

# 立法會 *Legislative Council*

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## **Panel on Welfare Services**

### **Background brief prepared by the Legislative Council Secretariat for the meeting on 9 November 2009**

#### **Definition of poverty**

#### **Purpose**

This paper summarizes the deliberations of the Panel on Welfare Services (the Panel) and the Subcommittee to Study the Subject of Combating Poverty (the Subcommittee) formed in the Third Legislative Council (LegCo) on issues relating to the methods for measuring poverty in Hong Kong.

#### **Concept and definition of poverty**

2. Although previous discussions of the Panel and the Subcommittee on the subject of poverty were related mainly to policies and measures to alleviate poverty in Hong Kong, members had from time to time deliberated on the concept and definition of poverty as well as the need for a poverty line to facilitate drawing up specific targets for alleviating the poverty situation.

3. According to the Administration, the concept of poverty was open to different interpretations. The then Commission on Poverty<sup>1</sup> (CoP) discussed the different methods for measuring poverty. While views differed on whether there was a need to draw a line different from the current Comprehensive Social Security Assistance (CSSA) level, there was a general consensus that poverty should not be defined rigidly as one fixed figure or line base on income. Rather, it would be more important to identify and address the different needs of different groups. As a result, a set of 24 multi-dimensional indicators has been used to analyse the poverty situation and support the formulation and evaluation of policies to assist the needy. The set of the 24 indicators is in **Appendix I**.

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<sup>1</sup> The Chief Executive announced in the Policy Address 2005 that a commission on poverty to be chaired by the Financial Secretary would be established to alleviate poverty. The membership of CoP was announced on 27 January 2005. CoP submitted a report to the Government in June 2007 summarising its work and making a number of recommendations. CoP was dissolved on 30 June 2007.

### **Past discussions by members**

4. In the course of deliberation by the Subcommittee on the subject of working poverty, the Subcommittee studied the concept of poverty and definition of the working poor in Hong Kong. To facilitate the Subcommittee's deliberation, a fact sheet on the definitions of poverty and some related concepts adopted in the international community (LC Paper No. FS10/04-05) was prepared by the Research and Library Services Division of the LegCo Secretariat. While noting that different economies had adopted different benchmarks or definitions for measuring poverty, the Subcommittee generally agreed that the working poor referred to those who worked but their income could barely meet the basic expenses of their families. The Subcommittee considered that those households with a monthly income below 50% of the median income of households of the same size and with at least one member working were working-poor households.

5. When the Subcommittee was briefed on the progress of work of CoP at its meeting on 25 January 2006, members were advised that CoP had focused its work on five key areas, including understanding poverty. In order to reflect the poverty situation in Hong Kong and to facilitate broad strategic planning, a set of 24 poverty indicators had been compiled by CoP. Members were also advised that the situation in 2004 was taken as the baseline, and the poverty indicators would be updated periodically. The set of poverty indicators would enable the public to better understand the extent of poverty in different age groups, and assess the effectiveness of measures in alleviation and preventing poverty.

6. Some members, however, pointed out that the set of poverty indicators did not tell the size of people living in poverty, and where these people were. These members took the view that CoP ought to define its target groups, and "poverty" or the low-income level. A definition of poverty would provide benchmarks to evaluate the effectiveness of anti-poverty measures.

7. The CoP Chairman explained that as people had different understanding on what poverty was, a comprehensive set of 24 poverty indicators was developed to assist the community to understand the progress made in addressing the needs of different target groups. These indicators would also enable tracking of the poverty situation over time, and provide reference for future policy formulation.

8. Given that Gini Coefficient<sup>2</sup> was commonly used to indicate income inequality in a society, members noted with concern that the Gini Coefficient of

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<sup>2</sup> Gini Coefficient is a number which has a value between zero and one. As the value of the Coefficient rises, the higher the degree of income inequality in a society becomes.

Hong Kong ranked the fifth among the developed economies in 2005. The Administration advised that while acknowledging that Gini Coefficient was commonly used to indicate income disparity in a society, it should not be adopted without understanding its calculation method. Notably, it did not take into account the effects of taxation and social benefits (e.g. welfare assistance and subsidies on housing, education and medical services) on the distribution of household income, which tended to reduce income inequality. Members were also advised that low-income families would still exist even in an affluent society.

