

For information
on 16 December 2014

Legislative Council Subcommittee on Poverty

Hong Kong's Poverty Situation in 2013

Purpose

This paper briefs Members on Hong Kong's poverty situation in 2013.

Background

Poverty Line - Foundation for Poverty Alleviation Efforts

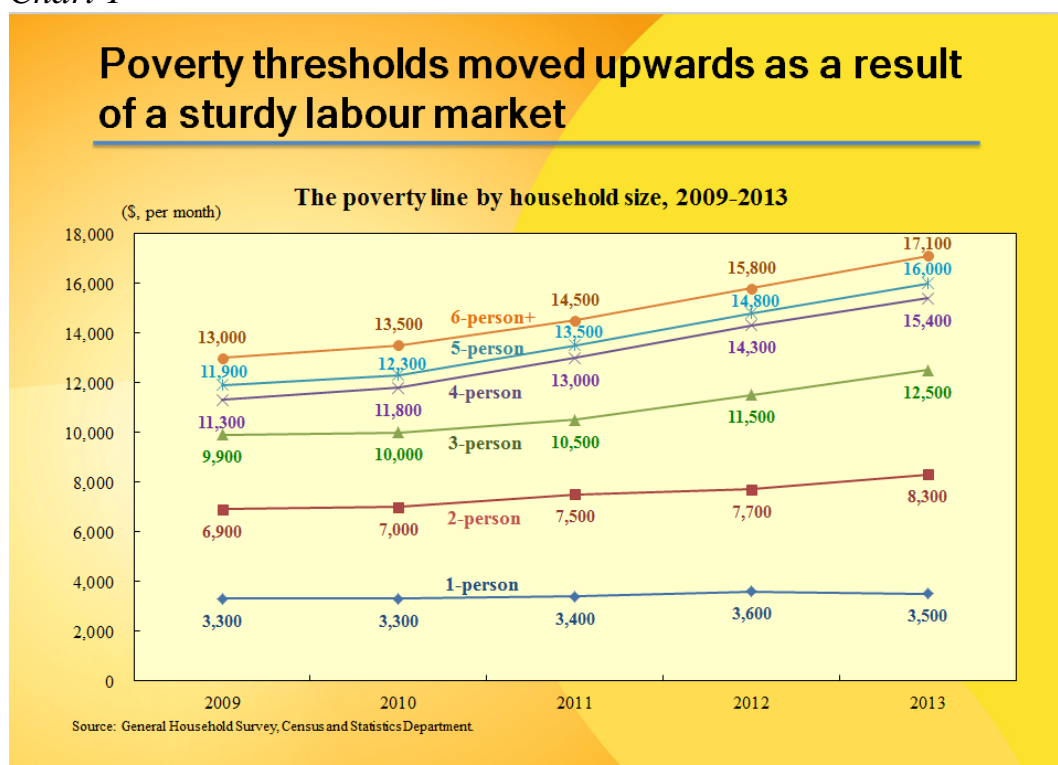
2. In September 2013, the Commission on Poverty (CoP) published the first official poverty line and the analysis of the 2012 poverty situation. Adopting the concept of “relative poverty” and pegging at 50% of the median monthly household income before tax and social transfers (i.e. pre-Government policy intervention), the poverty line has three major functions: analyse the poverty situation, assist in policy formulation and assess policy effectiveness. On the basis of the needy groups identified through the 2012 poverty line analysis, the 2014 Policy Address outlined our poverty alleviation policy which is to encourage young people and adults to become self-reliant through employment, while putting in place a reasonable and sustainable social security and welfare system to help those who cannot provide for themselves. The Policy Address also set out a poverty alleviation blueprint containing a wide range of measures benefitting different target groups. One of the key initiatives proposed is the Low-income Working Family Allowance (LIFA) to help the working poor families which have been revealed by the 2012 poverty line analysis as most in need of further government assistance.

Poverty Situation in 2013

The Poverty Line

3. The 2013 poverty line moved upwards as the local economy and household income improved. As compared to 2012, increases in poverty line thresholds of two- to six-person and above households were between 6.5% and 8.7%. Such increases were not only visible but also significantly above inflation. On the other hand, the poverty line threshold of one-person households was broadly stable, mainly due to the fact that nearly half (48.6%) of the households concerned were economically inactive. Please see Chart 1 below.

