**For discussion on
21 June 2021**

Legislative Council Panel on Welfare Services

Analysis of poverty situation in Hong Kong in 2019

Purpose

This paper briefs Members on the major findings of the analysis of poverty situation in Hong Kong in 2019 based on the poverty line analytical framework formulated by the Commission on Poverty (CoP).

Background

2.　　The Government announced the first official poverty line in September 2013 to provide an objective quantitative basis to apprehend the local poverty situation and monitor the effectiveness of the Government's poverty alleviation policies. Since the announcement of the poverty line in 2013, the Government has published eight annual analyses of the poverty situation, covering the period between 2009 and 2019. All annual Hong Kong Poverty Situation Reports have been uploaded to CoP's website (www.povertyrelief.gov.hk) for public information.

3.　　Formulated by CoP, the poverty line adopts the concept of 'relative poverty'. With monthly household income before policy intervention (i.e. before taxation and social welfare transfers) as the basis for measurement, the poverty line is set at 50% of the median household income by household size. Households with income below the poverty line are classified as poor and the household members concerned are counted as poor persons. One of the major functions of the poverty line is to assess the poverty alleviation impact of policies by comparing the post-intervention poverty statistics and the purely theoretically assumed pre-intervention poverty statistics.

The overall economic situation in 2019

4.   In 2019, the Hong Kong economy, hit by local social incidents and China-US trade tensions, fell into the first recession since the Global Financial Crisis in 2009. The labour market slackened noticeably in the second half. As the local social incidents caused severe disruptions and battered the consumption- and tourism-related sectors that involved substantial lower-skilled jobs, grassroots families were particularly hard-hit. Coupled with an accelerated ageing trend and continued dwindling household size, the poverty indicators were under unprecedented upward pressure.

Major findings of poverty situation analysis in 2019

5.   The Government published the *Hong Kong Poverty Situation Report 2019* in December 2020. The poverty line is set at 50% of the median monthly household income before policy intervention by household size. Please refer to **Table 1** for the poverty lines by household size in 2019.

Table 1: Poverty lines by household size in 2019

1-person	2-person	3-person	4-person	5-person	6-person and above
$4,500	$10,000	$16,600	$21,400	$22,100	$23,000

Source: General Household Survey, Census & Statistics Department.

6.   The Government has all along been allocating substantial resources to support the disadvantaged, including the introduction of various recurrent and non-recurrent cash measures and means-tested in-kind benefits (all selected measures). From August to December 2019, four rounds of counter-cyclical relief measures were introduced to support enterprises and needy families and individuals.

7.   After taking into account all selected measures, the size of overall poor population and poverty rate in 2019 were 641 500 persons and 9.2% respectively. Compared with 2018, the size of poor population increased slightly by 3 500 persons, and the poverty rate edged down by 0.1 percentage point. Compared to the pre-intervention (purely theoretical assumption) poor population and poverty rate (1 490 700 and 21.4%), all selected measures lifted 849 100 persons out of poverty and lowered the poverty rate notably by 12.2 percentage points in 2019. These figures were 80 700 persons and 1.1 percentage points higher than the respective reductions in 2018.

8.   Under the analysis which only takes into account the impact of recurrent cash measures, the poverty rate in 2019 went up by 0.9 percentage point over 2018 to 15.8%, and the size of poor population increased by 73 500 persons to 1 097 800 persons[1]. Of the various measures implemented, the poverty alleviation impact of recurrent cash policies in 2019 was a record high since the publication of the poverty line in 2013, successfully lifting 392 900 persons out of poverty and reduced the poverty rate by 5.6 percentage points (compared to 382 200 persons and 5.5 percentage points respectively in 2018). Amongst the recurrent cash measures, Comprehensive Social Security Assistance and Old Age Living Allowance yielded the most notable impact in alleviating poverty, lifting 155 200 persons and 154 400 persons respectively out of poverty in 2019, reducing the overall poverty rate by 2.2 percentage points each. Working Family Allowance lifted 47 600 persons (residing in 13 100 beneficiary households) out of poverty, reducing the overall poverty rate by 0.6 percentage point.
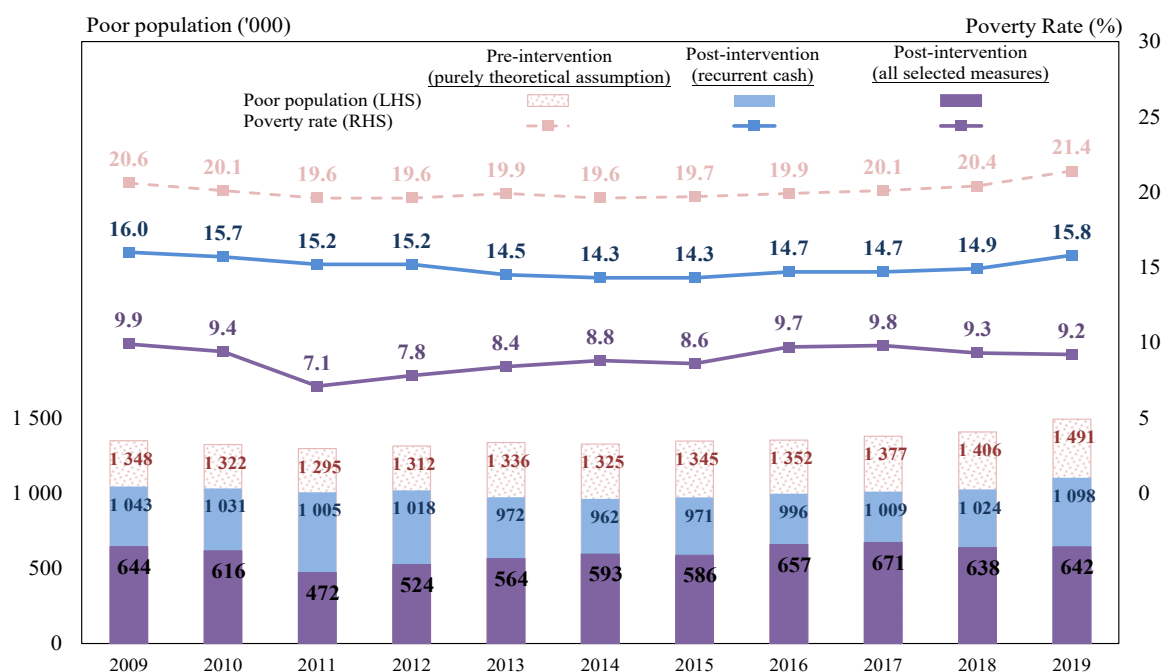
9.   Other non-recurrent cash measures and means-tested in-kind benefits also yielded notable poverty alleviation impact. For example, non-recurrent cash measures alone lifted 151 500 persons out of poverty and reduced the poverty rate by 2.1 percentage points in 2019[2] (compared to 62 900 persons and 0.9 percentage point respectively in 2018). In addition, as the most important means-tested in-kind benefits, Public Rental Housing reduced the poverty rate by 3.7 percentage points and lifted 261 000 persons out of poverty in 2019 (compared to 3.6 percentage points and 251 600 persons respectively in 2018). Please refer to **Figure 1** for the poor population and poverty rate for the period of 2009-2019.

