung and Wong (2004), the cooperation of elites to advisory committees help the Hong Kong government secures the political consent and give an impression of government by consultations. It seems that the business or professional groups represented the public and formed a key pillar of stability for British colonial rule.

As a result, the business sector maintains the dominant political power due to the adsorption of advisory bodies as mentioned by Goodstadt (2005) and representation of the public consent as admitted by Cheung and Wong (2004).

After handover, the state and business alliance still remains in power in the policy making process. One fundamental change is in the pattern of business representation. Local Chinese capitalists replaced the dominant of British ones and continued to maintain their vested interest in the policy making process (Yep, 2009). Yep (2009) argues that the expansion of business power is not only in the advisory bodies as
mentioned by Cheung and Wong (2004) and Goodstadt (2005), but also the governing machinery like the Chief Executive Election Committee and Legislative Council. From 1997 to 2012, half of the seats in Legislative Council are dominated by “functional constituencies” which only represent the major business and professional groups in Hong Kong (SynergyNet, 2010). Also, the Chief Executive Election Committee is dominant by the business and professional interests while each of them holds 25 percent of the positions. Thus, So (2000) emphasizes that although the business representatives are changing from British to Chinese big businessmen but the nature of power structure remain unchanged. The business sector is still holding the dominant political power in the policy making in Hong Kong.

(iii) Neo-pluralism as the new power structure in contemporary Hong Kong

As the above mentioned, the features of power structure in post-handover period are encouraging more public participation by developing civil society organizations, the close relations between executive and legislative are released and the business sector is still holding the dominant position.

Under the new power structure, different political actors have become involved in the networks of “reciprocal influence” and more bargaining and negotiations are involved
in the policy making process (Ma, 2007). For the sake of getting the policy proposal passes, the HKSAR government has to consult and draw consensus from different stakeholders.

Then, it is easy for us to draw the conclusion that Hong Kong is adopting the pluralism in policy making process. Importantly, Alvin So (2000) reminds us that the big businessmen played a critical role in blocking Hong Kong’s democratization because democratic reform is a challenge to its class interests. The absence of universal suffrage in electing the Chief Executive and all Legislative Council members points to the fact that Hong Kong is not adopting the “polyarchy”. Although the civil society has more opportunities to access to the policy making process, the distribution of power is still unequal and the business community continues to enjoy privileged position (Goodstadt, 2005). As a consequence, neo-pluralism should be more suitable to apply in the context of contemporary Hong Kong.
Chapter Three: Theoretical Framework

In previous chapter, I have argued that the theories of neo-pluralism provide us with a theoretical framework for analyzing the power structure in contemporary Hong Kong. Labour protection policy in Hong Kong has long been criticized as domination by the business sectors while the labour sector is lacking in political power to bargain (Ho, 2010). Hence, the following part would analyze the “Initial Statutory Minimum Wage Rate Settlement”, one of the latest established labour protection policies, with the views of neo-pluralism. Smith (1995) suggests the “models of neo-pluralism” to analyze the power structure in a political system. For Smith (1995), the power structure can be analyzed with the following perspectives:

- Access to policy process
- The role of the state
- Distribution of political power

In the following part, I will discuss each of them one by one.
(I) Access to policy process

For neo-pluralist, Dahl and Lindblom (1992) state that government policy is settled by political bargaining. Also, policy making is characterized by struggles among people with conflicting interests who are usually involved in networks of “reciprocal influence”. To put it simply, Smith (1995) argues that there should be an open platform for various stakeholders to influence the policy process. In the perspective of “initial statutory minimum wage settlement” policy making process in Hong Kong, it could be revealed in the public consultation procedures.

(i) Public Participation in the policy process

First of all, under the neo-pluralistic perspective, the general public can express their ideas through different communications channels. Cheung and Wong (2004) point out that the Hong Kong residents can express their opinion through institutional channels such as official consultation meetings or non-institutional channels like public forums. In this part, I would like to examine whether the case of minimum wage level settlement is similar to other policies which means the citizens can also give their suggestions through those channels.
(ii) Invitations of participation by the Government

Neo-pluralism suggests that the government would set up lots of channels to invite the participants. Under the Term of Reference of Provisional Minimum Wage Commission, the Commission is required to consult the public before finalizing and submitting the report to the Chief Executive (Labour Department, 2009). Indeed, under the mission of Provisional Minimum Wage Commission (2010), the Commission should take the following roles before drafting the report and submit to the Chief Executive.

- To consult any associations representatives of employers, employees as well as any individual citizens;

- To consider any submission made in different forms of consultations

- To analyze and consider any data and opinion derived from and consider any other information, research and study

In this part, the invitation channels for the government will be investigated and find out how the Provisional Minimum Wage Commission collected the opinions from the
public.

(iii) Civil society and political parties as the mediator between government and society

Lam and Tong (2007) suggest that the civil society and political parties perform an important function to reflect the interests to the government. In the case of minimum wage level settlement, under the Term of Reference of Provisional Minimum Wage Commission, the Commission has to actively consult different labour associations and business chambers (Provisional Minimum Wage Commission, 2010).

Before submitting the final report to the Chief Executive, the Commission should hold at least three consultation meetings to different associations. During the meetings, various participant associations are welcomed to submit the written or oral suggestions to the Commission. After each consultation meeting, the Commission is required to hold the press conference to report the received data and opinion. In this indicator, I attempt to examine whether civil society associations and political parties facilitate to collect the information from the public and express to the government.

To sum up, public participation, government invitations and civil society and political
party participations offer us whether the public access to the policy process to influence the minimum wage rate which is consistent with the ideas of neo-pluralism.

(II) Role of the State

Labour protection policy in Hong Kong is a top down process (Hong, Ip, Lee and Chan, 2001). Unlike a bottom-up process in which a policy is the outcome of the government in respond to the public demand, the labour protection policy in Hong Kong is initially formulated by the officials, and open for the public to bargain and negotiate afterwards. In this sense, the government is not a neutral agency which only a political player which is an important assumption of neo-pluralistic perspectives.

(i) Stances of government towards minimum wage legislation

To begin with, government should have her policy preference in the minimum wage legislation. In the previous policy addresses, they indicate why the HKSAR government wants to promote the minimum wage legislation. In this part, I would like to examine what are the government policy preferences to develop this policy, and more importantly, she is also a political actor.
(ii) Stances of government towards initial statutory minimum wage level

For details, the initial statutory minimum wage should also reflect the policy preference of the government in this issue. In principal, the Provisional Minimum Wage Commission is mainly responsible for advising the Chief Executive on the initial statutory minimum wage level. Hence, the Commission should act in line with those objectives, for example, minimizing the loss of low-paid jobs and sustaining Hong Kong’s economic growth and competitiveness (Provisional Minimum Wage Commission, 2010). In consistent with the neo-pluralism, there should be some members represent the government in this commission. In this part, I would like to examine whether the government sends her representatives to reflect her policy preference.