Chart 1

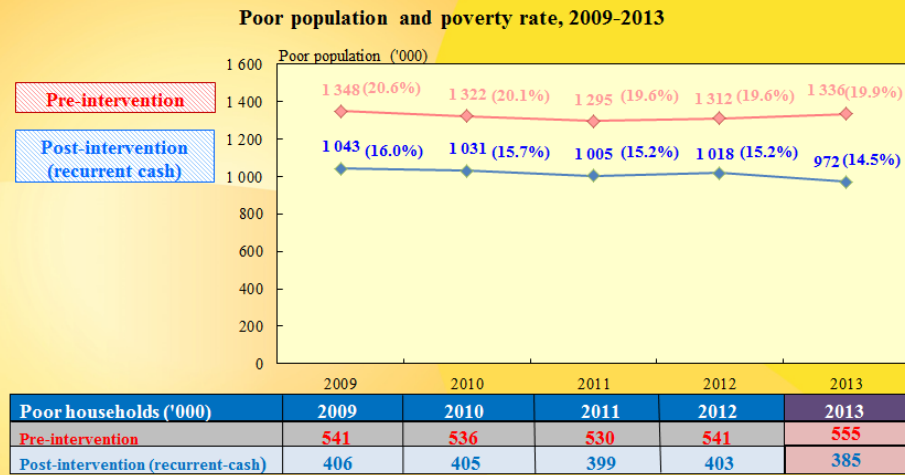


2013 Poverty Situation

4. The post-intervention poverty situation in 2013 improved noticeably when compared with that in 2012. After taking into account the recurrent cash benefits, the poor population dropped from 1.02 million in 2012 to 972 000 in 2013, and the corresponding poverty rate dropped from 15.2% to 14.5%. Both figures marked a five-year low. Please see Chart 2 below.

Chart 2

After recurrent-cash intervention, the poor population and the poverty rate were 972 000 and 14.5% respectively, both at the record low level (with analysis covered the last 5 years)



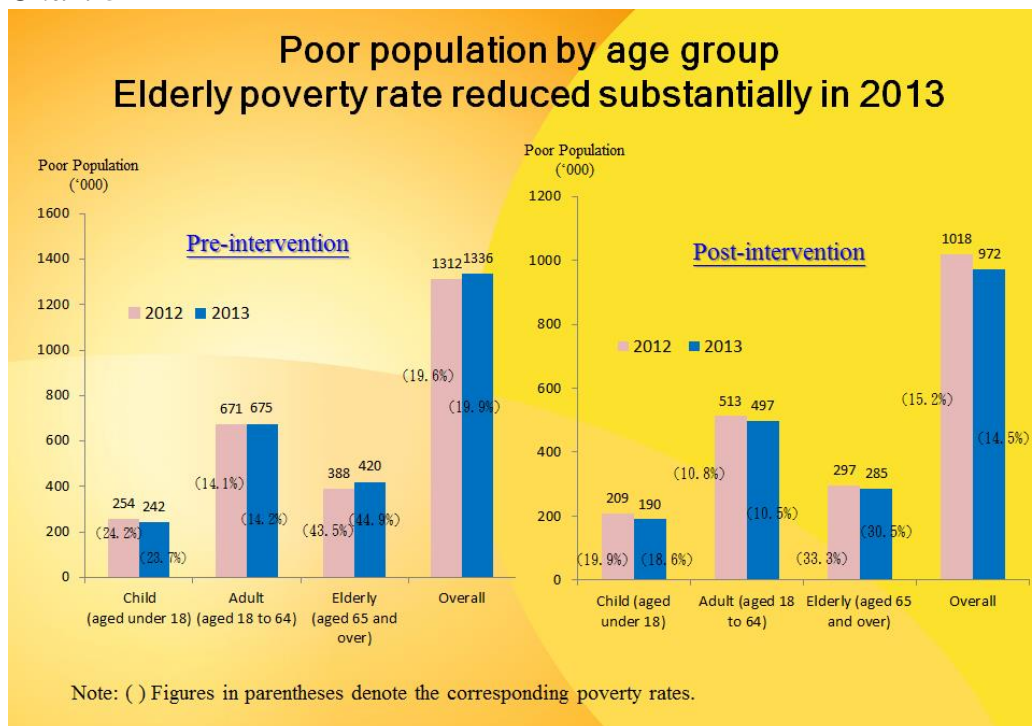
Note: () Figures in parentheses are the corresponding poverty rates.
 Source: General Household Survey, Census and Statistics Department.

5. Analysed by age group, the poor population and poverty rate in 2013 were as follows-

- elders aged 65 and above: 0.29 million (30.5%);
- people aged between 18 and 64: 0.50 million (10.5%); and
- children aged below 18: 0.19 million (18.6%).

Please see Chart 3 below.

