

Commission on Poverty Summit

Setting of the Poverty Line and Analysis of the Poverty Situation

28 September 2013

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Chief Executive's Election Manifesto

Vision- To ensure basic living standards for all. People capable of working should be self-reliant while the social security and welfare service should help those in need

Target - To alleviate poverty, we should promote balanced economic development to ensure all strata can share the fruits of development. We should provide a reasonable and sustainable social welfare system to help the needy

Pledge- To reinstate the Commission on Poverty (CoP) to comprehensively review the cause and profile of poverty and to examine and tackle the problem through implementation of concrete measures

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The Composition and Structure of the CoP and the Progress of Its Work

Composition

• Under the chairmanship of the Chief Secretary for Administration, comprise 18 non-official members from political parties, unions, academia, business sector and welfare organizations and 4 Directors of Bureau as ex-officio members

Structure

• 6 Task Forces: Social Security and Retirement Protection, Education, Employment and Training, Special Needs Groups, Societal Engagement, Community Care Fund (CCF), Social Innovation and Entrepreneurship Development Fund. There are 59 co-opted members

Progress of work

• In the past 10 months, CoP and its Task Forces convened 34 meetings and conducted over 30 visits and focus groups discussions
• Endorsed 6 new programmes under the CCF with total commitments exceeding \$1.2 billion

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Setting the Poverty Line - Background

- To implement CE's pledges in the Manifesto and undertake poverty alleviation work
- To better understand the poverty situation in Hong Kong as a first step
- Setting the poverty line is CoP's priority task
- The Social Security and Retirement Protection Task Force did the groundwork study and put forth proposals to CoP for deliberation and consensus building
- The Economic Analysis Division of the Economic Analysis and Business Facilitation Unit and the Census and Statistics Department analysed large volume of data and compiled the Hong Kong Poverty Situation Report 2012 for publication

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The Three Functions of the Poverty Line

- To analyse the characteristics of the poor households and population and study the underlying causes of poverty to facilitate understanding of the poverty situation
- To assist policy formulation to ensure targeted use of public resources on the needy
- To assess policy effectiveness, particularly changes over a period of time

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The Five Guiding Principles on Setting the Poverty Line

- Measurability
- International comparability
- Data availability
- Cost-effectiveness
- Compilation and interpretation

The poverty line will be subject to annual updating to facilitate ongoing monitoring

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The Poverty Line Agreed by CoP

- Adopted the concept of “relative poverty” and the poverty line pegged at 50% of the median monthly household income (MMHI) before tax and social benefits transfers (i.e. pre-government policy intervention)
- Different from the concept of “minimum subsistence” or “basic needs”, the adopted approach is more consistent with level of Hong Kong’s economic development and the principle of enabling all strata to share the fruits of economic development
- Comparable internationally as it adopts basically the same approach as adopted by the Organisation for Economic Co-operation and Development (OECD) and the European Union (EU).
- In line with the current approach used by NGOs, such as HKCSS and OXFAM. It will gain high recognition in the community
- Data are obtained from the monthly General Household Survey, in line with the principle of cost-effectiveness

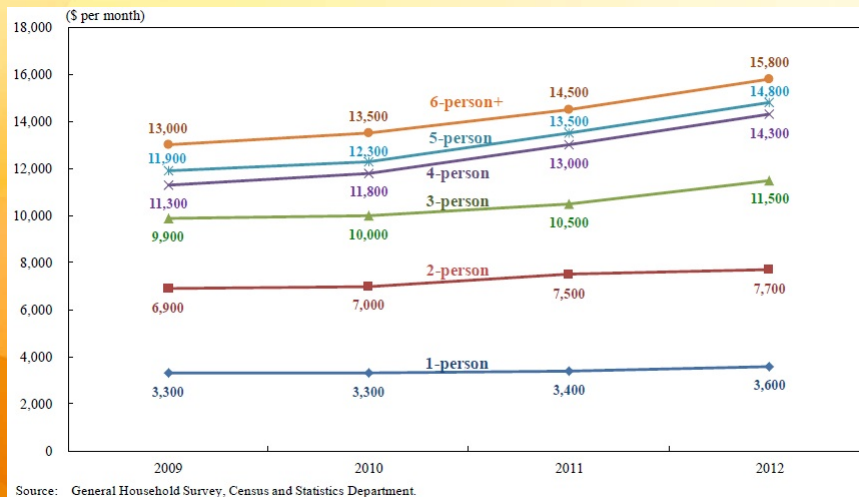
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Limitations of the Poverty Line