(iii) The government official’s intervention

Lastly, government officials intervene in the policy making process. When the commission is appointed to be responsible in setting the initial minimum wage level, the government officials suppose not to involve in any discussion in order to maintain the independence of the Commission. According to neo-pluralism, the government officials will communicate with the participants in order to change their minds, and, more importantly, ensure her policy preference which will be reflected in the policy
outcome. In this part, I attempt to explore any direct official intervention in this policy making process.

In sum, in this part, I attempt to argue the government is not neutral but also a political actor. Her attitude will be reflected in the stance towards this policy, the composition of this commission and whether any intervention is practiced by the officials. Government with policy preferences is in line with the advocacy of neo-pluralism.

(III) Distribution of Political Power

Neo-pluralism suggests that the business sector enjoys a privilege position in policy making process. This can be observed by the composition of the Commission; the domination of consultation channels and reviewing from the policy output. Labour protection policy making in contemporary Hong Kong usually faces criticism on the ground of uneven distribution of bargaining power.

(i) The composition of Provisional Minimum Wage Commission

Although the Provisional Minimum Wage Commission was composed by the representatives from different professions such as the labour, employer and academia,
the power was not evenly distributed. This composition is favor to the business sector because the other professions might support the business decision. Then, the business interests were highly represented. In this part, I would like to argue that the business sector enjoy the privileged position than the labour sector in the composition.

(ii) Business domination in consultation channels

During the consultation period, the participants are mainly the small and middle enterprises and also some business chambers. Therefore, some organizations complained that the Commission is selectively interested in the field of business sector and tied to their interest. Hence, the business holds more channels to communicate with the commission rather than other sectors like the academia and labour union. (Hong Kong Catholic Commission for Labour Affairs, 2010). In this part, I attempt to argue that the business dominates in the consultation channels while the other sectors are difficult to involve.

(iii) Business advantages from reviewing the policy output

Due to the principle of secret agreement, it is impossible to gather any minute from the meeting of Provisional Minimum Wage Commission. Then, we can rely on the policy output to examine the interests of different sectors. The “basket of indicators”
is very important indicator to find out the distribution of power of different sectors.

From neo-pluralistic perspective, the “basket of indicators” should intentionally design in favor of the business sector.

On the whole, with the characteristics of the policy environment mentioned above, the power structure of Hong Kong is likely getting in the form of neo-pluralism. Then, I attempt to adopt those indicators to examine the case of initial minimum wage level settlement in neo-pluralistic perspectives.
Chapter Four: Research Methodology

(I) Data Collection Methods

Babbie (2001) asserts that qualitative interview plays a crucial role in social science research for data collection in the sense that it puts emphasis on the interaction between the interviewers and the interviewees. Apart from strictly listing a standard set of questions, Babbie (2001) suggests that it is a best way to merely focus on a general topic in qualitative interview. Through the direct conversation with the stakeholders, this approach provides opportunities for the research to have an in depth understanding of the real situation.

Importantly, adjustments on political environment are frequently made from time to time and the object of policy process studies is usually a unique sequence of events which is rarely replicated (Babbie, 2001). Apart from this, since many relevant variables, particularly the distribution of power among different actors, are difficult to observe. People who did not engage in the incidence may not have sufficient information necessary for analyzing the power structure.

To cope with these problems, thus, Hill (2005) suggests that case studies are often used in policy process studies with qualitative methods. Case studies could offer an
in-depth investigation of a single instance, and hence able to deal with the complexity of policy process whereas quantitative methods like interview would provide an alternative way to gather those “hidden information” from different actors.

Therefore, this research is conducted with the method of case studies as well as other qualitative methods, including interviews and documentary reviews. Evidence-based and logically-argued analysis is adopted to examine the data collected.

The case of “Initial Statutory Minimum Wage Rate Settlement” is chosen since it is regarded as a significant case because it involved many different actors such as labour unions, Provisional Minimum Wage Commission, academics, political parties, commercial chambers, etc and great conflict of interests are reflected during the negotiation process. Interestingly, in the case of Statutory Minimum Wage Settlement, the conflict is displayed not only in the disputes of reasonable wage level, but also in the fairness in the policy making process.

On the whole, the analysis of this case is based on information gathered by the following methods:
● In order to collect the first hand information of the whole issue, invitations are sent to major political actors including Provisional Minimum Wage Commission, political parties like Hong Kong Federation of Trade Unions and Hong Kong Confederation of Trade Unions, and business sectors, qualitative interviews are conducted.

● The documentary review includes government documents like Government’s paper, press releases issued by the Labour and Welfare Bureau and Labor Department and official report of Provisional Minimum Wage Commission are also important sources of information.

● Academic publications, commentaries and newspaper reports are supplementary information sources.

(II) Limitations of this Study

Firstly, case study is employed in this research. As mentioned, each case of policy process may have unique characteristic, thus the circumstances may change from case to case. Hence, investigating more studies is needed in hopes of validating the findings.
Secondly, guests of all categories were interviewed except the business sector. To fill in the vacancy of the first-hand information from this sector, I have to find relevant documentaries and other evidence that provide with the data necessary for analysis.

Finally, I cannot invite the members of Provisional Minimum Wage Commission to attend the interviews. In fact, this commission has a vitally important function to formulate the initial wage level. However, some information which discuss in the meeting is not open to public. So, the interviews from the members in this Commission are very significant to collect those “hidden information”. Deplorably, some invitations for those members are rejected or neglected due to the “confidentiality agreement”.

(III) Contributions of this Study

Labour protection policy has long been a controversial issue in recent years while the conflicts between the business and labour sides have radical than before. Also, there are increasing numbers of criticisms focusing on the unequal position in the bargaining and negotiation processes. However, in-depth studies about the power structure in the labour protection policy making process are rare. Therefore, this study
fills in the gap in the current literature by offering more information of the power structure in the labour protection policy.

Besides, this study indicates an important and useful verification of that neo-pluralism is the dominant mode of labour protection policy making process in modern Hong Kong. Moreover, this can broaden the academic discussion of neo-pluralism as the mode of public policy process in Hong Kong.
Chapter Five: Background of Statutory Minimum Wage Rate Settlement

Hong Kong is an undemocratic, business-aligned, centralized regime under which movement claims for strong labour regulations and a “universalist” welfare have been rejected or ignored by the government and business elites. Under the philosophy of “positive non-intervention”, the setting of minimum wage has long been a controversial issue which is discussed and debated more than a decade (Apple Daily, 14 July, 2010).

In the early stage of handover, pro-democracy trade federations and civil society organizations found it difficult to advocate the setting of a minimum wage to protect low-skilled workers. Just after the handover, when the unemployment rate remained low at 2.2%, the new Chief Executive, Tung Chee-hwa enjoyed relatively strong public support (Ho, 2010). During the political transition, the Tung administration was successfully promised to improve welfare protection, therefore, the demand for setting the minimum wage remained low.

In late 1997, the awareness of setting minimum wages had been increased. When the Asian financial crisis struck, the unemployment rate was increased by 1.5% to 6.2% in 1999. In response, Lee Cheuk Yan, the legislator from CTU, introduced the issue of
a minimum wage to Legislative Council for discussion in April 1999. At that time, only the CTU and a handful of civil organizations such as the Hong Kong Social Security Society, advocated minimum wage and unemployment protection funds. However, without the consensus of Legislative Council and strong resistance from the business sectors, this issue only lasted for a short time (Hong, Ip, Chan, & Lee, 2001).

