

**Legislative Council**  
**Subcommittee to Study the Subject of Combating Poverty**

**Household Income Distribution in Hong Kong**

**Purpose**

This paper sets out the results of the income distribution study conducted by the Census and Statistics Department with a view to throwing light on related policy implications. Key statistics on the income distribution in Hong Kong in 1996, 2001 and 2006 are listed at Annex 1.

**Highlight of Findings**

Source of Income

2. The results of the population census/by-census show that the income of people in Hong Kong mainly came from employment. In 2006, 78.6% of the population with income had employment income (including 71.2% with only employment income and 7.4% with both employment income and other cash income), whereas the remaining 21.4% had other cash income only.

Employment Income

3. The median monthly income from main employment of the working population increased by 5.3% from \$9,500 in 1996 to \$10,000 in 2001 and remained at the same level in 2006. In real terms, there was an increase in the median monthly income (at constant June 2006 prices) from \$9,348 in 1996 to \$9,700 in 2001 and further to \$10,000 in 2006.

4. In analysing the distribution of employment income of the working population between 1996 and 2006, it is necessary to take into account two intervening factors: the effect of price change over the period and the large number of foreign domestic helpers included in the working population. The proportion of working population (excluding foreign domestic workers) with real income below \$4,000 dropped from 8.5% in 1996 to 6.8% in 2006. At the same time, the proportion of population with monthly income at

\$15,000 or above increased from 23.2% to 33.3%.

5. On the distribution of employment income by decile group, there was a fall in the share of income attributed to the lower decile groups, and a rise in the share to the higher decile groups. The increased dispersion in the distribution of employment income from 1996 to 2006 was associated with changes in the demographics of the population and the structure of the economy over the period. Main observations include:

- i. Gender – working men in general earned more than working women by around 30%, in terms of median income from main employment;
- ii. Life-cycle – median monthly main employment income increased gradually from the young age groups to the peak in the middle age groups, and then declined at the older age groups; and
- iii. Education – working persons with higher educational attainment generally had higher income.

6. The changes in the structure of the population, including the drop in sex ratio (i.e. more women than men), population ageing and continuous upgrading of educational attainment of the population, and the restructuring of the economy which led to a shift in labour demand towards workers with better knowledge and skills are contributors to the increased employment income disparity.

7. Gini coefficients are compiled to examine the extent of dispersion in the employment income distribution. It is noted that the Gini coefficient increased from 0.483 in 1996 to 0.500 in 2006, indicating a widening gap in employment income. When further analysed by subgroups of working population, the Gini coefficients for people working in the manufacturing industry, clerks and elementary workers and less educated workers were lower than the overall figure. On the other hand, the Gini coefficients for people working in the finance and service sectors, people engaged as managers and administrators and people of higher education were higher than the overall figure. As there has been a continuous shift of the workforce to these categories in the past decade, the overall Gini coefficients for the workforce rose.

## Household Income

8. The trend of household income was different from that of individual employment income. Between 1996 and 2006, the median monthly household income at current prices edged down, albeit slightly, from \$17,500 to \$17,250. In real terms, the median monthly household income (at constant June 2006 prices) in 1996 and 2006 were broadly stable, at \$17,220 and \$17,250 respectively.

9. Yet households at both ends of the income distribution witnessed an increase in share over the period. The percentage share of households with monthly household income at current prices below \$4,000 increased from 6.7% in 1996 to 9.2% in 2006, while those with monthly household income at \$40,000 or above grew from 15.0% to 17.0%. Major contributors to the changes are:

- i. Increase in older-person households – Many older persons were retirees and did not have employment income. The number of older-person households (i.e. households comprising members all aged 65 and over) with monthly household income below \$4,000 increased by 59.4% between 1996 and 2006;
- ii. Increase in the number of two-earner households – There was a marked increase of some 48% in the number of households with two working members having households income at \$40,000 or above from 1996 to 2006; and
- iii. Improvement in educational attainment of the population – There was an increasing proportion of higher-educated persons, whose employment income was generally at a higher level, in households with monthly household income at \$40,000 or above.

10. To measure the extent of income disparity, selected number of measures (including the Gini coefficient, mean logarithmic deviation, Atkinson index and coefficient of variation) have been applied on the household income data. All of these measures, except the last one, showed that the household income distribution in Hong Kong had become more dispersed during the ten-year period from 1996 to 2006 though to slightly different extents.