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[1]   It should however be noted that the analysis which only takes into account the impact of recurrent cash measures has its limitation. While the measures that benefit the public are not limited to recurrent cash measures, their poverty alleviation impact could not be suitably reflected in such analysis.

[2]   Contributed mainly by the one-off Caring and Sharing Scheme and the offering of an additional two-month payment of social security allowance, the Working Family Allowance and the Work Incentive Transport Subsidy.

Figure 1: Poor population and poverty rate, 2009-2019

Poor population ('000)   Poverty Rate (%)

	Pre-intervention (purely theoretical assumption)	Post-intervention (recurrent cash)	Post-intervention (all selected measures)
Poor population (LHS)			
Poverty rate (RHS)			

Pre-intervention poverty rate: 20.6, 20.1, 19.6, 19.6, 19.9, 19.6, 19.7, 19.9, 20.1, 20.4, 21.4

Post-intervention (recurrent cash) poverty rate: 16.0, 15.7, 15.2, 15.2, 14.5, 14.3, 14.3, 14.7, 14.7, 14.9, 15.8

Post-intervention (all selected measures) poverty rate: 9.9, 9.4, 7.1, 7.8, 8.4, 8.8, 8.6, 9.7, 9.8, 9.3, 9.2

Pre-intervention poor population: 1 348, 1 322, 1 295, 1 312, 1 336, 1 325, 1 345, 1 352, 1 377, 1 406, 1 491

Post-intervention (recurrent cash) poor population: 1 043, 1 031, 1 005, 1 018, 972, 962, 971, 996, 1 009, 1 024, 1 098

Post-intervention (all selected measures) poor population: 644, 616, 472, 524, 564, 593, 586, 657, 671, 638, 642

Years: 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019

Source: General Household Survey, Census and Statistics Department.

10.   Owing to the settings and technical limitations of the poverty line analytical framework, not all the policy measures' poverty alleviation impact can be fully reflected in the post-intervention poverty statistics. Nonetheless, these policies would be helpful in relieving the financial pressures faced by the grassroots amid economic downturn and the 2019 coronavirus disease (COVID-19) pandemic.

11.   In recent years, the Government has been allocating more resources to improve people's livelihood, alleviate poverty and support the disadvantaged, fully demonstrating its tremendous commitment in poverty alleviation. In 2021-22, recurrent government expenditure on social welfare is estimated to be $105.7 billion, accounting for 20.4% of total estimated recurrent government expenditure and exceeding education as the largest spending item. Compared with that of 2012-13, the amount has registered a cumulative increase of 147%.

12.   Looking into the situation of 2020, under the threat of the COVID-19 pandemic, both the global and Hong Kong economies were mired in unprecedented recession. The pandemic has further hit the already-weak consumption- and tourism-related sectors, and in turn impacted further on the livelihood of many grassroots workers and their family members amid further deterioration in the labour market. Faced with such challenges, the Government has introduced various

rounds of relief measures in 2020, including those under the Anti-epidemic Fund and a series of counter-cyclical measures under the 2020-21 Budget, which involved over $300 billion in total.

Conclusion

13.　　The poverty line provides a simple and easy-to-understand quantitative basis for the Government and the community to understand the trends of the poverty situation in Hong Kong. The Government will continue to make use of the poverty line analysis to monitor the poverty situation, evaluate the effectiveness of various initiatives on poverty alleviation as well as review and improve policy initiatives in light of relevant data analyses.

14.　　The Government and CoP will keep the application of the analytical framework of the poverty line under review and explore feasible enhancement measures to improve the dimensions of analysis and data collection so as to enrich the poverty line analysis and facilitate public understanding of the poverty situation in Hong Kong. The Government and CoP will continue to communicate with the stakeholders of various sectors and listen to the views of the community.

15.　　Members are invited to note the content of this paper.

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