In 2000, Lee Cheuk Yan re-initiated a similar motion, but still few political elites supported a minimum wage (Ho, 2010). Together with the support of business representatives in the Legislative Council, the Tung administration easily rejected the proposal for a minimum wage. The government is under no pressure to adjust the existing labor policies until social movement organizations disclose a serious case of exploitation to the media and gain political attention.

In 2001, the news reported that 68 years old outsourced cleansing worker who lived in a public toilet only earned HK $7 per hour and worked 14 hours per day (Metrohk, 16, July, 2010). This case sparked off public criticism of the government’s outsourcing services. Pro-labor legislators proposed setting a minimum wage requirement in labor contracts for low waged and outsourced workers. But the government declined the proposal.
In 2004, Oxfam Hong Kong and the CTU targeted some government departments and revealed the low wages of outsourced workers under government contracts. They urged the Housing Department to disclose information on the contracts of all outsourced workers. It was under this circumstance that Chief Executive made a concession by announcing the use of the “average market wages” as the level of the minimum wage for the outsourcing services (Hong Kong Confederation of Trade Unions, 21 April, 2006; Wenweipo, 11 May, 2004). With this golden opportunity, pro-labor legislators further urged the government to legislate on a minimum wage and standard working hours to curb labour exploitation.

In 2006, the new Tsang administration kept policy window open for labour groups to advocate a minimum wage. During the election campaign, Donald Tsang promised pro-labor legislators that if he became the Chief Executive, the minimum wage policy would be extended to cover other outsourcing services in all public bodies and government-financed organizations. In addition, he put the promise of “continued dialogue on maximum working hours and a minimum wage to reach consensus” in his election platform (Ho, 2010).
After Tsang was elected, both CTU and FTU competitively advocated a “statutory minimum wage” and “standard working hours” for grassroots workers (Hong Kong Confederation of Trade Unions, 9 February, 2007; The Sun, 1 May, 2007). Meanwhile, various trade federations, labor groups, civil society organizations, and political parties competed to press the Tsang administration to accept their proposal for a minimum wage. In Legislative Council, Lee Cheuk Yan, the CTU legislators, urged the Chief Executive to immediately implement legislation on a minimum wage, while FTU legislators bargained with the government for a timetable on minimum wage legislation. However, business representatives vehemently opposed the legislation and proposed the government a voluntary scheme for setting a minimum wage. It is against this drawback that Donald Tsang adopted a moderate proposal to promote the two years voluntary scheme called the “Wage Protection Movement” (The Sun, 1 May, 2007).

This campaign aimed to protect the cleaning workers and security guards which were not lower than the relevant average market rates (Labour Department, 2007). The volunteer participant enterprises made the commitment to enhance the wages level of these two job positions to the relevant level which published by the Census and Statistics Department’s Quarterly Report. However, the effectiveness of this campaign
was highly criticized by the pro-labour parties, civil society groups and government departments as well. Factually, only 21.6 percent of targeted labors were protected by this movement, as a result, the Labour and Welfare Bureau announced that the movement was failed and planned for the legislation of minimum wage (Headline Daily, 16 October, 2008). Meanwhile, various civil society organizations published the report of “working poverty” in Hong Kong and attempted to speed up the legislation. According to Oxfam (2008), there were around 410,000 labour is suffering from the plight of working poverty. This report was successfully drawn the media and public attention and facilitated to accelerate the legislation.

In the policy address 2008, Tsang (2008) announced to establish the “Provisional Minimum Wage Commission” which was responsible for advising the Chief Executive on the initial statutory minimum wage level. This Commission comprises 12 members from the labour sector, business community, academia and relevant government department (Labour Department, 2009). Following the controversy of setting of minimum wage, the wage level has become the hottest issue in the society. The struggles between the employer- and employee- sides has obviously drastic than before.
For the employer-side, generally speaking, they demanded the wage levels from 20 to 25 dollars. For instance, the Hong Kong General Chamber of Commerce supported the wage level was set at HK$25. The Hong Kong General Chamber of Small and Medium Business revealed her acceptable wage level at HK$ 23.4. The employer-side worried that the high minimum wage level would enhance their operational cost for running businesses. Some enterprises even threatened they had to fire the labour, transfer the cost to the customers or close down their shops (Singtao Daily, 15 July, 2010).

As for the labour-side, in general, they strived for the minimum wage rate between 30 and 33 dollars. For example, CTU advocated the wage level at HK$33. FTU suggested the wage level was reasonable to set at HK$33. The labour-sides persisted that 33 dollars per hour was acceptable to maintain such high living standard region as Hong Kong (Headline Daily, 20 July, 2010).

The Provisional Minimum Wage Commission had organized three main consultation meetings with both employer- and employee-sides to collect the view point from the society. On 30 August, 2010, the Commission announced their consensual wage level
and sent to the Executive Council. Finally, the statutory minimum wage comes into force on 1 May 2011 and the initial wage level is $28 per hour.
Chapter Six: Case Study on the Statutory Minimum Wage Settlement: A Neo-pluralistic Perspective

In literature review, I have discussed that the dominant mode of the power structure in contemporary Hong Kong is likely in the form of neo-pluralism. From this angle, if we accept that neo-pluralism is applicable to Hong Kong’s labour policy, it would be plausible and logical for us to adopt a neo-pluralist perspective in the analysis of the case of initial minimum wage level settlement in 2010.

From the views of neo-pluralism, policy making process should have the following characteristics:

(i) There is an open platform for various stakeholders to influence the policy process (Principle one).

(ii) The government is a political actor with her own policy preferences in the policy process (Principle two).

(iii) Imbalance political power exists where the business sector exerts considerable influence over others (Principle three).
As discussed in chapter three, the theoretical framework is designed to this case. In applying the model of neo-pluralism, our investigation on the case of initial statutory minimum wage level will be focused on the following aspects: a) the access to the policy process; b) the role of government; c) distribution of political power in policy process.

(I) Access to the Policy Process

Dahl and Stinebrickner (2003, p.84) argue that the freedoms to participate in and to oppose the government will result in a conservable degree of social pluralism and under such circumstances various autonomous social organizations will actively influence the policy process in order to ensure that the decision made by the government is of their interests. One of the central features of neo-pluralism is there is a platform for the public or groups to express, criticize and protest so as to access to the policy process (Dahl, 1989, p.211). In the following sections, I will start with examining how the public involve in the statutory minimum wage rate settlement.
(i) Public Participation in the Policy Process

Since the commencement of the “Provisional Minimum Wage Commission” was formally announced in 2008, many meetings that provide platforms for various stakeholders with different interests to discuss the acceptable wage level have been formally held.