11. Four series of Gini coefficients based on original household income,

post-tax household income, post-tax post-social transfer household income, and per capita post-tax post-social transfer household income for 1996, 2001 and 2006 have been compiled and are shown in Table 1. This is the first time that the latter three series of Gini coefficients are compiled in Hong Kong to assess the effect of taxation and social benefits on the income distribution (please refer to [Annex 2](#) for further details). There are basically two observations from the four series of Gini coefficients.

- i. The Gini coefficients based on per capita post-tax post-social transfer household income were smaller than that on post-tax post-social transfer household income and post-tax household income, which in turn were smaller than that on original household income; and
- ii. The magnitude of increase in the Gini coefficients over the past ten years from 1996 to 2006 had narrowed down from the original ones, to the post-tax ones and further to the post-tax post-social transfer ones and the per capita post-tax post-social transfer ones.

Table 1: Series of Gini coefficients based on different income concepts

	1996	2001	2006
Gini coefficients			
Based on original household income	0.518	0.525	0.533
Based on post-tax household income	0.508	0.515	0.521
Based on post-tax post-social transfer household income	0.466	0.470	0.475
Based on per capita post-tax post-social transfer household income	0.427	0.421	0.427

12. The above reflected that the provision of social benefits through taxation would help reduce income disparity by re-distributing income from the upper end to the lower end. Combining the effects of government intervention and change in household size, the level of income disparity as reflected from the per capita post-tax post-social transfer household income Gini coefficients remained at the same level of 0.427 in 1996 and 2006.

## Analysis on Selected Household Sub-groups

### *Households with monthly household income below \$4,000*

13. The number of households with income below \$4,000 increased by some 80 000 from 123 869 in 1996 to 205 515 in 2006. Two major contributors to the increase in these households include the older-person households (contributing about 45% of the increase) and non-older person households without working members (contributing about 43% of the increase). Table 2 illustrates the increase by type of household.

**Table 2: Households with Income below \$4,000 by Type of Household**

Type of household	1996	2001	2006	Difference between 1996 and 2006	Contribution to the increase between 1996 and 2006
Older persons living alone or with other older persons (i.e. older-person households)	61 900	88 393	98 656	36 756	45.0%
Older persons living with non- older persons	17 864	23 017	29 122	11 258	13.8%
<i>With working members</i>	5 541	4 253	5 805	264	0.3%
<i>Without working members</i>	12 323	18 764	23 317	10 994	13.5%
Non-older persons living alone or with other non-older persons	44 105	52 013	77 737	33 632	41.2%
<i>With working members</i>	19 482	13 082	18 344	-1 138	-1.4%
<i>Without working members</i>	24 623	38 931	59 393	34 770	42.6%
<b>Total</b>	<b>123 869</b>	<b>163 423</b>	<b>205 515</b>	<b>81 646</b>	<b>100.0%</b>

14. Most older persons were retirees and did not have employment income. Coupled with the ageing population and the tendency of older persons living alone or with their old-age spouse, the number of older-person households with income below \$4,000 increased markedly by some 60% from 61 900 in 1996 to 98 656 in 2006. The average number of working members in these households was lower than 0.1, and hence the majority of them were with no income or with only cash income. The median household income of these households was low at \$2,205 in 2006. It is

further observed that some 40% of these households (i.e. 39 543 in number) lived in their owned residence without mortgage and loan, much higher than the territorial figure of 25.2%

15. When analysed by geographical distribution, the highest proportion of older-person households with income below \$4,000 in 2006 was found in Kwun Tong (12.9%), followed by Sham Shui Po (9.4%) and Wong Tai Sin (9.3%).

16. For non-older person households without working members, the number grew from 24 623 in 1996 to 59 393 in 2006. The median income of these households was \$2,000 in 2006, same as that in 1996. Most of these households comprised soon-to-be old persons (refer to persons in the age group 45-64) living alone. About half of the persons in these households were homemakers and retirees.

17. The number of older-person cum non-older person and non-older person households with working members and household income below \$4,000 dropped slightly from 25 023 in 1996 to 24 149 in 2006. These households constituted 20.2% of households with income below \$4,000 in 1996. Such proportion dropped to 11.8% in 2006.

