

**For discussion
on 8 May 2013**

**Legislative Council Subcommittee on Poverty
Setting “Poverty Line” – Supplementary Information**

Introduction

At the meeting of the Subcommittee on Poverty on 27 April 2013 where deputations expressed their views on “poverty line”, Members requested the Administration to provide supplementary information as to (a) whether the “poverty line” would be defined as the subsistence living protection line; (b) the feasibility of using disposable income to set the “poverty line”; and (c) why the “poverty line” was proposed to be set at 50% of the median household income and not 60%. This paper provides such supplementary information to Members.

Setting of “Poverty Line”

2. Members of the Commission on Poverty (CoP) and those of the Social Security and Retirement Protection Task Force (SS&RPTF) have 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.

3. Members have 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.

4. Having regard to the above functions and principles, CoP at its meeting on 2 May 2013 endorsed the framework for setting the “poverty line” as recommended by SS&RPTF, including to adopt the concept of relative poverty based on an income-based approach, and to set the main poverty line at half of the median household income.

Relative Poverty

5. There are generally two mainstream approaches in setting the poverty line, namely “absolute poverty” and “relative poverty”. Briefly, the former defines “the poor” as those who cannot achieve a level of minimum subsistence or basic needs, while the latter considers those whose living standards are comparatively lower than the general public as “the poor”.

6. Members of the CoP and those of the SS&RPTF noted that the adoption of the concept of “relative poverty” would be in line with the international practice of most developed economies, e.g. the Organization for Economic Co-operation and Development (OECD) and the European Union (EU). The compiled statistics would be more readily and broadly comparable. In addition, in a developed economy like Hong Kong, it might be difficult to canvass broad-based community support to only regard those not meeting the level of minimum subsistence as “poor”. To tackle the issue of poverty in today’s economic environment of Hong Kong, we need to look into those people who are living with relatively less available resource.

7. The “poverty line” is not meant to be linked directly to the eligibility criteria of various means-tested assistance programmes. It is not a “poverty alleviation” line. “Poverty line” is a tool for analysis which will enable us to identify and target various groups of people in need, and analyse and monitor the effectiveness of the government intervention over time. Adopting the concept of “relative poverty” could serve better this purpose, though members of the CoP and those of the SS&RPTF acknowledged that the concept has its own 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”.) .

Income-based Approach

8. There are suggestions of adopting “disposable income” to measure poverty. It should be noted that data of such income are not collected by the Census and Statistics Department (C&SD)’s General Household Survey (GHS). To take into account the full expenditure pattern of

households, up-to-date expenditure data would be required which would only be available in the Household Expenditure Survey conducted by C&SD every five years (with the next one to be conducted in 2014/15). This would make it impossible to compile poverty statistics on an annual basis for regular monitoring of the effectiveness of policy interventions.

The 50% Benchmark

9. It has been a common practice, both internationally and locally, to set the poverty line at 50% of the median household income. For instance, OECD adopts 50% of the median household income as their headline poverty threshold. While EU adopts a benchmark at 60% of the median household income instead of 50%, it is important to note that this is, in fact, an “at-risk-of poverty” threshold¹.

10. In Hong Kong, non-governmental organisations such as Oxfam and the Hong Kong Council of Social Service have been estimating the size of poor population for years based on 50% of median household income. Their poverty estimates have been widely quoted and well recognised in the community.

Relationship with Government’s Assistance

11. As indicated in paragraph 7 above, the setting of “poverty line” does not mean that people in need but with income level above the “poverty line” will be deprived from the opportunity of receiving Government’s assistance. Poverty alleviation measures will continue to be considered based on the needs of different under-privileged groups. Currently, even if the household income of some groups is above the “poverty line”, they will be eligible for government subsidies subject to their meeting the means test of individual assistance schemes. For example, the income limit for applying for the Work Incentive Transport Subsidy represents about 60% to 100% of the median household income (depending on the household size of the applicant). As for student

¹ “This indicator does not measure wealth or poverty, but low income in comparison to other residents in that country, which does not necessarily imply a low standard of living.” From *Glossary: At-risk-of-poverty rate - Statistics Explained* (http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:At-risk-of-poverty_rate)

finance such as the School Textbook Assistance Scheme and Student Travel Subsidy Scheme, families whose household income is within 50% to 60% of the median household income are eligible for full-grant assistance, while half-grant assistance is provided to those with household income falling within 60% to 100% of the median household income.

Concluding Remarks

12. Any methodologies of setting “poverty line” would have their own limitations. We strive to set our “poverty line” to cater for Hong Kong’s situation and serve the three functions and five guiding principles as set out in paragraph 2 above.

13. The next step will be for the Government Economist and C&SD to analyse the data based on the agreed framework in paragraph 4 above so as to identify the various characteristics (e.g. social, economic, housing conditions and district characteristics) of households below the “poverty line”, and conduct detailed analysis on specific groups such as the working poor, poor elderly, households receiving Comprehensive Social Security Assistance, single-parent families, new arrivals, etc. This would facilitate our formulation of targeted poverty alleviation initiatives. Although a substantial amount of data would be involved and much detailed analysis would have to be conducted, we are confident that the “poverty line” can be set within this year.

Advice Sought

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

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