Take the meeting which held in 2009 as an example. A discussion about the minimum wage rate was held at the first period of consultation meeting from 24 December 2009 to February 2010. Various stakeholders such as the representatives of labour union, business chamber, think tanks, civil society organizations and enterprises expressed their views on the reasonable minimum wage level. The Hong Kong General Chamber of Commerce, representing the big companies in Hong Kong, stated that the wage level should be set between $23 and $26. She further warned that if the wage was beyond $26, some companies would be no choice but to fire their staff which might result in the expansion of unemployment (Ming Pao, 4 May, 2010). Oxfam Hong Kong, long-term observers of poverty of Hong Kong, and, Hong Kong Confederation of Trade Unions, labour union in Hong Kong, also emphasized that the wage should be set at $33 so as to maintain the basic living standard. Ms. Teresa Cheng Yuek Wah, the chairperson of Provisional Minimum Wage Commission,
responded to those comments and questions respectively and promised to review all the opinions after the meeting (Headline Daily, 8 July, 2010).

On the other hand, apart from those organizations, public is able to express their opinions during those consultation processes of minimum wage in Hong Kong. According to Ip Wai Ming (Personal Communication, 6 March, 2012), the members of Legislative Council of Hong Kong Federation of Trade Union, citizens could express their opinions through many ways. For example, citizens could express their opinion directly to the Provisional Minimum Wage Commission, political parties, members in Legislative Council and public officials. Also, they can share their opinions through the internet consultation and even phone to radio broadcast. And, as mentioned by Steven Hui (Personal Communication, 29 February, 2012), the representative of Labor Department, the Provisional Minimum Wage has in fact held a lot of workshops and clearly shown in the report. Therefore, citizen could make use of those workshops as a path to express their opinions.

(ii) Invitations of Participation by the Government

Besides, as aforementioned, under the items of the Provisional Minimum Wage’s term of trade, the Commission is responsible for consulting every stakeholder who wishes
to involve in the policy making may complete the consultation submissions and send to the commission. This was proved in my subsequent interviews with Charles Ho Chun Kit, Steven Hui and Ip Wai Ming. The consultation in fact includes built-in consultations, e.g. public hearing and public representation, and the term of references restricts the Commission to consider the publics’ opinions before giving the advice to the Chief Executive. Hui further mentions that during the final decision of $28, the Commission has to consult both employer- and employee-sides (Steven Hui, Personal Communication, 29 February, 2012).

With regard to the case of minimum wage settlement, Hui states that at least three formal consultations were conducted when drafting the minimum wage level (Steven Hui, Personal Communication, 29 February, 2012). At the first consultation period, the Commission was held 16 meetings with 83 organizations such as associations of the property management, security and cleaning services, retail sector or catering industry, etc attended in those meetings. This consultation period aims to collect different opinions from main affected associations.

In the second period, the commission targeted for receiving the opinions from the public and the most affected sectors. In this period, over 7500 written submissions
received and 17 meetings was organized while 66 organizations attended. Most of them were come from the catering industry, property management, security and cleaning sectors as well as the policy research institutes.

During the third period, the commission aimed to consult the low paying sectors. At that time, 9 consultation meetings were conducted and 11 organizations attended in the meeting. The consultation target was mostly the association of low paying sectors, trade unions and major employers’ association (Provisional Minimum Wage Commission, 2010).

As a whole, the consultations had lasted for more than half of the year and different opinions were taken into considerations so as to facilitate the final decision of wage level.

(iii) Civil Society and Political Parties as the Mediator between Government and Public

Apart from the active participation from the public and invitations from the government, Ip Wai Ming reminded us that the political parties and trade unions acted vitally important mediators to collect the employees’ opinion and reflect to the
commission. According to Ip, “as you know, some of frontline staffs do not receive a high education background, then, Hong Kong Federation of Trade Unions have two important roles. On the one hand, we have to facilitate the opinion collection from the frontline workers and reflect to the Commission. On the other hand, importantly, we take the initiative to explain the benefits and costs to the workers for encouraging further discussions and participations. Those documents have a number of technical terms while the workers may not be fully understood those meanings so we have to explain to them clearly.” (Ip Wai Ming, Personal Communication, 6 March, 2012)

Ho Chun Kit, the policy officer of Oxfam Hong Kong, also agrees with the importance of the political parties and civil society organizations to link up the communication between public and the government. According to Ho, “Oxfam, as one of the well-known and neutral social group in Hong Kong, has collected the opinions from the public through our research team. This team is very important to arrange those opinions and submit to the government. (Ho Chun Kit, Personal Communication, 22 February, 2012)

To summarize the above findings, it points to the fact that there was an open platform for various stakeholders to influence the policy process of the statutory minimum
wage settlement. Various stakeholders from the business associations, trade unions, political parties, civil society groups, members of Legislative Council, citizens, and etc, could express their views towards the acceptable wage level through both formal and informal channels. Secondly, the Provisional Minimum Wage Commission is also responsible for inviting various stakeholders to involve in those formal consultation methods. Finally, the trade union and political parties act as the important mediators to link up the public and government by explaining this policy to the public and also facilitating to reflect the public opinion to the authority (principle one was demonstrated).

(II) Role of the State

“Neo-pluralists have accepted that the government can and does forge its own sectional interests” (Heywood, 2007, p.90). According to the neo-pluralist like Robert Dahl, government agencies can be regarded as a set of pressure groups to pursue or shape its own policy which is in favor of them (Hill, 2005). This can also be revealed in the labour policy of initial minimum wage rate settlement.
(i) Stances of Government towards Minimum Wage Legislation

In a boarder sense, the stance of the government is clearly stated in the policy address. Donald Tsang, the Chief Executive Official of Hong Kong, repeatedly points out that it is important to promote the economic development in Hong Kong. In his first policy address, Tsang (2006) suggested that “the top of my policy agenda would be economic development, followed by wealth creation, improving people's livelihood and enhancing the quality of life (2006, para. 2). Furthermore, there are also similar ideas in Tsang’s last Policy Address. Last year, Tsang (2011) re-emphasized that the Hong Kong government should take the lead to sustain the economic development through the infrastructural development (2011, para. 1).

Apart from the boarder sense, in minimum wage legislation, Donald Tsang (2007) encouraged the enterprises to involve in the Wage Protection Movement so as to maintain their service level and retain quality staff in 2007 Policy Address. According to Ip Wai Ming, “Hong Kong government emphasizes the principle of “big market, small government”; therefore, the government is not willing to set up the minimum wage at first. It is because Donald Tsang worries that it violates this principle of liberalism and, on the other hand, expands the burden and responsibility for the government. The Chief Executive has to put the economic development in the first
consideration; meanwhile, the minimum wage is regarded as a threat to the economy. Therefore, the legislation of minimum wage had to follow the economic agenda and promoted so late.” (Ip Wai Ming, Personal Communication, 6 March, 2012)

Besides, the government had focused on the minimum wage issues on the perspective of public financing. In the 2008 Policy Address, Tsang (2008) stated that minimum wage was capable to move the able-bodied recipients from welfare to self-reliance. According to him, “minimum wage can encourage able-bodied recipients of the CSSA to rejoin the workforce and motivate them to move from welfare to self-reliance (Tsang, 2008, para, 66).

In short, the government has had its policy preference of maintaining economic development and minimizing the burden of social security system since the first year of Tsang’s administration.