9. At its meeting on 13 July 2009, the Panel was updated on the work of the Task Force on Poverty<sup>3</sup>. Members were advised that the Task Force had coordinated the efforts across the Government in tackling poverty related issues, and had duly followed up on the 53 recommendations made by the then CoP. A summary of progress in implementation of the recommendations of the then CoP in respect of "understanding poverty" (i.e. items 1 to 8 of the 53 recommendations of CoP) is in **Appendix II**. Members were further advised that of the 24 indicators of poverty, 18 were life-cycle-based poverty indicators and six were community-based poverty indicators. These indicators were updated annually for monitoring the poverty situation in Hong Kong at a macro level, providing a broad picture of how the poverty situation is evolving, and identifying areas for more focused study.

10. Some members expressed grave concern that in the absence of a poverty line, the Administration did not have specific targets for improving the poverty situation. The Administration advised that the then CoP had deliberated and considered that persons aged 0-59 and poor elders living in households with income below the average CSSA payments were those living in poverty, the number of which were estimated to be around 714 000 in 2008. The 24 indicators of poverty provided objective reference for all relevant bureaux and departments when formulating and evaluating policies to assist the needy. The Administration has subsequently provided an overview of the movements of Hong Kong's poverty indicators for 2006-2008, together with the performance of the poverty indicators since 2006 (LC Paper No. CB(2)2480/08-09(01)).

11. Members may wish to note that as revealed in the Human Development Report 2009 published by the United Nations Human Development Programme in October 2009, the Gini index<sup>4</sup> of Hong Kong is 43.4, which ranked the highest in the very high human development economies.

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<sup>3</sup> With the conclusion of work of CoP, the Administration set up in October 2007 an inter-bureau/departmental Task Force on Poverty, chaired by the Secretary for Labour and Welfare, to follow up on and monitor the implementation of the recommendations of CoP.

<sup>4</sup> Gini index measures the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.

**Relevant papers**

12. A list of relevant papers is in **Appendix III**. The papers are available on the Council's website at <http://www.legco.gov.hk>.

Council Business Division 2  
Legislative Council Secretariat  
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**Indicators of Poverty**

<p><b>Children/ youth (aged 0-14 / 15-24)</b></p> <ol style="list-style-type: none"> <li>1. Children aged 0-5 and 6-14 living in workless households</li> <li>2. Children aged 0-5 and 6-14 living in households with income below average CSSA payment</li> <li>3. Children aged 0-5 and 6-14 with single parent and in households with income below average CSSA payment</li> <li>4. CSSA recipients aged 0-5 and 6-14, and those aged 15-21 who are on child rate</li> <li>5. School attendance rate of youth aged 16-19</li> <li>6. Persons aged 20-24 with tertiary education</li> <li>7. Non-engaged youth aged 15-19 and 20-24</li> <li>8. Children aged 0-5 and 6-14 living in private temporary housing and private shared units</li> </ol>
<p><b>Working people / adults (aged 15-59)</b></p> <ol style="list-style-type: none"> <li>9. Persons aged 15-19 and 20-59 living in workless households</li> <li>10. Persons aged 15-19 and 20-59 living in households with income below average CSSA payment</li> <li>11. Unemployed persons aged 15-19, 20-24 and 25-59</li> <li>12. Persons unemployed for 6 months or longer, and 12 months or longer</li> <li>13. Employed persons aged 15-19, 20-24 and 25-59 working 35 hours or above per week and with monthly employment earnings less than 50% of the median</li> <li>14. Adult able-bodied CSSA recipients having been on CSSA for 1 year or less, and longer than 1 year</li> <li>15. Adult recipients of permanent disability / temporary disability / ill health CSSA</li> </ol>
<p><b>Older people (aged 60 or above)</b></p> <ol style="list-style-type: none"> <li>16. Recipients of old-age CSSA</li> <li>17. Number of elderly patients under the medical fee waiver mechanism of public hospitals and clinics</li> <li>18. Elderly persons living in private temporary housing and private shared units</li> </ol>
<p><b>Community</b></p> <ol style="list-style-type: none"> <li>19. Workless households by district</li> <li>20. Households with income below average CSSA payment by district</li> <li>21. Single parent households with income below average CSSA payment by district</li> <li>22. Median monthly household income by district</li> <li>23. Median monthly employment earnings by district</li> <li>24. Unemployed persons and unemployment rate by district</li> </ol>

**Latest progress in implementation of the recommendations (items 1 to 8)  
of the then Commission on Poverty by the Task Force on Poverty**