*Households with income below average Comprehensive Social Security Assistance (CSSA) payment*

18. Households with income below average CSSA payment refer to households consisting of at least one working members and with household income below the average CSSA payment for households of the corresponding household size. Foreign domestic helpers as well as their incomes are NOT taken into account in the determination of these households.

19. There were 144 637 households with income below CSSA payment in 2006, representing 6.5% of all households in Hong Kong. The number of such households grew at an average annual rate of 1.1% over the past ten years. The average size of these households was 3.6 in 2006, larger than the territorial average at 3.0. There was a high proportion of persons aged under 15 in these households, at 22.1% in 2006; correspondingly, the proportion of full-time students also stood high at 32.9%.

20. Among these households, over half (54.4%) were living in public

rental flats in 2006. Another 14.2% lived in subsidized sale flats and 30.0% in private housing. Kwun Tong had the largest proportion of households with income below average CSSA payment, followed by Yuen Long and Kwai Tsing.

21. The labour force participation rate of persons in these households was low at 47.3%, relative to the territorial figures of 61.4%. On average, there was a smaller number of working members in these households, at 1.2 persons, as against the territorial average of 1.5 persons. Of those employed persons, the majority (60.4%) were engaged in low-skilled jobs such as craft and related workers, plant and machine operators and assemblers, and elementary occupations. It is also noted that a certain proportion of these persons living in the New Territories had to work in Kowloon and Hong Kong Island, the former being 20.3% and the latter 8.4% in 2006.

22. Given the distinct features of these households, the amount of education benefits and housing benefits allocated to them was high. The average post-tax post-social transfer household income of these households, at \$12,535, was 1.9 times the original household income.

### International Comparison

23. The comparison of income disparity on an international scale among different economies may be subject to considerable limitations owing to differences in data sources, income definitions and compilation methods. However, such a comparison adds greater perspective in understanding the income distribution in Hong Kong. Caution must nevertheless be taken when interpreting the results.

24. Amongst all the selected economies, Hong Kong has a higher Gini coefficient comparable to those of United Kingdom and Canada. Hong Kong is an open, city economy with a strong agglomeration of service sector activities which are highly developed and well diversified, employing workers with multifarious experience and skills. Given this nature, income disparity in Hong Kong tends to be greater than in those places with a preponderance of manufacturing and agricultural activities. Moreover, there is a common trend towards greater income disparity in many economies. Hong Kong is not unique in moving in this direction.

## **Policy Implications**

25. The Government is very concerned about income disparity and its trend, in particular the welfare of low-income workers and the disadvantaged groups. We will continue to monitor the changes in income distribution, and analyse how public policies can help alleviate poverty. At the same time, we will make our existing policies and measures more proactive and effective, so as to improve the situation of low-income workers.

26. In this regard, in the past two and a half years the Commission on Poverty has promoted the policy direction to move “from welfare to self-reliance”, made various recommendations to prevent and alleviate poverty, and explored new strategies and directions. The term of the Commission ended last month. This, however, does not represent an end to poverty alleviation work, but signifies the beginning of the next stage of work. Alleviating poverty through job creation is one of the important tasks of the new Administration. We will strive to stimulate economic growth and create employment opportunities, and strengthen and integrate training and employment assistance to enhance the abilities of the disadvantaged to adapt to economic restructuring and achieve self-reliance. The Administration will also try out new approaches including the further development of social enterprises to assist those who are difficult-to-employ to integrate into the job market. The Labour and Welfare Bureau will oversee and monitor poverty alleviation work across the Government, and encourage greater coordination of efforts across the Government to tackle poverty.

Census and Statistics Department in collaboration with  
Economic Analysis and Business Facilitation Unit and  
Labour and Welfare Bureau

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## Key Statistics of Income Distribution