(ii) Stances of Government towards Initial Statutory Minimum Wage Level

Taking a close examination, the government’s preference can be revealed in the operation of the crucial institutions involved in the design of initial statutory minimum wage level, namely the Provisional Minimum Wage Commission. This
Commission was mainly tasked to advise the Chief Executive on the first minimum wage rate. The composition included 12 members evenly drawn from business community, labour sector, academia, and government departments (Labour Department, 2009).

As for the operation of the Provisional Minimum Wage Commission, according to Mr. Steven Hui (Personal Communication, 6 March, 2012), the missions are clearly indicated in the Terms of Reference:

“Provisional Minimum Wage Commission adopts the evidence-based approach and aims to report to the Chief Executive its recommendation about the statutory minimum wage rate. The Commission must maintain a balance between minimizing the loss of low-paid job and sustaining Hong Kong’s economic growth and competitive. The task is to:

(1) advise the Chief Executive on the appropriate mechanism for determining statutory minimum wage
(2) advise the Chief Executive on the initial wage level based on the mechanism in (a) above

(3) study the possible impact to the local economy, including its effect on pay, employment and economic competitiveness, particularly of the low-pay sectors and small and medium enterprises

(4) consult stakeholders in carrying out its work in the above” (Provisional Minimum Wage Commission, 2010).

In theory, according to the Term of References, the Provisional Minimum Wage Commission could fully in charge of setting the initial minimum wage level and thus extended with a certain extent of power. In practice, the government was able to influence the commission through a variety of methods, for example, designing the term of references or appointment of members. Moreover, the Term of Reference was designed by the Chief Executive and it was able for him to provide the Commission with a direction, and requested it to perform certain tasks. In terms of personnel, all 12 members including 9 non-official and 3 official members were appointed by Chief Executive (Information Services Department, 27 February, 2009). In fact, the
government was capable to get influence to the Commission as there are three official members, i.e. Permanent Secretary for Labour and Welfare, Permanent Secretary for Commerce and Economic Development, and Government Economist.

According to Ip Wai Ming (Personal Communication, 6 March, 2012), “I have raised this observation in the Legislative Council meeting. I suggest the three government representatives should not have the voting rights in this issue in order to maintain the neutrality of the government. But Mr. Cheung Kin Chung, the Secretary for Labour and Welfare, has rejected this suggestion immediately by emphasizing the professionals and experience of his colleagues. It is unfair for the government to be the judge and player at the same time.” Ms. Li Fung Ying, another Legislative Councilors from functional constituency, also agreed with this unfair phenomenon and criticized the intentions of the government (Hong Kong Economic Journals, 23 March 2010). In other words, the Provisional Minimum Wage Commission was endowed with a certain extent of power, but it was autonomous only in terms of implementation as it had to follow the overall direction of government when drafting the initial wage level.
(iii) The Government Officials Intervene in the Policy Making

Apart from the institutional intervention in the Commission, the government was also suspected to involve in the discussion of initial statutory minimum wage level. Donald Tsang, the Chief Executive, was criticized to put pressure to the labour sector.

In a dinner gathering with the Hong Kong Federation of Trade Union, Tsang suggested that the minimum wage should be started from below which implied that the labour sectors should give up to pursue their standard wage at $33 (The Sun, 8 July, 2010). Although the Chief Executive Office replied that Donald Tsang only asked about the labour market in the gathering, the Chief Executive was still faced a lot of criticisms from both pro-democracy and pan-establishment Legislative Councilors. Lee Cheuk Yan, the Legislative Councilors of Hong Kong Confederation of Trade Unions, criticized that Tsang did not respect the Provisional Minimum Wage Commission. Leung Yiu Cheung, the Legislative Councilor of Neighborhood and Worker’s Service Centre, emphasized that the Chief Executive should treasure the independence of the Commission (Ming Pao, 8 July, 2010). Both of them agreed that the government was obviously defending the interest of business sectors while putting stress to labour sector.
On the other hand, in the pro-establishment side, according to Ip Wai Ming, Donald Tsang had suggested that the minimum wage should be set at a careful level whereas incrementally raised the wage level later. Tsang wanted the labour sectors to compromise with the employer side (The Sun, 8 July, 2010). From the above case, evidently, the government was not neutral as the pluralism mentioned but has its own policy preference to protect the business sectors.

In addition, as suggested by Ho Chun Kit, “after the Commission made the final decision at wage level, they have to submit to the Chief Executive and Executive Council for final approval. In theory, Donald Tsang can directly reject any proposed wage rate from the Commission when he is dissatisfied” (Ho Chun Kit, Personal Communication, 22 February, 2012). Although Tsang accepted the wage level discussed by the commission in this case, the final decision making power was in the hands of the Chief Executive (Information Services Department, 10 November, 2011). Again, the government was not only the judge but also the player to decide the wage level whereas Chief Executive held the final decision making power to accept or reject the wage level.
To summarize, the government in fact had a preference of sustaining the economic growth and competitiveness as well as minimizing the reliance of social security system in the minimum wage legislation. Also, the preference of maintaining the economic competitiveness is reflected by the words of Mr. Cheung Kin Chung, Secretary of Labour and Welfare Bureau (Labour and Welfare Bureau, 28 September, 2010). Meanwhile, the crucial institution directly involved, namely the Provisional Minimum Wage Commission, reflected these stances of the government. The Chief Executive was able to appoint three official members to express the government’s preference directly to the commission and frame the missions of commission by setting the Term of Reference. Similarly, the intervention by the Chief Executive reconfirms the intentions of protecting the business interests in the gathering with whereas both representatives of pro-democracy and pan-establishment camps admitted that. Thus, the government was not neutral, and in fact pursuing her own preferences in the policy process. This is in line with the viewpoint of neo-pluralism (principle two was verified).

(III) Distribution of Political Power

“Any government official who understands the requirements of his position and the responsibilities that market oriented system throw on businessmen will therefore grant
them a privileged position. ……He simply understands……that public affairs in market oriented systems are in the hands of two group leaders, government and business, who must collaborate and that to make the system work government leadership must often defer to business leadership.” (Lindblom, 1977, p.175)

As pointed out by Lindblom (1977), the importance of business to the government means that the government will respond automatically to business’s interests. Dahl (1985) describes this power structure as “deformed polyarchy” and asserts that the unequal ownership of economic resources tends to concentrate political power in the hands of those big businessmen. From this perspective, although the above analysis shows that there is an open platform for various stakeholders to influence the policy processes, the distribution of the political power among them is uneven while the business sector enjoys the privileged position.

(i) The Composition of Provisional Minimum Wage Commission

In the first place, since the business and professions possessed substantial economic power as well as great influence in society, they had long been the prime target of political co-optation of the government (Cheung & Wong, 2004). The government appointed them into advisory bodies, thus enabling them to exert a great influence in
the policy process (Goodstadt, 2005). A similar pattern could be seen in the
Provisional Minimum Wage Commission, in which seven out of nine non-official
members were from business and academia, which enjoyed more than half seats in the
Commission (Information Services Department, 2009). The appointment system
allowed the government to expand political representation by co-opting newly
emerged groups and sectors into the existing system (Ngo, 2000).