- Takes household income as the single indicator without considering assets and liabilities. Some of the poor population may be “income-poor, asset-rich” people. Poverty situation may be overstated
- Poverty line is an analytical and measurement tool which does not carry the function of poverty alleviation. It thus should not be linked directly to social assistance schemes
- Under the concept of relative poverty, poor population always exists statistically
- A few Members suggested the setting of an at-risk poverty line at a higher percentage of MMHI, or another line to indicate basic living needs

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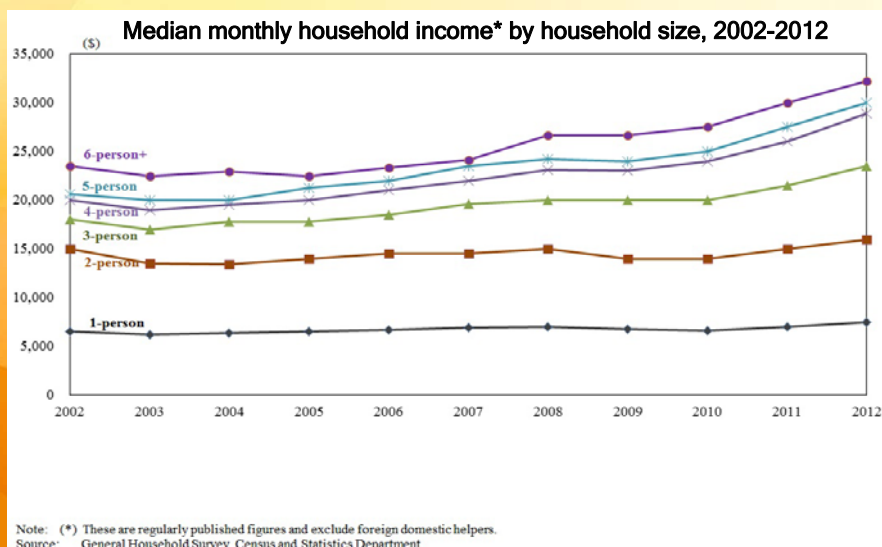
The Poverty Line by Household Size, 2009-2012:
As a result of economic upturns, sturdy labour market and implementation of the statutory minimum wage, poverty thresholds moved upwards



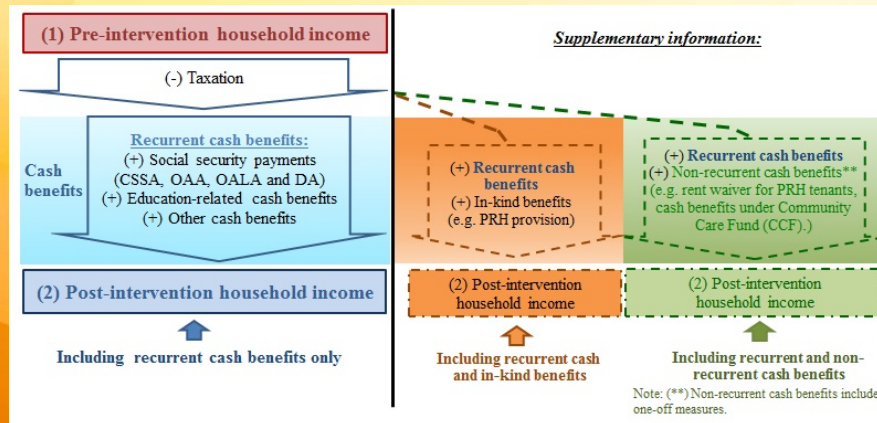
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Does the Poverty Line always rise?

