

**SUBCOMMITTEE TO STUDY THE
SUBJECT OF COMBATING POVERTY**

**REPORT ON
WORKING POVERTY**

Legislative Council of the
Hong Kong Special Administrative Region
February 2006

**SUBCOMMITTEE TO STUDY THE
SUBJECT OF COMBATING POVERTY**

**REPORT ON
WORKING POVERTY**

TABLE OF CONTENT

Chapter		Pages
1	Introduction	1 – 4
2	Concepts of poverty and working poverty	5 – 8
3	The working poor in Hong Kong	9 – 17
4	Causes of working poverty and problems faced by the working-poor households	18 – 23
5	Strategies and recommendations to alleviate working poverty	24 – 30
6	Summary of recommendations	31



Annexes

- A Membership list of the Subcommittee to Study the Subject of Combating Poverty
- B List of the non-governmental organizations (NGOs) and individuals who have given views to the Subcommittee to Study the Subject on Combating Poverty (up to December 2005)

Appendices

- I Gini coefficient in the world
- II Wording of the motion passed at the Council meeting on 3 November 2004 on “Alleviating the disparity between the rich and the poor”
- III Membership and terms of reference of the Commission on Poverty
- IV Motion on “Expectations for the Commission on Poverty” moved by Hon Frederick FUNG Kin-kee at the Council meeting on 2 March 2005
- V Summary of definitions of the working poor found in the literature
- VI The definitions of households, household income and employed population adopted by Census and Statistics Department
- VII Number of domestic households with at least one employed person and with monthly household income less than half of the median monthly household income by household size and number of employed persons (excluding foreign domestic helpers) (1998 and Q2 2005)
- VIII Number of employed persons in domestic households with at least one employed person and with monthly household income less than half of the median monthly household income by occupation and monthly employment earning (1998 and Q2 2005)
- IX Number of domestic households with at least one employed person and with monthly household income less than half of the median monthly household income by District Council district (1998 - 2004)

- X Statistics on Low Earnings Category under Comprehensive Social Security Assistance Scheme (Secretary for Health, Welfare and Food's reply to Hon LEE Cheuk-yan's question at the Legislative Council meeting on 26 November 2003)
- XI National Economic Social Forum in Ireland
- XII Poverty proofing process in Ireland
- XIII Working Tax Credit in the United Kingdom

Chapter 1 : Introduction

Background

1.1 The increase in the Gini coefficient¹ of Hong Kong from 0.451 in 1982 to 0.525 to 2001 has given rise to much concern and discussion among Members of the Legislative Council (LegCo), non-governmental organisations (NGOs), researchers and academics in various disciplines. It is generally accepted in the international community that a Gini coefficient above 0.4 is indicative of the widening of income disparity of people in a particular place.

1.2 The World Bank has pointed out that the Gini coefficient is not strictly comparable across places because the underlying household surveys differ in terms of methodology and the types of data collected. However, some studies in Hong Kong, such as the study on “Growing Seriousness in Poverty & Income Disparity – Poverty Situation in Hong Kong” conducted by the Hong Kong Council of Social Service (HKCSS) in 2004, have revealed that the income disparity in Hong Kong is more serious than that in many Asian and western countries, despite the economic recovery in recent years. For instance, the Gini coefficient of the United States (2000), the United Kingdom (1999), Singapore (1998) and India (1999) was 0.408, 0.36, 0.425 and 0.325 respectively. The Gini coefficient of selected places is in **Appendix I**.

1.3 On 3 November 2004, LegCo passed the motion on “Alleviating the disparity between the rich and the poor” moved by Hon Frederick FUNG which urged the Government, inter alia, to set up an inter-departmental committee to study the problem of poverty in Hong Kong, to formulate strategies and to coordinate measures to reduce poverty. The wording of the motion as amended is in **Appendix II**.