In fact, according to Lee Cheuk Yan, apparently, the Chief Executive attempted to
balance the interests from the employer-side to employee-side as well as invited the
academia in the Commission. But, after a careful review of the memberships, it was
obvious that the three representatives from the academia tended to be conservative
and close to the business interests. Thus, it is possible to turn down any decision made
by the labour representatives (Apple Daily, 11 November, 2010). Based on my finding,
obviously, these three members from academia were closely cooperated with the
business and government in previous experience. Unsurprisingly, three of them were
the long term partners with the government in various advisory bodies whereas most
of their stands were closed to the government and business interests. Therefore, the
business sector was over-represented in the commission so as to minimize the
influence from the labour sector.
(ii) Business sector in consultation channels

Despite the fact that there was a growing number of public participation, the business sectors were still holding the dominant position in the communication channels (Boyer King, 2004). It was not surprising that the Commission hold a lot of consultation meetings to invite different stakeholders to express and collect their opinions. What really comes as a surprise was that the channels for labour side were far less than the business associations.

According to Ip Wai Ming, “although the commission has sent the invitation letters to the Hong Kong Federation of Trade Union which is a well-known labour union in Hong Kong, only our president, Mr. Cheng Yiu Tong receives this invitation at that time. This policy issues are related to all grass roots workers in Hong Kong. None of our members receive any call or invitation from the Commission. I totally feel disappointed with this arrangement. In addition, in the letter to our president, the commission only arranges 45 minutes to us. Clearly, it is impossible to discuss these complicated issues within this period of time. I think that the commission is totally insincere to listen for the labour-side”. (Yip Wai Ming, Personal Communication, 6 March, 2012)
Li Fung Ying, the Legislative Councilor from the other labour union, the Federation of Hong Kong and Kowloon Labour Unions, had the similar views toward the insincere communication channels from the commission. It was unreasonable for the commission to hold the consultation meeting to the associations without discussing the available time and venue with others. Thus, the commission was not interested in consulting the labour unions (Ming Pao, 10 December, 2009). It was admitted that if the commission was not sincere to consult with the labour unions, it did not necessary mean that the business sectors were more dominant in those channels. As suggested by Goodstadt (2005), the phenomenon of business domination was not only existed in the membership of advisory bodies but also those consultations channels.

Indeed, in total, the Provisional Minimum Wage Commission had sent out around 317 invitations to both employer and employee associations whereas 101 organizations had attended the consultation meetings (Provisional Minimum Wage Commission, 2010). Based on my findings, within the 101 attended groups, 70 associations represented the employer-side’s interest while only 27 organizations stood on behalf of the labour-side. Therefore, around 70 percent of the participated groups were from the business sector while about 27 percent came from labour representatives.
Obviously, business sectors were more influential in the consultation channels while the labour sectors remained the under-privileged position. The following table reveals the proportion of labour and employer’s sides in this issue.

**Proportion of employer and employee’s sides of attending three consultation meetings**

![Proportion of employer and employee’s sides of attending three consultation meetings](image)

Source: Author’s analysis, Measured by Provisional Minimum Wage Commission, 2010, pp. 124-126. (The classification has been summarized at Appendix III)

This phenomenon was further accepted by Ho Chun Kit:
“From my observation in the meeting, I have already realized that most of them are come from the employer-side. The reason may be the minimum wage seriously affects their interests or they have more resources to organize the associations to expand their bargaining power. Briefly speaking, they know how to play the game.” (Ho Chun Kit, Personal Communication, 22 February, 2012)

On the whole, the business domination was not only existed in the advisory bodies but also the consultations channels. On the one hand, the labour sides criticized that the Commission disrespected them. On the other hand, the employer-side associations were more dominant in those channels. Therefore, the room for the non-business sector participant was less.

(iii) Business Domination from Reviewing the Policy Output

Finally, the Provisional Minimum Wage Commission not only suggested the minimum wage level but also advised the mechanism to decide on the wage rate to the Chief Executive. According to Ho Chun Kit, “apparently, the commission attempts to strike a balance between the employer-side and employee-side by setting a median at $28 per hour. This wage level seems to be the median between two sides while employer-side demands for around $24 so as to minimize the influence by this policy
and employee-side strives for $33 in order to maintain the living standard. It is easy to conclude that the minimum wage settlement is corporatism whereas the government acts as the mediator and poises between business and labour sectors. However, it may not be the case. This standard wage level is not as simple as finding the median between two sides. We have to find out what elements would be considered to produce this standard wage level. After a careful deliberation, most indicators of “Basket of Indicators” are favor of the business sector rather than labour sector.” (Ho Chun Kit, 22 February, 2012)

Due to the secret agreement of the Provisional Minimum Wage Commission, it was impossible to find the minutes of their meeting. Worse still, I could not find any member of commission to attend the interview because of the secret agreement either. But, I discovered that the business domination could be reviewed by the policy output which meant the “baskets of indicators”.

According to the Provisional Minimum Wage Commission (2010), the initial minimum wage rate was identified by the calculation mechanism called the “basket of indicators”. In general, this mechanism facilitated to formulate the wage level by considering four categories of indicators including (i) general economic condition, (ii)
labour market conditions; (iii) economic competitiveness; and (iv) standard of living (Labour Department, 2010). The summary of those indicators was shown in the following table:

**Summary of the Basket of Indicators**

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Economic Conditions</td>
<td>(i) Latest economic performance and forecasts</td>
</tr>
<tr>
<td>Labour Market Conditions</td>
<td>(i) Labour demand and supply</td>
</tr>
<tr>
<td></td>
<td>(ii) Wage level and distribution</td>
</tr>
<tr>
<td></td>
<td>(iii) Wage differentials</td>
</tr>
<tr>
<td></td>
<td>(iv) Employment characteristics</td>
</tr>
<tr>
<td>Economic Competitiveness</td>
<td>(i) Productivity growth</td>
</tr>
<tr>
<td></td>
<td>(ii) Labour costs</td>
</tr>
<tr>
<td></td>
<td>(iii) Operating characteristics of enterprises</td>
</tr>
<tr>
<td></td>
<td>(iv) Entrepreneurship, business sentiment and solvency</td>
</tr>
<tr>
<td></td>
<td>(v) Relative economic freedom and competitiveness of Hong Kong</td>
</tr>
<tr>
<td>Standard of Living</td>
<td>(i) Changes in employment earnings</td>
</tr>
<tr>
<td></td>
<td>(ii) Changes in consumer prices</td>
</tr>
</tbody>
</table>

Source: Provisional Minimum Wage Commission, 2010, p.51

When we took an indeed analysis of those items, it was not difficult to find that most of the indicators were favor to the business sector rather than the labour sector. In general, the business sectors demanded for maintaining business facilitation while labour sector strived for satisfying the living standard of the family (Ming Pao, 2 July, 2010). Overall, the indicators were mostly related to economic concerns which was the major interests of the employer-side. Labour market and economic
competitiveness, for example, were related to the operation of business in Hong Kong whereas the only labour interests were the “standard of living” which only included two indicators. Importantly, the primary concern of labour-side was not put in the “baskets” while most of them were in favor of the employers-side. Fong Chi Hang, lecturer of the Community College of City University of Hong Kong, further agreed with this phenomenon.