**(I) Understanding Poverty**

No.	Recommendation	Progress
1	<b>Monitor and track the indicators of poverty</b> , and where appropriate, improve them by taking into account the changing needs of the society.	Ongoing. The <b>indicators of poverty have been uploaded</b> to Labour and Welfare Bureau (LWB) website and will be updated regularly.
2	Draw reference to the indicators of poverty as well as other relevant data and information during <b>policy formulation and implementation</b> , and consider the impact of public policies on the different disadvantaged groups and communities.	Ongoing. <b>Updated indicators of poverty have been sent</b> to all relevant bureaus and departments regularly for reference.
3	Conduct and encourage relevant institutions to conduct <b>further poverty researches and analysis</b> in order to facilitate a more informed public policy discourse on the subject.	In 2008-09, the Research Grant Council <b>awarded two research projects in the area of "Poverty, Inequality, and Social Disadvantaged in Hong Kong"</b> under the "Strategic Public Policy Research Grants" Scheme.
4	Conduct <b>evaluative studies</b> on poverty alleviation measures.	LWB has <b>commissioned</b> the Hong Kong Polytechnic University to conduct a <b>consultancy study on the first batch of Child Development Fund (CDF) pioneer projects</b> .
5	<b>Track the impact of taxation and social benefits</b> on household income, in particular on the lower-income group.	The then Commission on Poverty (CoP) <b>commissioned</b> the University of Hong Kong (HKU) to conduct a <b>study on earnings mobility and intergenerational earnings mobility</b> in Hong Kong over the period 1996-2005, which was completed in late 2006. The Government has commissioned HKU to update the study which is scheduled for completion in the second half of 2009.
6	<b>Track the situation of social and earnings mobility</b> in Hong Kong, and carry out longitudinal studies on children and other major vulnerable groups.	The " <b>Conference on Social Inequality and Social Mobility in Hong Kong</b> ", co-organised by the Central Policy Unit (CPU), the Hong Kong Institute of Asia-Pacific Studies at the Chinese University of Hong Kong and the Centre of Asian Studies at HKU, was held on 14 March 2008.  As stated in item (5) above, the updated study on earnings mobility in Hong Kong is scheduled for completion in the second half of 2009.

No.	Recommendation	Progress
7	Develop indicators or conduct studies to reflect the <b>strength of community</b> networks.	<p>CPU is conducting <b>three studies in Tin Shui Wai (TSW)</b>, including a comparison between TSW and Sham Shui Po (SSP) which aims to examine the social network and communal living in TSW.</p> <p><b>Evaluative study on the Community Investment and Inclusion Fund (CIIF)</b> will commence by phases starting from 2009-10.</p>
8	Facilitate the <b>collection of data and statistics</b> to enhance poverty researches and analysis systematically, e.g. the collection of health data or statistics to be taken into account in the long-term development of a territory-wide health record infrastructure.	<p>The Food and Health Bureau (FHB) will seek the LegCo Finance Committee's approval to set up an <b>eHealth Record (eHR) Office</b> to coordinate the development of a territory-wide eHR sharing infrastructure.</p> <p><b>Regular international studies</b> on education performance of Hong Kong students will continue to be conducted to cover, inter alia, correlation between Hong Kong students' social economic status and their achievements.</p>

Relevant Papers/Documents

<u>Meeting</u>	<u>Meeting Date</u>	<u>Papers</u>
Subcommittee to Study the Subject of Combating Poverty	14 January 2005	Paper prepared by LegCo Secretariat LC Paper No. CB(2)583/04-05(01)  Minutes of meeting LC Paper No. CB(2)868/04-05
	23 February 2005	Fact sheet prepared by Research and Library Services Division of the LegCo Secretariat LC Paper No. FS10/04-05  Minutes of meeting LC Paper No. CB(2)1233/04-05
	28 April 2005	Paper provided by the Secretariat to CoP LC Paper No. CB(2)1316/04-05(03)  Minutes of meeting LC Paper No. CB(2)1841/04-05
	23 June 2005	Paper provided by the Secretariat to CoP LC Paper No. CB(2)1969/04-05(02)  Minutes of meeting LC Paper No. CB(2)2532/04-05
	25 January 2006	Paper provided by the Secretariat to CoP LC Paper No. CB(2)903/05-06(01)  Minutes of meeting LC Paper No. CB(2)2488/05-06
Panel on Welfare Services	13 July 2009	Administration's papers LC Paper Nos. CB(2)2220/08-09(03) and CB(2)2480/08-09(01)  Minutes of meeting LC Paper No. CB(2)2493/08-09