¹ Developed by an Italian statistician Corrado Gini in the 1910s, Gini Coefficient is commonly used to indicate income inequality in a society. Gini Coefficient is a number which has a value between zero and one. As the value of the Coefficient rises, the higher the degree of income inequality in a society becomes. According to Census and Statistics Department, the Gini coefficient of Hong Kong has not taken into account of the effects of taxation and social benefits on the distribution of household income, which tend to reduce income inequality.

The Subcommittee

1.4 Following the passage of the motion, a subcommittee was set up by the House Committee on 12 November 2004 to study the subject of combating poverty. The Subcommittee currently comprises 17 members and is chaired by Hon Frederick FUNG. The membership of the Subcommittee is in **Annex A**.

1.5 To assist the Subcommittee in its work, the LegCo Secretariat has conducted research studies on the anti-poverty strategies adopted by overseas countries and the benchmarks for granting financial assistance under various schemes to needy people in Hong Kong. The Secretariat has also prepared information notes to provide an overview of the literature and studies on the causes and magnitude of poverty in Hong Kong. In addition, the Subcommittee has sought the views of NGOs and academics on the situation of poverty in Hong Kong and possible measures to reduce poverty. A list of the NGOs and individuals who have given views to the Subcommittee is in **Annex B**.

1.6 The first task of the Subcommittee was to persuade the Government to set up an inter-departmental committee comprising representatives of the relevant policy bureaux and the various stakeholders to formulate a comprehensive strategy to tackle poverty. It is the objective of the Subcommittee to work with the inter-departmental committee, and to monitor its work on reducing poverty in Hong Kong. The Subcommittee wrote to the former Chief Executive (CE) in December 2004, strongly requesting that such a committee be set up. A few weeks later in his Policy Address, the former CE announced the setting up of a commission to alleviate poverty (paragraph 1.8 below refers).

1.7 In September 2005, a delegation of the Subcommittee visited the United Kingdom and the Republic of Ireland to better understand the countries' anti-poverty strategies and measures, and their effectiveness. The report of the delegation on the duty visit has been separately provided to the House Committee [LC Paper No. CB(2) 1001/05-06].

Commission on Poverty

1.8 In his Policy Address delivered on 5 January 2005, the former CE announced that he had decided to establish a commission to alleviate poverty. The commission would be chaired by the Financial Secretary and comprise Government officials, LegCo Members, business people, NGOs, experts and academics. According to the Policy Address, the task of the commission would be “to study, from a macro perspective, how to help the poor in terms of financial, employment, education and training needs. It will also explore practical ways to assist those who suffer from poverty due to old age, disability or single-parent family, particularly those in low-income employment”.

1.9 Some members of the Subcommittee consider that the commission should have powers to formulate policies and to implement measures to alleviate poverty. They are of the view that the commission should comprise representatives from the grassroots and the labour sector who have real understanding of the needs of the poor. They also urge for a high degree of transparency and accountability on the part of the commission.

1.10 On 27 January 2005, the Government announced the membership and terms of reference of the Commission on Poverty (CoP) (**Appendix III** refers). Some members of the Subcommittee have expressed disappointment that CoP is only an advisory committee with no executive or statutory powers, and there is no representative from the grassroots.

1.11 Some members of the Subcommittee have also criticised the Government for not allocating new resources to CoP and NGOs for reducing poverty, and for its lack of initiative to reduce inter-generational poverty. To convey Members’ concerns to the Government, the motion on “Expectations for the Commission on Poverty” moved by Hon Frederick FUNG was debated and passed by LegCo on 2 March 2005. The wording of the motion is in **Appendix IV**.

1.12 In April 2005, the Government sought the Subcommittee’s support for the establishment of a secretariat to CoP and the creation of additional posts for two years. While the majority of the members support the establishment of the CoP secretariat, some members consider that the Government has not demonstrated

long-term commitment in tackling poverty. Some members have also commented that it is difficult to exchange views with the Government and CoP on matters which are not on CoP's agenda or work plan, for example, the feasibility of a social security system for retirement protection in Hong Kong.