According to Fong, “apparently, the wage level is balanced between the desire of employers and employees. But, in fact, it favors to the business sector. This business-oriented strategy is not only existed in the labour policy but also the other policies like the civil servant pay policy or environmental policy. It is because the government has long been understood that the general public, even the academia, is not interested to spend much time on reviewing the whole documents. Most citizens merely pay their attention on the policy output which means the $28 per hour rather than the mechanism to measure to this wage level. As a result, it seems that this policy strikes the balance of both sides, but, in fact, it favors to the business sectors.” (Fong Chi Hang, Personal Communication, 29 March, 2012)
In short, from reviewing the policy output, it was not difficult to find that most of the “basket of indicators” was favor to the business sector rather than the labour sides. These “indicators” contributed to construct the initial statutory minimum wage.

In sum, the above analysis showed that the business sector could exert substantial influence power in the policy process. They could enjoy the majority of the Provisional Minimum Wage Commission, dominated in consultation channels and the “basket of indicators” was obviously the tailor-made mechanism to maintain their interests. Under the current institutional framework, the result was that the business sector was able to enjoy a privileged position in the policy making process. This is in line with the uneven distribution of political power by the neo-pluralism. (principle three was established)
Chapter Seven: Conclusion and Implications

(I) Conclusion

This study attempts to argue the neo-pluralism is applicable to Hong Kong’s labour protection policy through the method of case study in “initial statutory minimum wage level settlement”. Meanwhile, the data collection of this study is mainly based on qualitative interviews and documentary reviews. By interviewing with various stakeholders and reviewing documentaries, we have got a general picture that the mode of labour protection policy process in contemporary Hong Kong is neo-pluralism.

As Ma (2007) discusses the influence of civil society has been increased after handover, the demand for public participation has followed to rise. As for Scott (2005), the traditional executive elites cannot maintain their dominant position after handover; the challenges of the Legislative Council have weakened the influence of the executive branches. Then, for Goodstadt (2005), the business sector is still holding the dominant position in the policy making in Hong Kong. I find that the perspective of neo-pluralism can provide a more comprehensive view to examine the power structure in contemporary Hong Kong. Neo-pluralism suggests that there is an open platform for policy making but the distribution of political power is uneven. The
political power is mainly concentrated on the business sector which dominates the economic resources. Moreover, the government has its own preference on policy to give the favours to the business class in order to maintain the stable amount of investment and employment rate (Hill, 2005).

Thus, I attempt to analyze that the labour policy process in Hong Kong with the three aspects suggested by neo-pluralism namely the access to the policy process, the role of government and the imbalance of political power.

In term of the aspect of the access to the policy process, there was an open platform for various stakeholders to influence the policy processes of the “initial statutory minimum wage rate settlement”. Firstly, the general public is capable to express their opinions through both formal and informal methods. Secondly, the government has set up different channels for the public to reflect their views. Finally, the political parties and civil society associations are able to link up the society and government by acting the mediators between them. Overall, this is consistent with the idea of neo-pluralism that there is an open platform for political bargaining.
With regard to the role of government, in this case, the Hong Kong SAR government has her policy preferences for maintaining the economic competitiveness and minimizing the financial burdens of social security system. In addition, the composition of the Provisional Minimum Wage Commission is in favor of exercising the government’s policy preferences. Lastly, the Chief Executive Officer is criticized to intervene in the labor sides directly in order to suppress the wage level. In other words, the government is not neutral and in fact pursues her preferences in the policy process. This is in line with the feature of neo-pluralism that the government could be seen as a political actor and promoted her policy preferences in the policy making process.

As for the imbalance of political power, the business sector could enjoy the majority of the Provisional Minimum Wage Commission and dominate in the consultation channels. Last but not least, from reviewing the basket of indicators, the formula of measuring the initial minimum wage level, most indicators were in favor of the business sector rather than the labour side. In sum, the business sector could exert a greater influence and enjoy a privileged position in the policy making process. This fits in the description of neo-pluralism that although the political power is widely dispersed in society, the distribution of power is in fact unequal among groups and
individuals. The business sectors are privileged in the bargaining and negotiation process.

The aforementioned features are in line with the three major characteristics of the neo-pluralistic approach. Therefore, it is justified to draw the conclusion that the power structure of labour protection policy process in Hong Kong can be regarded as neo-pluralism.

(II) Theoretical Implications

The case of “initial statutory minimum wage rate settlement” implies that the voices and opinions outside the institutions are limited to influence the policy making process. These point to the fact that civil society or public in Hong Kong has become more activated as well as matured when comparing with the past (Chan & Chan, 2007). For example, the citizens have formed different civil society associations to strive for their interests, and they even combine their groups into the People’s Alliance for Minimum Wage which aims to expand the bargaining power with the business sector and government. These imply a changing power structure in Hong Kong. However, the power distribution among them is not yet even distributed.
Despite of those changes as aforementioned, however, some aspects remain unchanged. No matter before and after handover, the government has long been heavily relying on the support of business sectors to promote the economic development and minimize the financial burden of social security system. The Hong Kong SAR government was worried that the promotion of statutory minimum wage would weaken the economic competitiveness and resulted in unemployment. Finally, the financial burdens of government would be increased due to the growing demand for social security system. Therefore, the government gives a lot of privileged position for the business sector in order to maintain the economic growth. Consequently, the legislation of statutory minimum wage was discussed for more than a decade.

Factually, this government and business cooperation in the arena of labour protection policy is likely to be originated from, and probably to reflect, the overall government and business relations in Hong Kong. Indeed, the dominant position of capitalists in a capitalist polity like Hong Kong is not difficult to comprehend (Yep, 2004). As Lindblom suggests, “in a market-oriented, not only does the government have to collaborate with business, but it must also often defer to business leadership to make the system work” (Ngo, 2000, p.26). Throughout these years, the issue of government-business collaboration has been a sensitive issue in Hong Kong. Probably
after the outbreak of Cyberport Incident” in 2001, government-business collusion has been a common as well as influential accusation towards the government which has driven towards the edge of legitimacy crisis.

Apart from the state-business relations, Chiu and Lui (2009) compare the colonial and HKSAR governance and claim that HKSAR government fails to achieve in state embeddedness. They argue that, before adopting the “adoption of politics”, politics in Hong Kong was largely in the hands of the government bureaucrats and powerful elites (Chiu & Lui, 2009, p.113). But, after 1980s, the colonial government justified such undemocratic governance by claiming that governed by consent. The reasons behind were that the colonial government was able to maintain effective governance by being responsive to public opinion and rising above diverse interests, maintaining its autonomy and, thus, building up effective governance, because policy making was never fully captured by capitalists (Chiu & Lui, 2009, p.111 & p.124).

In short, the colonial government was successful in reforming the advisory bodies by affiliating some representative of civil society organizations in Hong Kong. The system of “administrative adsorption of politics” was appreciated by the general Hong
Kong people. The state-society relations became collaborative and non-confrontational.