- Household income moves closely in tandem with overall economic performance. Over the past decade, MMHI experienced downward movements (in 2003 and in 2009)

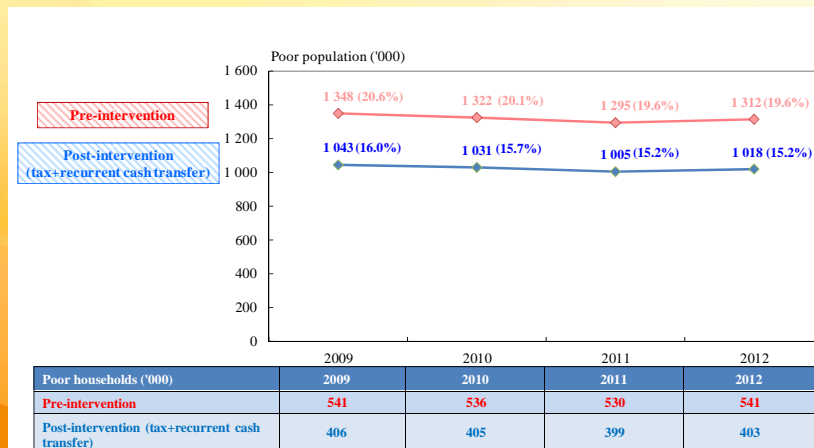


Estimation of Poor Population: Schematic Representation of Pre- and Post-intervention Household Income



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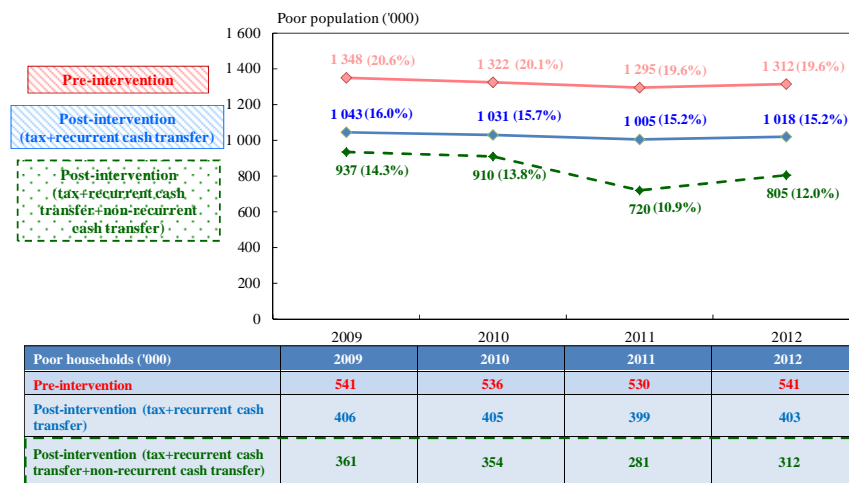
Change in Pre- and Post-intervention Poor Population: Impact of the Poverty Alleviation Measures Remained Stable in the Past Four Years



Note: () Figures in parentheses are the corresponding poverty rates.
Source: General Household Survey, Census and Statistics Department.

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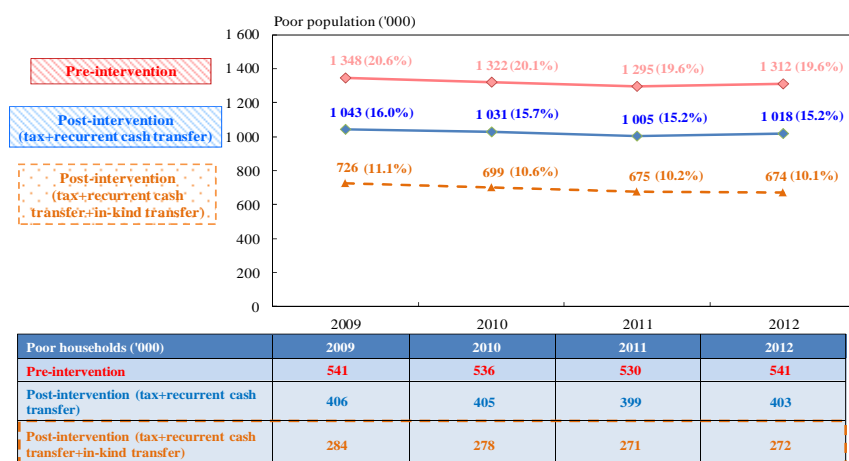
Non-recurrent Cash (One-off) Relief Measures Reduced Poor Population and Poverty Rate



Note: () Figures in parentheses are the corresponding poverty rates.
Source: General Household Survey, Census and Statistics Department.