	1996	2001	2006
<b>I. Population with Income by Source</b>			
(i) Employment income only	2 818 853	3 034 857	3 089 935
	(77.5%)	(73.7%)	(71.2%)
(ii) Other cash income only	649 746	839 263	927 550
	(17.9%)	(20.4%)	(21.4%)
(iii) Both employment income and other cash income	167 868	241 558	321 895
	(4.6%)	(5.9%)	(7.4%)
<b>II. Income from Main Employment</b>			
<b>A. Monthly Income from Main Employment</b>			
(i) Median monthly income from main employment (HK\$)			
At current prices	9,500	10,000	10,000
At constant (June 2006) prices	9,348	9,700	10,000
(ii) Share of aggregate monthly income from main employment (%)			
1 <sup>st</sup> decile group	1.9	1.7	1.6
2 <sup>nd</sup> decile group	3.3	3.0	2.8
3 <sup>rd</sup> decile group	4.3	4.1	3.9
4 <sup>th</sup> decile group	5.1	5.0	4.8
5 <sup>th</sup> decile group	5.9	5.9	5.7
6 <sup>th</sup> decile group	6.7	6.8	6.6
7 <sup>th</sup> decile group	8.1	8.4	8.3
8 <sup>th</sup> decile group	9.9	10.7	10.6
9 <sup>th</sup> decile group	13.6	14.5	14.8
10 <sup>th</sup> decile group	41.3	40.1	40.9
(iii) Median monthly income from main employment (HK\$)			
Male	10,000	12,000	11,000
Female	8,000	8,900	8,500
(iv) Working population (excl. foreign domestic helpers) by monthly income from main employment (at constant (June 2006) prices)			
Below \$4,000	247 550	224 464	215 455
	(8.5%)	(7.4%)	(6.8%)
\$4,000 - \$14,999	1 978 884	1 869 815	1 889 956
	(68.3%)	(61.3%)	(59.8%)
\$15,000 or above	671 857	953 513	1 052 426
	(23.2%)	(31.3%)	(33.3%)
<b>B. Gini Coefficient (GC)</b>			
(i) Overall	0.483	0.488	0.500
(ii) Population sub-group GC by selected industries			
Manufacturing	0.461	0.447	0.481
Financing, insurance, real estate and business services	0.552	0.532	0.544
Community, social and personal services	0.501	0.529	0.532
(iii) Population sub-group GC by selected occupations			
Managers and administrators	0.556	0.521	0.528
Clerk	0.234	0.256	0.272
Elementary occupations	0.273	0.288	0.283
(iv) Population sub-group GC by selected educational attainment (highest level attended)			
No schooling / Pre-primary	0.370	0.349	0.418
Post-secondary : degree course	0.562	0.529	0.528

## Key Statistics of Income Distribution (Cont'd)

	1996	2001	2006
<b>III. Domestic Household Income</b>			
<b>A. Monthly Domestic Household Income</b>			
(i) Median monthly domestic household income (original monthly household income) (HK\$)			
At current prices	17,500	18,705	17,250
At constant (June 2006) prices	17,220	18,144	17,250
(ii) Share of aggregate original monthly household income (%)			
1 <sup>st</sup> decile group	1.1	0.9	0.8
2 <sup>nd</sup> decile group	2.6	2.3	2.1
3 <sup>rd</sup> decile group	3.6	3.4	3.2
4 <sup>th</sup> decile group	4.6	4.4	4.3
5 <sup>th</sup> decile group	5.7	5.6	5.5
6 <sup>th</sup> decile group	7.0	7.0	7.0
7 <sup>th</sup> decile group	8.5	8.8	8.8
8 <sup>th</sup> decile group	10.6	11.1	11.3
9 <sup>th</sup> decile group	14.5	15.3	15.6
10 <sup>th</sup> decile group	41.8	41.2	41.4
(iii) Households by monthly domestic household income			
Below \$4,000	123 869 (6.7%)	163 423 (8.0%)	205 515 (9.2%)
Between \$4,000 and \$39,999	1 452 981 (78.3%)	1 513 195 (73.7%)	1 642 558 (73.8%)
\$40,000 or above	278 703 (15.0%)	376 794 (18.3%)	378 473 (17.0%)
<b>B. Gini Coefficient (GC)</b>			
(i) Based on original monthly household income <sup>(1)</sup>			
Overall	0.518	0.525	0.533
Per capita	0.493	0.491	0.502
(ii) Based on post-tax monthly household income <sup>(2)</sup>			
Overall	0.508	0.515	0.521
Per capita	0.481	0.478	0.488
(iii) Based on post-tax post-social transfer monthly household income <sup>(3)</sup>			
Overall	0.466	0.470	0.475
Per capita	0.427	0.421	0.427
(iv) Households sub-groups GC (based on original monthly household income <sup>(1)</sup> )			
1-person households	0.615	0.620	0.614
1 older-person households	0.576	0.517	0.549