Deplorably, after handover, the Hong Kong SAR government is brutally to erode of state embeddedness. Ng (2004) points out that the government has adopted an executive-led approach, the policy making process in Hong Kong is dictated by the administration. There is no pluralistic voice in the advisory bodies and policy making is basically top-down process.

The case of “Initial Statutory Minimum Wage Rate Settlement” was only “a tip of the iceberg”, there are still many hot and controversial issues like the urban redevelopment policies or standard working hours getting in line with the confrontational state and society relations. Unsurprisingly, the confrontational relations are estimated to be more radical in the foreseeable future. To rectify this situation, the government should take the initiative to rebuild the state and society relations by reforming the advisory bodies at a starting point.
Appendix I
Interviews with Major Players of the Initial Statutory Minimum Wage Level Settlement

In this research, a list of proposed interviewers has been drawn up after going through the relevant openly available information such as official and newspaper reports. The invitation list includes altogether 12 actors that were known to play active roles in the negotiation process of initial minimum wage level settlements:

(I) Invitation of Interviewers

(i) Provisional Minimum Wage Commission
Non-official Members
Professor Ng Sik Hung
Professor Leonard Cheng Kwok Hon
Mr. Thomas Kwok Ping Kwong
Mr. Lau Chin Shek

(ii) Government Official
Mr. Matthew Cheung Kin Chung, Secretary of Labour and Welfare

(iii) Business Representative
Mr. Ho Sai Chu, Committee member of Labour Advisory Board

(iv) Labour-side Representatives
Mr. Ho Chun Kit, the policy officer of Oxfam Hong Kong
Mr. Ip Wai Ming, Legislative Councilor of Hong Kong Federation of Trade Union
Mr. Lee Cheuk Yan, Legislative Councilor of Hong Kong Confederation of Trade Union and Labour Party

(v) Academia
Dr. Brian Fong Chi Hang, Lecturer of the Community College at City University of Hong Kong
Dr. Fernando Cheung Chiu Hung, Lecturer of Department of Applied Social Sciences at Hong Kong Polytechnic University
(II) Date of Interviews

<table>
<thead>
<tr>
<th>Date</th>
<th>Name</th>
<th>Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>22 February, 2012</td>
<td>Ho Chun Kit</td>
<td>Policy officer of Oxfam Hong Kong</td>
</tr>
<tr>
<td>29 February, 2012</td>
<td>Matthew Cheung Kin Chung</td>
<td>Secretary of Labour and Welfare</td>
</tr>
<tr>
<td>6 March, 2012</td>
<td>Ip Wai Ming</td>
<td>Legislative Councilor of Hong Kong Federation of Trade Union</td>
</tr>
<tr>
<td>29 March, 2012</td>
<td>Fong Chi Hang</td>
<td>Lecturer of the Community College at City University of Hong Kong</td>
</tr>
</tbody>
</table>

(III) Responses

Invitation letters were sent to the above actors in January 2012. Finally, four of them have kindly admitted my invitations for interviews, including Mr. Ho Chun Kit, Mr. Ip Wai Ming and Dr. Brian Fong. Although Mr. Matthew Cheung Kin Chung could not spare time to entertain my request, the Labour and Welfare Bureau has arranged Mr. Steven Hui to have an interview. As a whole, the response rate of the qualitative interviews is about 30 percent.
# Appendix II

## Summary of Power Structure

<table>
<thead>
<tr>
<th>Access to Public Policy Process</th>
<th>Classical Pluralism</th>
<th>Neo-Pluralism</th>
<th>Marxism</th>
<th>Elitism</th>
<th>Corporatism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>There is an open platform for all the groups and individuals in the policy process</td>
<td>There is an open platform for all the groups and individuals in the policy process</td>
<td>Public is unable to influence the policy process</td>
<td>Citizens are lacking platform to engage in policy process</td>
<td>Commercial sectors and organized labour union enjoy the privilege in entering the platform of policy process</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The Role of State</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The state is neutral</td>
<td>The state has its own sectional interest</td>
<td>The state is a capitalist government which is in favor of the business sector</td>
<td>The government is not neutral as it is running under the direct guidance of the elites</td>
<td>The government acts as a mediator between the businessmen and labours</td>
<td></td>
</tr>
</tbody>
</table>

| Distribution of Political Power | Political power is widely and evenly distributed among individual and groups | Although political power is widely distributed, it is uneven while the business sector is privileged | Political power is concentrated in the hands of the bourgeoisie | Elites have monopolize the political power and they are the centre of policy making | Political power is mainly shared by the government, commercial sectors and organized labour union |

### Appendix III
Classifications of Associations Background in Three Consultation Meetings

<table>
<thead>
<tr>
<th>No.</th>
<th>Organizations in English Name</th>
<th>Organizations in Chinese Name</th>
<th>Classifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Action for Voice</td>
<td>青言社</td>
<td>Others</td>
</tr>
<tr>
<td>2</td>
<td>Advance Caterers Limited</td>
<td>駿昇飲食有限公司</td>
<td>Employer-side</td>
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<tr>
<td>3</td>
<td>Association of Professional Personnel (Hotels, Food &amp; Beverage)</td>
<td>酒店及飲食專業人員協會</td>
<td>Labour-side</td>
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<tr>
<td>4</td>
<td>Association of Restaurant Manager</td>
<td>現代管理(飲食)專業協會</td>
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<tr>
<td>5</td>
<td>Bossini Enterprises Limited</td>
<td>堡獅龍企業有限公司</td>
<td>Employer-side</td>
</tr>
<tr>
<td>6</td>
<td>Building Supervisors &amp; Caretakers Union</td>
<td>大廈管理員職工會</td>
<td>Labour-side</td>
</tr>
<tr>
<td>7</td>
<td>Business Facilitation Advisory Committee under the Economic Analysis and Business Facilitation Unit</td>
<td>經濟分析及方便營商處轄下方便營商諮詢委員會</td>
<td>Employer-side</td>
</tr>
<tr>
<td>8</td>
<td>Business and Professionals Federation of Hong Kong</td>
<td>香港工商專業聯會</td>
<td>Employer-side</td>
</tr>
<tr>
<td>9</td>
<td>Café de Coral Holdings Limited</td>
<td>大家樂集團有限公司</td>
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<tr>
<td>10</td>
<td>California Red Limited</td>
<td>加州紅有限公司</td>
<td>Employer-side</td>
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<tr>
<td>11</td>
<td>Caritas Youth and Community Service Head Office</td>
<td>明愛青少年及社區服務總辦事處</td>
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<tr>
<td>12</td>
<td>Catering and Hotels Industries Employees’ General Union</td>
<td>飲食及酒店業職工總會</td>
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<tr>
<td>13</td>
<td>Celestial Asia Securities Holdings Limited (CASH Group)</td>
<td>時富投資集團有限公司 (時富集團)</td>
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<tr>
<td>14</td>
<td>Chinese &amp; Western Food Workers Union</td>
<td>中西飲食業職工會</td>
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<td>Others</td>
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<td>Chiu Chow Overseas Food Trade Merchants Association</td>
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<td>Clothing Industry, Clerical and Retail Trade Employees General Union</td>
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References


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