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Non-cash Benefits (Mainly Public Rental Housing) Carry Notable Poverty Alleviation Impact



Note: () Figures in parentheses are the corresponding poverty rates.
Source: General Household Survey, Census and Statistics Department.

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Poor Households and Population in Hong Kong 2012

	Pre-Intervention	Post-Intervention	Difference
Poor households	0.54 million	0.4 million	0.14 million
Poor population	1.31 million	1.02 million	0.29 million
Poverty rate	19.6%	15.2%	4.4 percentage points
Annual total poverty gap	\$28.8 billion	\$14.8 billion	\$14 billion
Average monthly poverty gap per household	\$4,400	\$3,100	\$1,400

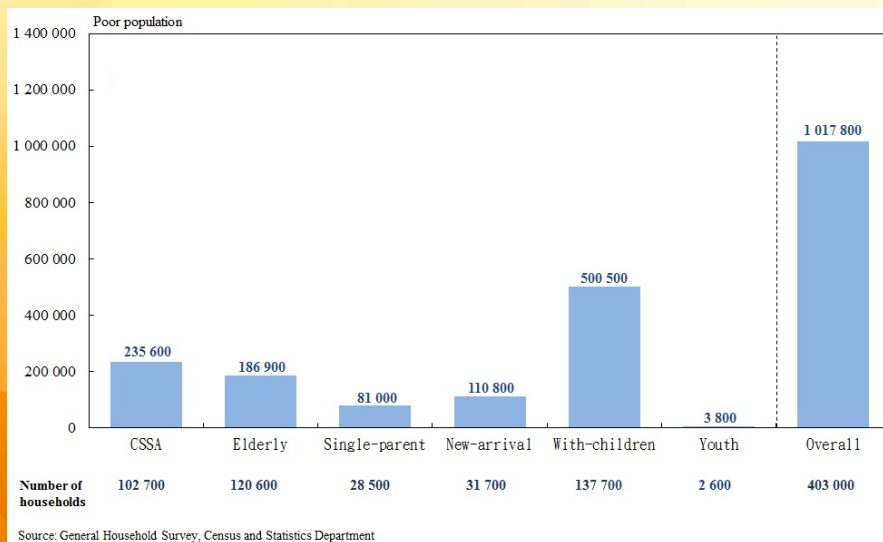
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Poor Population Analytical Framework

(i) Social	(ii) Economic	(iii) Housing	(iv) District
<ul style="list-style-type: none"> ▪ Elderly ▪ Youth ▪ With-children ▪ CSSA ▪ Single-parent ▪ New-arrival 	<ul style="list-style-type: none"> ▪ Economically inactive ▪ Working ▪ Unemployed 	<ul style="list-style-type: none"> ▪ Public rental housing ▪ Subsidised sale flats ▪ Private housing (owner-occupiers) ▪ Private housing (tenants) ▪ Temporary housing 	<ul style="list-style-type: none"> ▪ by the 18 District Council districts

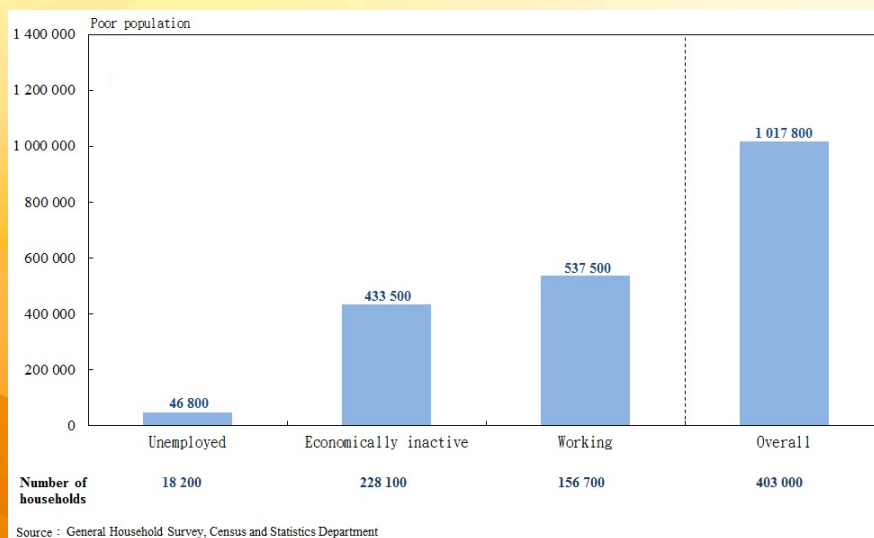
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2012 Poor Population by Social Group