Work plan of the Subcommittee

1.13 The Subcommittee has decided to focus its work on a number of areas with a view to drawing up specific recommendations for the Government's consideration and response. The Subcommittee has agreed to accord priority to the study of two topics, i.e. working poverty and women in poverty. This report deals with the study on working poverty.

1.14 The Subcommittee will study the topic of women in poverty in early 2006 and will provide a report upon completion of the study.

Chapter 2 : Concepts of poverty and working poverty

Concepts of poverty

2.1 Since the 1970s, there have been much discussion and a variety of studies and literature on the concepts and measurements of poverty in different countries. These studies and literature examine poverty from different angles, and evaluate the usefulness and applicability of various measurement models to different economies and cultures.

2.2 There are basically three concepts of poverty, i.e. subsistence, basic needs and relative deprivation². In the early days of the 20th century, families were defined to be in poverty when their income was not “sufficient to obtain the minimum necessities for the maintenance of merely physical efficiency” (Rowntree, 1901, p.86). However, the concept of subsistence was considered inadequate in later days, because such a concept interpreted human needs as predominantly physical needs (i.e. food, shelter and clothing) excluding social needs.

2.3 The concept of basic needs was introduced in the 1970s to include basic household expenditure and essential community services, such as public transport, health, education and cultural facilities. However, the definitions of these terms were rather rough, and careful, consistent criteria for measuring basic needs had yet to be established in different economies. According to Peter Townsend², “the more the concept of poverty is restricted to an insufficiency of income to cover basic individual physical goods and facilities, the easier it is to argue that an increase in national growth of material wealth is all that is required to overcome the phenomenon”. By contrast, “if the concept is widened to include insufficiency of income to cover also basic social needs, such as health and welfare, fulfilment of obligations of family and citizenship, and community participation, it will become necessary to work out a more complex combination of growth”. In the latter case, reorganisation and redistribution of trading and other institutional relationships are necessary.

² The definitions of poverty are mainly based on the analysis in “The International Analysis of Poverty” by Peter Townsend.

2.4 The concept of relative poverty was developed after the 1970s to cater for the changing needs over time and the variations in different economies. Generally speaking, people are considered to be relatively deprived if they cannot obtain at all or sufficiently the conditions of life, such as the diets, amenities, standards and services, which allow them to play the roles, participate in the relationships and follow the customary behaviour expected of them by virtue of their membership of society. Under the relative deprivation approach, a threshold of income is derived based on the size and type of family. Families with an income below such a threshold are considered to suffer from withdrawal or exclusion from active membership of society. In some literature on poverty, a certain level of income, such as the lowest decile (10%) or quintile (20%) within the distribution of income from rich to poor, or level of income below half of the median income, is selected arbitrarily as the threshold.

2.5 In present days, the international community tends to adopt a generic definition of poverty covering the three concepts of poverty. According to the statement adopted by the Committee on Economic, Social and Cultural Rights of the United Nations in 2001, poverty is defined as “the lack of basic capabilities to live in dignity”. This definition encompasses a wide range of features relating to poverty, such as hunger, poor education, discrimination, vulnerability and social exclusion.

2.6 According to the European Council (2004), people are considered to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. They may experience multiple disadvantages because of unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. Further, they are often excluded and marginalised from participating in economic, social and cultural activities that are the norm for other people, and their access to fundamental rights may be restricted.

2.7 The World Bank (2004) defines poverty as follows : “poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom.”

2.8 In the World Development Report 2000-01 published by the World Bank, some dimensions of poverty are set out, including –

- (a) low income and consumption;
- (b) low achievement in education, nutrition and human development;
- (c) vulnerability;
- (d) social exclusion; and
- (e) access to social capital.

2.9 The World Development Report 2000-01 identifies indicators to measure the extent of poverty in a society, such as levels of income and consumption, infant mortality rate, primary school enrolment rate, vulnerability to risks, and socio/political access. It also urges all countries to take action in the following three areas –

- (a) promoting economic opportunities for poor people through equitable growth, better access to markets and expanded assets;
- (b) facilitating empowerment by making state institutions more responsive to poor people and removing social barriers that exclude women, ethnic and racial groups and the socially disadvantaged; and
- (c) enhancing security by preventing and managing economic shocks and providing mechanisms to reduce sources of vulnerability that poor people face.