## Key Statistics of Income Distribution (Cont'd)

	1996	2001	2006
<b>IV. Household Subgroups</b>			
<b>A. Households with income below \$4,000</b>			
(i) Households by living arrangement			
Older persons living alone or with other older persons (i.e. older person households)	61 900	88 393	98 656
Older persons living with non-older persons (i.e. older cum non-older person households)	17 864	23 017	29 122
<i>With working members</i>	5 541	4 253	5 805
<i>Without working members</i>	12 323	18 764	23 317
Non-older persons living alone or with other non-older persons (i.e. non-older person households)	44 105	52 013	77 737
<i>With working members</i>	19 482	13 082	18 344
<i>Without working members</i>	24 623	38 931	59 393
		2006	
		Older cum	
	Older	non-older	Non-older
	person	person	person
	<u>households</u>	<u>households</u>	<u>households</u>
(ii) Households by geographical distribution			
Central and Western	3.6	3.9	3.2
Wan Chai	2.3	2.1	2.2
Eastern	8.2	9.8	6.9
Southern	3.2	3.3	2.6
Yau Tsim Mong	4.9	5.9	5.4
Sham Shui Po	9.4	7.1	6.8
Kowloon City	4.8	5.6	4.9
Wong Tai Sin	9.3	7.5	5.5
Kwun Tong	12.9	10.4	7.8
Kwai Tsing	7.7	5.8	7.8
Tsuen Wan	3.2	3.7	4.3
Tuen Mun	4.9	6.1	10.1
Yuen Long	6.3	6.0	9.3
North	3.9	4.8	4.1
Tai Po	3.5	4.4	4.6
Sha Tin	6.9	7.8	7.3
Sai Kung	3.0	3.8	4.4
Islands	1.9	1.8	2.5
(iii) Proportion of households living in owned residence (%)			
Without mortgage	40.1	57.1	39.6
With mortgage	4.7	8.2	12.9
(iv) Average number of working members	0.0*	0.2	0.2

Note: 0.0 means less than 0.05

## Key Statistics of Income Distribution (Cont'd)

	1996	2001	2006
<b>B. Households with income below average CSSA payment</b>			
(i) Number of households	129 910	164 381	144 637
(ii) Proportion to total households	7.0	8.0	6.5
(iii) Average household size	4.2	3.9	3.6
(iv) Average number of working members	1.2	1.2	1.2
(v) Proportion of persons aged under 15 (%)	34.2	28.0	22.1
(vi) Proportion of persons aged 65 and over (%)	7.7	8.4	9.9
(vii) Proportion of full-time students (%)	38.6	35.2	32.9
(viii) Proportion of households by type of housing (%)			
Public rental housing	56.1	52.0	54.4
Subsidized sale flats	7.0	13.1	14.2
Private permanent housing	31.5	32.5	30.0
(ix) Households by geographical distribution			
Central and Western	2.1	2.1	1.9
Wan Chai	1.3	1.0	0.9
Eastern	5.7	5.8	5.8
Southern	2.7	3.1	3.0
Yau Tsim Mong	4.2	4.7	3.6
Sham Shui Po	6.4	6.8	6.7
Kowloon City	4.6	4.8	4.1
Wong Tai Sin	6.9	7.9	7.5
Kwun Tong	9.9	9.7	10.2
Kwai Tsing	9.5	8.7	9.8
Tsuen Wan	3.4	3.5	3.4
Tuen Mun	9.5	8.7	8.6
Yuen Long	8.0	8.3	10.1
North	5.6	5.5	4.8
Tai Po	6.0	5.2	4.3
Sha Tin	9.0	8.4	7.6
Sai Kung	3.9	4.4	4.9
Islands	0.9	1.2	2.6
(x) Labour force participation rate (%)	48.3	48.5	47.3
(xi) Proportion of working population by occupation (%)			
Craft and related workers	21.7	18.1	14.5
Plant and machine operators and assemblers	14.6	12.5	9.5
Elementary occupations	33.1	34.5	36.5

	1996	2001	2006
(xii) Proportion of working population living in New Territories with place of work in (%)			
Kowloon	21.8	20.2	20.3
Hong Kong Island	7.7	7.5	8.4
(xiii) Average original monthly household income <sup>(1)</sup> (HK\$)	6,624	7,485	6,462
(xiv) Average total tax payment per month (HK\$)	273	248	213
(xv) Average social benefits allocated per month (HK\$)	5,233	5,856	6,286
(xvi) Average post-tax monthly household income <sup>(2)</sup> (HK\$)	6,351	7,237	6,249
(xvii) Average post-tax post-social transfer monthly household income <sup>(3)</sup> (HK\$)	11,584	13,093	12,535