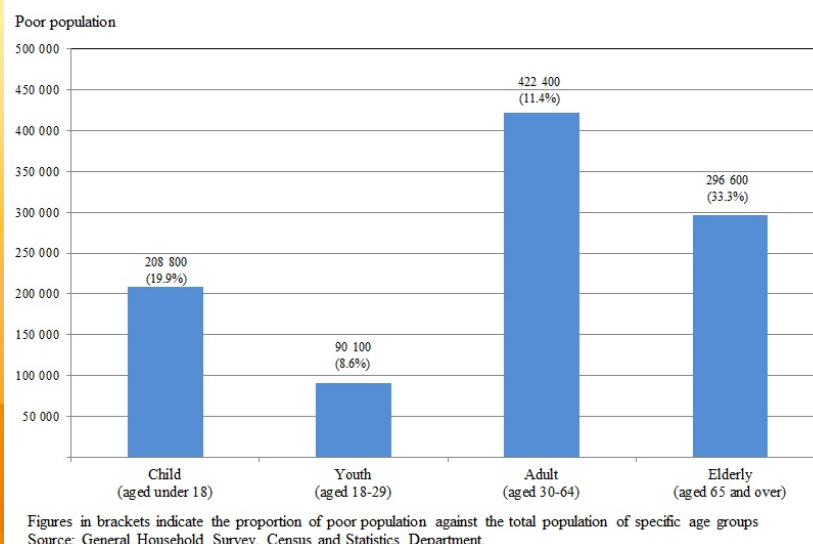
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2012 Poor Population by Economic Activity Status



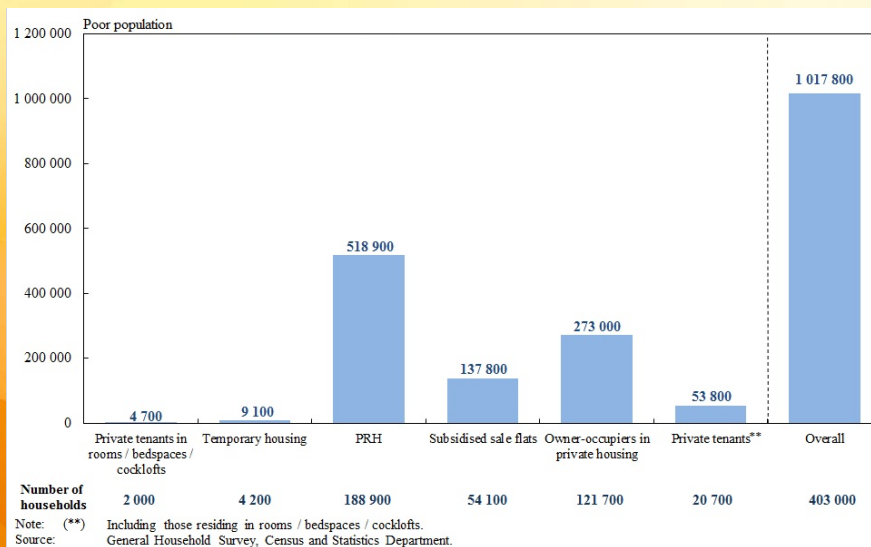
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2012 Poor Population by Age Group