Concept of working poverty

2.10 The concept of “working poverty” has been put forward by the International Labour Organisation (ILO). It refers to those people who work but do not earn enough to lift themselves and their families above the poverty

threshold. Under this concept, the total income of a family, instead of the income of an individual, is taken into account in determining whether the family or household is living in poverty.

2.11 According to World Development Report 2004-05, there is strong empirical evidence that creating decent employment opportunities is the best way to take people out of poverty.

2.12 The ILO advocates that reducing poverty and working poverty requires both productivity growth and employment creation. ILO considers that it is not just work that can raise people out of poverty; what is needed is “productive” work. An increase in productivity ideally leads to higher wages, allowing workers to take home higher pay and/or reduce their working time. Increasing productivity involves a host of complicated issues including technological advancement, investments, infrastructural developments, quality of human capital and provision of education and health care systems, etc.

2.13 The issue of working poor has been discussed in the United States, Canada and Australia, and also in the European Union. It is generally accepted that working poor refers to those who work either full time, or at least six months of a year, or more than a specified number of hours over a period, and their income is below a threshold. There is much diversity in the definitions of working poor. The absolute monetary approach defines a working poor on the basis of the household’s ability to buy a basket of goods and services judged as minimal for a decent level of living. On the other hand, the relative monetary approach defines poverty through a monetary proxy (a share of median or mean income) judged as indicative of what is necessary income for a decent level of living.

2.14 The low-income threshold for measuring the working poor adopted by the European Union and France is less than 60% and 50% respectively of the median equivalised household income. In the United States, there is a federal poverty line for defining the working poor. A summary of the definitions of the working poor found in the literature of these countries is in **Appendix V**.

Chapter 3 : The working poor in Hong Kong

Definition of the working poor in Hong Kong

3.1 The literature and research studies on poverty in Hong Kong mostly analyse the overall situation of poverty and specific disadvantaged groups in Hong Kong, and there are not many dedicated studies on the working poor. The phenomenon of working poverty is often subsumed under the generic analysis of poverty.

3.2 According to the ILO definition, the working poor refers to those people who work but do not earn enough to lift themselves and their families above the poverty threshold. While there is no official poverty line or threshold in Hong Kong, many studies, such as the study on “A Statistical Profile of Low-income Households in Hong Kong” conducted by HKCSS, consider a household to be living in poverty or to be a low-income household, if its monthly income is below 50% of the median income of the households of the same size. Nevertheless, some NGOs adopt the concept of basic needs or basic expenses in determining whether a low-income household has shortfall in meeting the basic expenses.

3.3 While noting that different economies have adopted different benchmarks or definitions for measuring poverty, the Subcommittee generally agrees that the working poor refers to those who work but their income can barely meet the basic expenses of their families. The Subcommittee considers that those households with a monthly income below 50% of the median income of households of the same size and with at least one member working are working-poor households.

Characteristics of the working poor in Hong Kong

Households with an income below the median

3.4 The Subcommittee has obtained statistics from the Census and Statistics Department (C&SD) to better understand the characteristics or profile of those households with a monthly income below the median. The definitions of households, household income and employed population³ adopted by C&SD are provided in **Appendix VI**. The Subcommittee has noted that according to data collected from C&SD's general household surveys, the median monthly household income for all households in the second quarter of 2005 has decreased when compared to 1998. The median monthly income for all households in the second quarter of 2005 was \$15,600, while that for households of different sizes are in Table 1 below –

Table 1 - The median monthly income for all households in 1998 and the second quarter of 2005