Chart 3

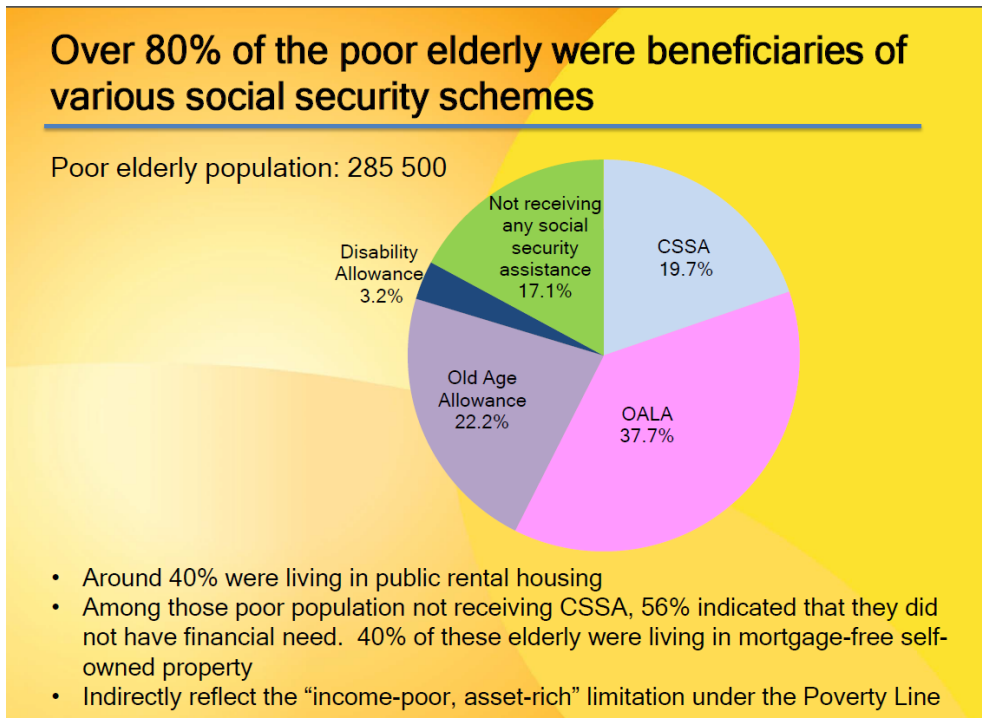


Improving Elderly Poverty Situation

6. The Government's poverty alleviation measures, in particular the Old Age Living Allowance (OALA) which benefits more than 420 000 elderly, have provided timely relief. The improvement was most pronounced for those aged 65 or above. In 2013, the elderly poverty rate dived from 44.9% before policy intervention to 30.5% after policy intervention, representing a significantly larger decline of 14.4 percentage points as compared with that after the policy intervention in 2012 (10.2 percentage points). This was obviously due to the full implementation of the allowance in April 2013.

7. That said, the statistics show that 285 500 elderly people were still living below the poverty line, of whom over 80% were receiving different forms of assistance under the social security system, namely the Comprehensive Social Security Assistance (CSSA), OALA, Old Age Allowance and Disability Allowance. However, it should be noted that the poverty line analysis takes account only of income but not assets. Most elderly persons were retirees with relatively low incomes and may be classified as poor, even though some of them could possess assets. As such, the elderly poverty rate could be overstated. In fact, 56% of the poor elders not receiving CSSA said they had no financial needs. More than 40% lived in self-owned private property with no mortgage. Please see Chart 4 below.

