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Panel on Welfare Services

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Poverty line

Purpose

This paper provides background information on poverty line and summarizes the major views and concerns expressed by members when the subject was discussed by the Panel on Welfare Services ("the Panel") and relevant subcommittees.

Background

2. The Commission on Poverty ("CoP") was reinstated in December 2012, with the setting of a poverty line as one of its main tasks. Subsequently, CoP formed the Social Security and Retirement Protection Task Force ("Task Force") to conduct an in-depth study on the setting of a poverty line, and give advice and make recommendations to CoP.

3. At the CoP Summit on 28 September 2013, the first official poverty line was announced. According to the Administration, CoP had agreed to adopt the concept of "relative poverty" and set the poverty line at 50% of the median monthly household income ("MMHI") before tax and social benefits transfers (i.e. before government policy intervention), and the analysis of the poverty line would be updated annually.

Deliberations of the Panel

Basis for setting poverty line

4. Some members considered that apart from adopting the concept of "relative poverty" in setting the poverty line, the Administration should also adopt the concept of "absolute poverty" in setting a subsistence living protection line, so as to delineate the minimum standard of basic subsistence recognized by the community.

5. According to the Administration, the Task Force considered that setting the poverty line through adopting the concept of "relative poverty" was easy to understand and could serve better its purpose of identifying target groups, analyzing and monitoring the effectiveness of government policy intervention. However, the Administration also noted that the poverty line had its limitations, such as overstating the poverty situation due to the use of household income as the sole-indicator for measuring poverty without considering assets and liabilities. With due regard to these limitations, the Task Force accepted that the poverty line could not be directly linked to the eligibility criteria of various means-tested social welfare schemes. In other words, the Administration would not automatically offer subsidies to individuals or households whose income was below the poverty line. On the contrary, even if the household income of some groups was slightly above the poverty line, they would be eligible for government subsidies subject to their being able to meet the means test of individual social welfare schemes.

6. Some members considered it more desirable to delineate the poverty line at 60% rather than 50% of MMHI. They said that the poverty line would be on the low side if it was delineated at 50% of MMHI because for a one-person household, 50% of MMHI would be far lower than the average Comprehensive Social Security Assistance ("CSSA") payment for such households. They considered that 50% of MMHI was already the level of absolute poverty, and the poverty line should not be delineated below this level.

7. The Administration responded that it had been a common practice, both internationally and locally, to delineate the poverty line at 50% of MMHI. The Administration reiterated that the setting of a poverty line did not mean that people in need but with income level above the poverty line would be deprived of the opportunity to receive government assistance. Poverty alleviation measures would continue to be considered by the Administration based on the needs of various underprivileged groups.

8. Some members held the views that several poverty lines should be set in order to monitor the situation of people in various degrees of poverty. They suggested that CoP should set three benchmarks for the poverty line. The lowest benchmark should be a subsistence living protection line corresponding to an income level which was necessary to maintain subsistence living. The middle benchmark should be a poverty line set at 60% of MMHI. The highest benchmark should be a poverty prevention line, set at 70% of MMHI.

9. According to the Administration, the Government Economist and the Census and Statistics Department would analyze the data based on the framework agreed by CoP, 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 CSSA, single-parent families, new arrivals, etc. This would facilitate the Administration's formulation of targeted poverty alleviation initiatives.

Calculation of the poverty line

10. Some members considered that if CoP had incorporated public housing benefits in the calculation of the poverty line, the size of the poor population would be substantially reduced, thus understating the poor population. The Administration advised that one of the functions of the poverty line was to assess the effectiveness of government policy intervention on the poverty situation of Hong Kong, and the public housing policy was one of the most important intervention points and most effective policies for assisting low-income families. CoP was exploring the methodology to quantify public housing benefits, and would exercise great care in handling the issue.

Application of the poverty line

11. Some members were concerned that given the limitation that the poverty line took household income as the sole indicator for measuring poverty without considering assets, the poverty rate of elderly persons would continue to increase statistically with the growth in the elderly population. They enquired about the Administration's measures to tackle this problem.

12. The Administration advised that as most elderly persons were retirees with no stable income, some "asset-rich, income-poor" elderly persons might be statistically defined as poor. To enhance the support for

these elderly persons, the Hong Kong Mortgage Corporation Limited launched the Reverse Mortgage Programme and the Life Annuity Scheme to enable them to convert their assets into steady income. Coupled with other poverty alleviation measures such as enhancements to the Low-income Working Family Allowance ("LIFA") Scheme (renamed as the Working Family Allowance Scheme on 1 April 2018) and the introduction of the Higher Old Age Living Allowance ("Higher OALA") in June 2018, the Administration hoped that the poverty figures might be improved.

13. Some members called on the Administration to review the poverty line and set a target for poverty alleviation. The Administration advised that many welfare assistance schemes were not only targeted at those below but also at those above the poverty line, and the income thresholds for such assistance were generally more lenient than the poverty line thresholds. Setting a target for poverty alleviation would direct the Administration's resources to focus on those below the poverty line, rendering those above the poverty line no longer eligible for welfare assistance.

14. Members expressed concern about the rise in the poverty rate and the size of the poor population after the implementation of various measures, such as LIFA and OALA. They considered that it was an indication that these measures were ineffective in improving the poverty situation, and policy intervention had failed to alleviate poverty. They urged the Administration to address the problem.

15. According to the Administration, the implementation of LIFA and OALA had reduced the poverty rate by around 0.3 and 1.5 percentage points respectively in 2016, although the improvements to the poverty rates were below the Administration's expectation. As such, the Administration introduced enhancements to LIFA and the Higher OALA with a view to further reducing the poverty rate.

Relevant papers

16. A list of relevant papers on the Legislative Council website is in the **Appendix**.

Relevant papers on poverty line

Committee	Date of meeting	Paper
Subcommittee on Poverty	11 December 2012 (Item III)	Agenda Minutes
Subcommittee on Poverty	27 April 2013 (Item III)	Agenda Minutes
Subcommittee on Poverty	8 May 2013 (Item I)	Agenda Minutes
Subcommittee on Poverty	24 May 2013 (Item III)	Agenda Minutes
House Committee	31 May 2013 (Item V (b))	Agenda Minutes
Subcommittee on Poverty	29 October 2013 (Item I)	Agenda Minutes
Subcommittee on Poverty	28 October 2014 (Item I)	Agenda Minutes
Subcommittee on Poverty	16 December 2014 (Item II)	Agenda Minutes
Subcommittee on Poverty	20 October 2015 (Item II)	Agenda Minutes
Panel on Welfare Services	12 March 2018 (Item IV)	Agenda Minutes