

**For discussion
on 27 and 29 April 2013**

**Legislative Council Subcommittee on Poverty
Setting “Poverty Line”**

Purpose

This paper sets out the progress of the Commission on Poverty (CoP)’s work in setting a “poverty line”.

The work of CoP

2. Poverty alleviation is a priority of the current term Government. Our work on poverty alleviation is first driven by policies and then supported by concrete measures to achieve the policy objective of helping underprivileged people capable of working by offering them opportunities to become self-reliant and improve their livelihood while devoting public resources to those who cannot provide for themselves, as set out by the Chief Executive in his Policy Address¹. In respect of poverty alleviation policy, the current term Government has, since its inauguration in July last year, made a number of important decisions, including the setting of a “poverty line”, the implementation of the Old Age Living Allowance (OALA) scheme and the enhancement of the Work Incentive Transport Subsidy Scheme. Accepting the recommendations of the Minimum Wage Commission, the Government has also decided to increase the statutory minimum wage from \$28 per hour to \$30 per hour with effect from 1 May 2013.

Setting a “Poverty Line”

3. At its first meeting held on 10 December last year, the CoP decided to formally kick-start the work in setting a “poverty line”, and agreed that the issue should be referred to the Social Security and Retirement Protection Task Force (SS&RPTF) under the CoP for detailed deliberation. At the meetings on 28 January and 18 March this year,

¹ Please see paragraph 92 of the 2013 Policy Address.

SS&RPTF agreed on the functions and principles of the “poverty line” and discussed initial proposals. Consensus was reached on most technical details (e.g. coverage of policy interventions for assessment of policy effectiveness and analytical framework).

Functions and Principles of “Poverty Line”

4. SS&RPTF members agreed on the following three major functions of the “poverty line” –

- (a) to gauge the poverty situation: quantifying the poverty situation in Hong Kong, with focused analysis of the various groups of people living below the “poverty line” and thorough investigation of the features and causes of poverty;
- (b) to facilitate policy formulation: serving as a guiding reference for government policy formulation so as to optimise the use of limited resources and put in place a more appropriate and effective poverty alleviation policy; and
- (c) to review policy effectiveness: enabling quantitative assessment of the effectiveness of policy interventions.

5. SS&RPTF members also agreed that the “poverty line” should comply with the following five guiding principles –

- (a) measurement: the “poverty line” should match with the socio-economic characteristics specific to the local context. Its structural changes should also be readily captured by the system to enable reliable statistical measurement of the poverty situation to be carried out effectively;
- (b) international comparability: how poverty is measured should, to the extent possible, take into account international practices so as to enhance credibility, recognition, comparability and practicability;
- (c) data support: data should be collected on a regular basis so

as to update the measurement results for poverty for long-term and systematic monitoring;

- (d) cost-effectiveness: the resources and time required for compilation should be considered, including areas such as collecting suitable data and consolidating results so as to reflect the latest situation in a timely manner; and
- (e) compilation and comprehension: measurement should be simple and easy-to-understand to facilitate integrated analysis for members of the public to understand the core of the problem thoroughly from the quantitative data.

Initial Proposals on “Poverty Line”

6. SS&RPTF members agreed to adopt the concept of relative poverty and set the main poverty line at half of the median household income². The SS&RPTF considered that setting the poverty line in this way is easy to understand, but noted that there are also limitations (e.g. that only household income is counted while assets are not, and that there will always be some people statistically below the “poverty line”.) With due regard to these limitations, the SS&RPTF accepted that the “poverty line” cannot be directly linked to the eligibility criteria of various means-tested social welfare schemes. In other words, setting a “poverty line” does not mean that the Administration should automatically offer subsidies to individuals or households whose income is below the “poverty line”. On the contrary, even if the household income of some groups is slightly above the “poverty line”, they will be eligible for government subsidies subject to their being able to meet the means test of individual social welfare schemes. For example, the income limit for applying the Work Incentive Transport Subsidy Scheme represents about 60% to 100% of the median household income (depending on the household size of the applicant). As for student finance such as School Textbook Assistance Scheme and Student Travel Subsidy Scheme, families whose household

² This median household income refers to the “pre-policy intervention household income” (i.e. not including the cash-based benefits of policy interventions such as Comprehensive Social Security Assistance, OAA, etc). Its basis is slightly different from that used by the Census and Statistics Department in its General Household Surveys or that used by the Hong Kong Council of Social Service and Oxfam in formulating their “poverty lines”.

income is within 50% to 60% of the median household income are eligible for full grant assistance.

7. “Poverty line” can be viewed as a tool for analysis. Its functions are to enable us to identify and target various groups of people, formulate poverty alleviation initiatives targeted at the specific characteristics and needs of the identified groups, and analyse and monitor the effectiveness of the initiatives through comparison of changes in the population below the “poverty line” before and after the implementation of the various poverty alleviation initiatives, thereby enabling the Government to assist the needy people in a more focused and targeted manner with better use of our limited public resources.

8. At present, the Government has different cash-based and non-cash based social welfare measures to assist people in need and improve their living standard. At the two SS&RPTF meetings, members discussed in detail what measures should be counted in the “post-policy intervention household income”. Cash-based benefits cover those recurrent cash assistance schemes such as the Comprehensive Social Security Assistance (CSSA), Old Age Allowance, OALA, Disability Allowance, student finance, etc. These cash-based benefits have little controversy. Members agreed that they should be included in the cash-based benefits of policy interventions. As for those non-cash based benefits, members agreed that those means-tested recurrent benefits (such as public housing) should be included in the non-cash based benefits of policy interventions while those universal non-cash based benefits (such as 12-year free education, out-patient and hospitalised services, etc) should not be included.

9. The CoP started to discuss the above initial proposals at its meeting on 28 March. Further discussion on the “poverty line” is scheduled for the next CoP meeting to be held on 2 May. Should the proposals be eventually endorsed by the CoP, the next steps for the SS&RPTF would be to consider the various features (e.g. social, economic, housing conditions and district characteristics) of households below the “poverty line”, and conduct detailed analysis on specific groups such as working poor, poor elderly, CSSA households, single-parent families, new arrivals, etc. This would facilitate our formulation of targeted poverty alleviation

initiatives. In view of the current progress, we are confident that a “poverty line” can be set within this year. Besides, we will start studying possible poverty alleviation measures as soon as practicable to complement the setting of the “poverty line”, with a view to rolling out these new measures in a timely manner.

Advice Sought

10. Members are invited to note and comment on the contents of this paper.

Labour and Welfare Bureau
Secretariat, Commission on Poverty
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