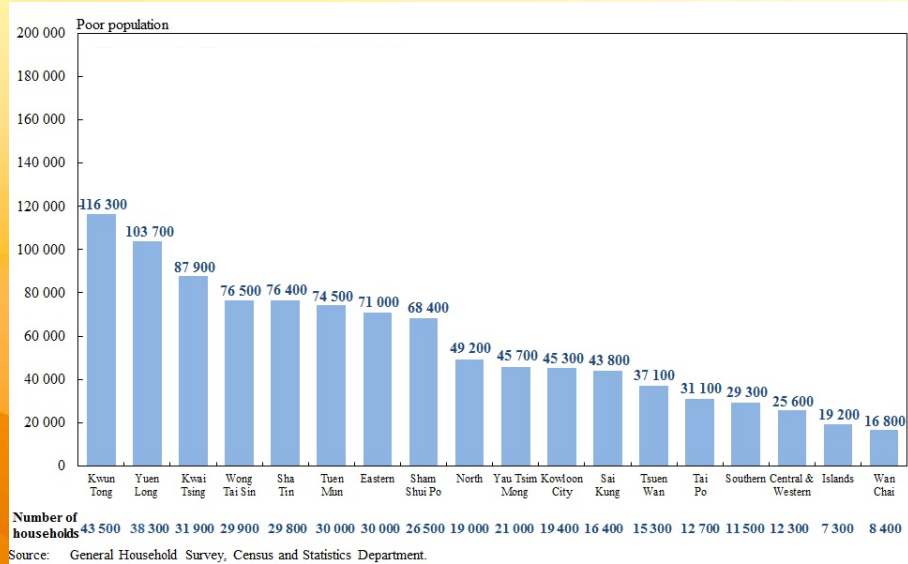
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2012 Poor Population by Type of Housing



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2012 Poor Population by District Council District



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2012 Poor Population Statistics Key Analysis and Observations

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(1) The Poverty Rate of Working Households Far Lower Than That of the Unemployed Households

Population in	Poverty rate before intervention(%)	Poverty rate after intervention(%)
Working households	11.9	9.1
Unemployed households	84.3	64.5
Economically Inactive households	77.4	61.2

- Government should promote sustained economic development, create job opportunities and improve quality of employment
- Despite the statutory minimum wage protection, employment cannot guarantee moving a household out of poverty. After recurrent cash policy intervention, there were nearly 160 000 working poor households, involving a population of 537 000

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(2) A Lower CSSA Take-up Rate for Working Poor Households

	No. of Poor Households (after recurrent cash intervention)		
	Total	Receiving CSSA	CSSA take-up rate(%)
Working poor households	156 700	13 100	8.4
Unemployed poor households	18 200	7 000	38.2
Economically inactive poor households	228 100	82 600	36.2
Overall	403 000	102 700	25.5

- The lower CSSA take-up rate of working poor households indicated that they were either not eligible for or unwilling to rely on CSSA

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(3) CSSA lifted many households out of poverty

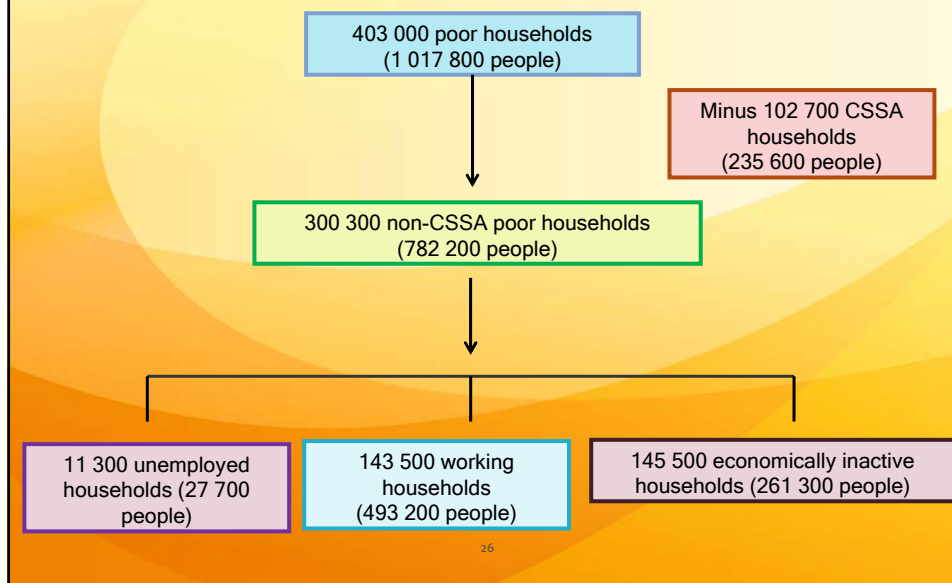
- Amongst the 140 000 households lifted out of poverty after recurrent cash intervention, 90 000 were CSSA households