Chart 4



The Working Poor Still a Concern

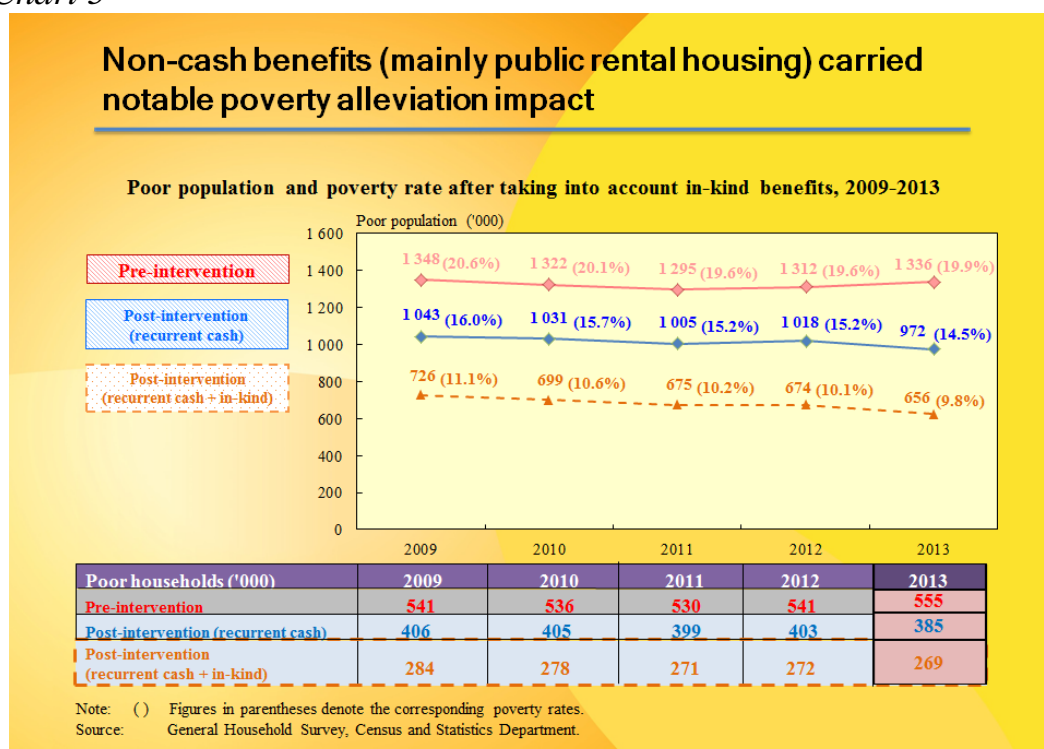
8. About 140 000 of the 300 000 non-CSSA poor households were working households, representing only a slight drop of 2 800 households, or 1.9% when compared with the figure for 2012. That was much smaller than the 4.5% drop in the total number of poor households, suggesting that working poor households, unlike other households, could not take full advantage of existing recurrent cash benefits. The characteristics of the working poor households had not changed much in 2013 as compared with 2012. Over 80% consisted of three people or more, with an average of 1.2 people being in employment. Nearly 30% of members were children and students. All these added up to a heavy family burden. In order to relieve the financial burden of these low-income working families, the Chief Executive announced in his 2014 Policy Address the introduction of a new poverty alleviation measure which was LIFA to encourage working members in low-income families to stay in active employment for self-reliance. Under LIFA, special attention would be accorded to families with children and young people, with an aim of promoting upward social mobility and alleviating inter-generational poverty. Subject to the funding approval from the Finance Committee of the Legislative Council for the LIFA Scheme and

barring unforeseeable circumstances, a lead time of 15 to 18 months would be required for launching the LIFA Scheme. Its policy effectiveness will be assessed one year after its full implementation.

Public Housing Highly Effective in Reducing Poverty

9. Latest statistics proved the effectiveness of public housing in reducing poverty. After factoring in non-cash benefits, of which public rental housing formed a major part, the overall poverty rate further decreased from 14.5% to 9.8%, and the poor population from 972 000 to 656 000. This reaffirmed the fact that provision of public housing would not only resolve the grassroots' housing problems, but would also reduce poverty. With public housing, families would be required to pay low rents thus allowing them to direct more resources to improve the quality of life and invest in the next generation so as to facilitate upward mobility. The Government will continue to make strenuous effort to boost the public rental housing supply, and will need the continuing support of different sectors to make sufficient land available. Please see Chart 5 below.

Chart 5



Targeted Assistance Delivering Better Poverty Alleviation Results

10. All along, we have emphasised that the “poverty line” should not be taken as the “poverty alleviation line”, and that resources should not and would not go only to people below it. Instead, a flexible approach is needed for setting income and asset limits for different assistance schemes in light of policy objectives and the actual circumstances. As shown in the 2013 figures set out in Chart 6 below, means testing directed limited resources to the elderly in need and achieved better results in poverty alleviation. The CoP will take this into account when examining other issues (such as retirement protection).

Chart 6

More targeted poverty alleviation measures bring about more notable effectiveness

	Estimated transfer in 2013 (\$Bn)	Proportion of transfer to poor households	Reduction in poverty rate	Population lifted out of poverty
CSSA	13.5	98.1%	2.8	191 000
OALA	10.1	44.7%	1.6	107 000
Old Age Allowance	2.9	36.6%	0.3	23 000
Disability Allowance	2.2	30.9%	0.3	21 000

Conclusion

11. The 2013 poverty line analysis has shown the effectiveness of the measures introduced so far. As we implement the blueprint set out in the 2014 Policy Address, we believe that Hong Kong’s poverty situation will improve. After two years of hard work, it is gratifying to see these early results. The Government will continue to monitor the situation and explore ways to support those in need.

Advice Sought

12. Members are invited to note the contents of the paper.

**Secretariat of the Commission on Poverty
Labour and Welfare Bureau
December 2014**