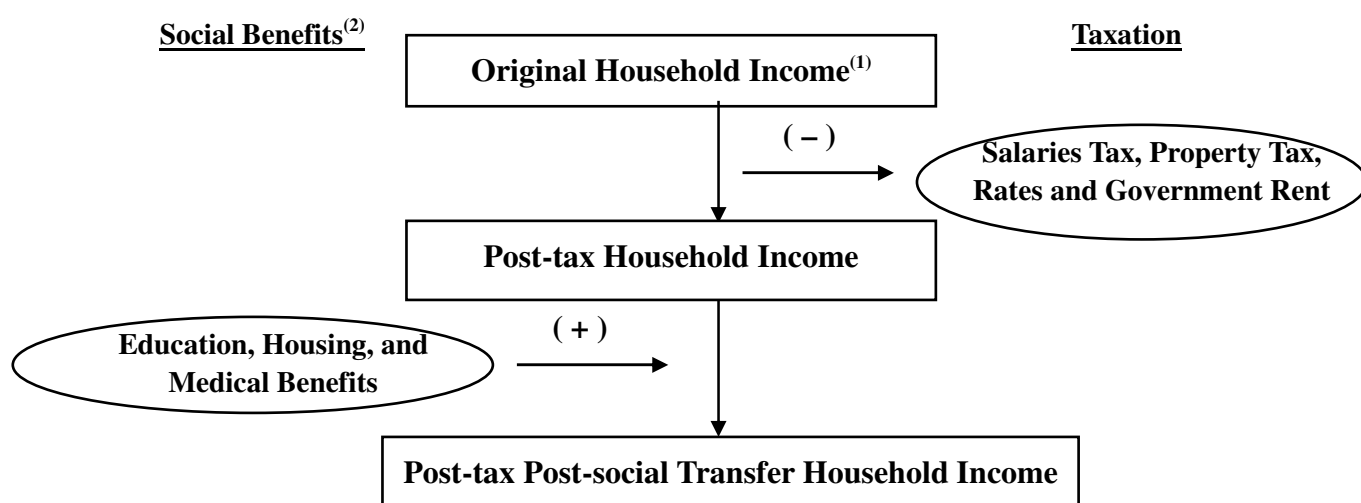
Notes: Figures in bracket represent percentage share of total.

- (1) The total income (including earnings in cash from all employments and other cash incomes) for the reference period of members of households. The reference period for 1996, 2001 and 2006 refers to February 1996, February 2001 and June 2006 respectively.
- (2) The monthly domestic household income of a household less the imputed value of salaries tax, property tax, rates and Government rent paid by members of the household for the reference period.
- (3) The monthly domestic household income of a household less the imputed value of salaries tax, property tax, rates and Government rent paid by members of the household plus total social benefits received by members of the household for the reference period.

## Redistributive Effects of Government Intervention on Income

The effects of taxation and social benefits can be ascertained by examining the post-tax household income distribution and the post-tax post-social transfer on household income distribution. Diagram 1 illustrates the compilation framework of post-tax household income and post-tax post-social transfer household income.

Diagram 1 Concepts of Original Household Income, Post-tax Household Income and Post-tax Post-social Transfer Household Income



Notes: (1) Referring to monthly domestic household income which includes income from work, income from investment (e.g. rental income, dividend and interest), and cash transfer.

(2) Covering such in-kind social benefits as education, housing and medical benefits.

2. The post-tax household income was, on average, lower than the original household income by 6-7% during 1996-2006. Taxation had a stronger impact on the income of households in the bottom and top decile groups than the other groups, due to increased payment of rates and Government rent for the former group and of salaries tax for the latter.

3. The average post-tax post-social transfer household income was higher than the original household income by 3-5%. Social benefits provided by public funds were more concentrated among lower decile groups. Households at the lower end of the income distribution thus tend to benefit more than those at the upper end. The post-tax post-social transfer household income more than doubled the original one for households in the bottom decile group, while households in the top decile group had their income reduced by about 10% after taxation and social transfers.