Households lifted out of poverty	140 000
Households lifted out of poverty because of CSSA	90 000
Households lifted out of poverty because of other cash benefits	50 000

- The impact of CSSA is not the same amongst different household groups. Its impact was more visible on the unemployed and economically inactive households

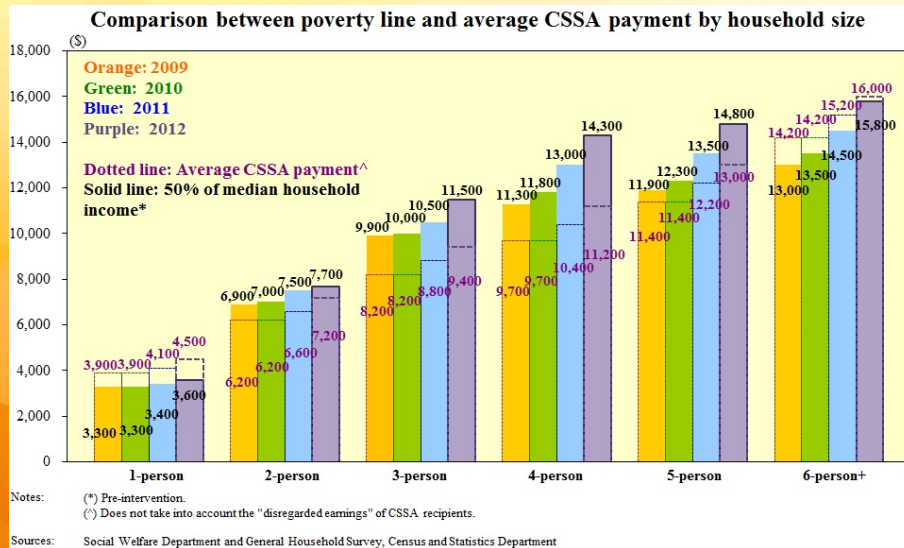
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(4) Distribution of the Poor Households by Economic Activity Status



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(5) CSSA Households Below the Poverty Line



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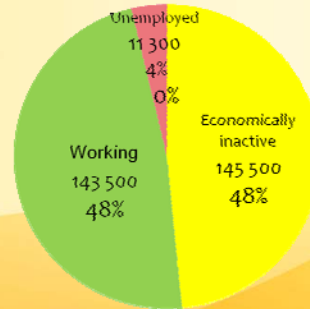
(5) CSSA Households Below the Poverty Line (Cont'd)

- 102 700 CSSA households below the poverty line (235 600 people)
- 64% were 1 or 2-person households, 28% were elderly persons aged 65 or above (66 600 people)
- 80% were living in public rental housing and another 10% in self-owned property, housing is not an issue
- 90% were economically inactive members. 10% were economically active, among whom 25% of them in full-time employment
- More than 30% were children and students (73 500 people)

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(6) Non-CSSA Poor Households: About 4% were Unemployed Households

- The proportion of the unemployed, working and economically inactive households amongst the about 300 000 non-CSSA households below the poverty line is :



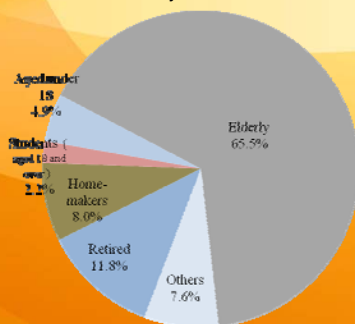
- The unemployed households made up about 4% of the non-CSSA households below the poverty line (11 300 households). On the basis of the period of unemployment, about 72% of the total number of unemployed members (12 100 persons) in these households were short-term unemployed who were out of work for less than 6 months. The poverty situation of these households would be significantly improved after they re-entered the labour force

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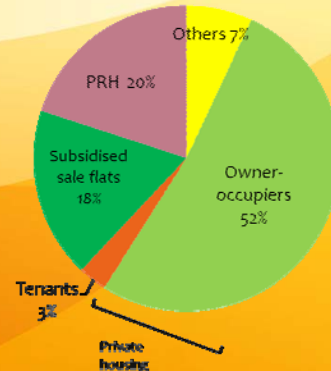
(7) Non-CSSA households: Nearly half were economically inactive

- Amongst the 300 000 non-CSSA poor households, over 48% were economically inactive households, i.e. all members were economically inactive (260 000 persons). The majority of these households were 1 or 2-person households (90%)
- Over 65% were elderly persons (171 100 persons)
- 70% were living in self-owned property and home ownership housing. 20% were in public rental housing
- 70% indicated that they had no financial need
- Those who had financial need may benefit from the Old Age Living Allowance implemented in April 2013

Economically inactive - reasons



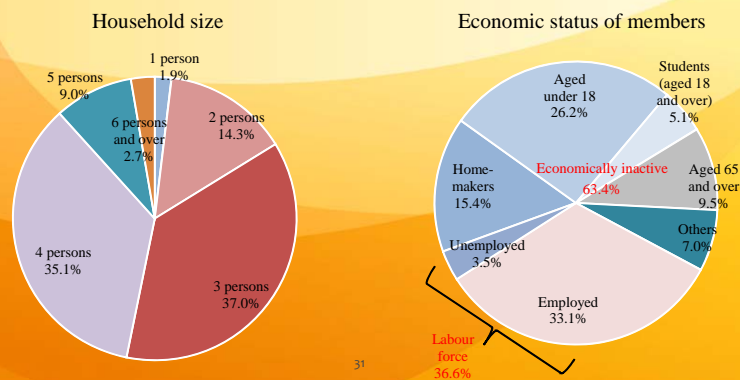
Type of Housing



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(8) Non-CSSA poor households: nearly half were Working Households

- Amongst the 300 000 non-CSSA households, about 48% were working households (at least one member is employed), involving 490 000 persons
- Majority (84%) were families with at least 3 members. Though there was at least one working member in these households (average number of working person is 1.1), the high proportion of economically inactive members (63%) created a heavy burden. Children and students made up 31% of the population in these families
- Half of these households (52%) were living in public rental housing and 41% were living in home ownership housing or self-owned property



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Direction and Strategy for Poverty Alleviation for Consideration :

- Employment is the best route out of poverty. Policy should be structured to provide incentives to work to encourage those who can work to improve the well-being of the households through employment
- Limited resources should focus on those most in need. The analysis above shows that non-CSSA working households, particularly those with children and students are vulnerable to higher risk of poverty. New measures should be employment-based and should enhance upward mobility of the younger generation
- CSSA is effective in reducing poverty. New measures can focus on enhancing study-related support to school-aged CSSA recipients and providing work incentive (such as the Incentive Scheme for CSSA Recipients for Self-Reliance)

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- CoP and its Task Forces to consider how to assist poor households, such as :
 - Through a combination of cash assistance and support services to help special needs groups
 - Regularization of effective programmes funded by the Community Care Fund
- Poverty line is not “poverty alleviation line” and a poverty line based on “relative poverty” has its limitations. We consider it not appropriate to set a quantitative target for poverty reduction. Instead, we should use the poverty line as a tool to identify those in need for targeted assistance whilst promoting self-reliance subject to overall fiscal position and allow public scrutiny of these poverty alleviation measures through regular updating of the situation

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Next Steps

- At the discussion session later today, CE and the CoP would like to hear views from the floor on how we could better help the poor households for making preparation for the Policy Address next year
- The preparation for the Budget will go in tandem. The Budget will provide resources for the policy measures announced in the Policy Address
- Submissions on poverty alleviation proposals after the Summit are most welcome

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Thank You