Household size	1998			Q2 2005		
	Median monthly household income (HK\$)	No. of households	% over the total no. of households of the same year	Median monthly household income (HK\$)	No. of households	% over the total no. of households of the same year
One	7,600	276 900	14.12%	6,000	346 100	15.19%
Two	15,000	397 500	20.27%	13,000	540 000	23.7%
Three	19,000	430 500	21.95%	17,000	557 700	24.48%
Four	20,000	502 200	25.6%	19,600	553 300	24.29%
Five	22,000	237 800	12.12%	20,700	202 700	8.9%
Six & above	26,700	116 600	5.94%	22,200	78 200	3.43%
All households	18,000	1 961 500	100%	15,600	2 278 100	100%

³ "Employed population" is defined in Census and Statistics Department's General Household Survey Reports. The employed population consists of those persons aged 15 and over who have been at work for pay or profit during the seven days before enumeration or who have had formal job attachment.

Chapter 3 : The working poor in Hong Kong

3.5 According to statistics provided by C&SD, there were 417 600 households (18.33% of all households) earning below 50% of the median income in the second quarter of 2005, a 13% increase over that in 1998 when there were 369 500 such households.

3.6 Of these 417 600 households in the second quarter of 2005, there were 170 400 households with at least one member working, which fall within the category of working-poor households for the purpose of this study. These working-poor households represent 7.48% of all households in Hong Kong, with the bulk (66% or 112 600 households) in the three-person and four-person households. Table 2 below shows the number of households with at least one member working and earning below 50% of the median income.

Table 2 – Households earning below 50% of the median and with at least one member working in 1998 and the second quarter of 2005

Household size	1998		Q2 2005	
	50% of median monthly household income (HK\$)	Number of households (with at least one member working)	50% of median monthly household income (HK\$)	Number of households (with at least one member working)
One	3,800	6 900	3,000	2 900
Two	7,500	25 800	6,500	25 500
Three	9,500	44 500	8,500	52 000
Four	10,000	48 500	9,800	60 600
Five	11,000	30 500	10,350	22 200
Six & above	13,350	16 900	11,100	7 200
All households	9,000	173 100	7,800	170 400

3.7 The Subcommittee has also noted that while the number of working-poor households remained stable throughout the period from 1998 to 2005, these households generally suffer a decline in monthly income over the years (paragraph 3.13 below). The Subcommittee has also noted that when compared to 1998, there is a substantial increase in the proportion of households with two members working in the second quarter of 2005, and that the proportion of working women has also considerably increased in these households. In 1998, the respective numbers of households with one member and two members working were 157 500 and 14 900 respectively, and the corresponding numbers in the second quarter of 2005 were 144 700 and 24 200 households respectively (**Appendix VII**). The number of working women in these households has also been increased from 50 100 in 1998 to 73 300 in the second quarter of 2005.

Age of employed persons

3.8 According to C&SD's statistics, there is a 15% increase in the number of employed persons in the younger age groups (20 to 29 and 30 to 39) in the working-poor households, i.e. from 19 100 in 1998 to 22 000 persons in the second quarter of 2005. However, the number of persons not in employment in the age group of 20 to 29 has also increased by 26% from 37 800 to 47 800 persons over the period. For the age group of 20 to 29, the Subcommittee considers that the proportion of persons not in employment (68.5%) is rather high. Some members and NGOs also have the observation that a greater proportion of younger persons is not in employment, or cannot find a job, in present days than in 1998.

3.9 The Subcommittee has noted that the number of employed persons (both male and female) in the age groups of 40 to 49 and 50 to 59 of working-poor households has increased since 1998. In 1998, the respective numbers of employed persons in these two age groups were 74 300 and 29 200, representing 48.4% and 27% respectively of the population in these age groups in the working-poor households. In the second quarter of 2005, the corresponding numbers of employed persons in these two age groups were 80 700 (43.2%) and 39 000 (30%).

3.10 While there is an increase in the employed population in the age groups of 40 to 49 and 50 to 59, there is at the same time an increase in the respective numbers of persons not in employment in these two groups. In 1998, the respective numbers of persons not in employment in these two age groups were 79 200 and 45 500, representing 51.6% and 42% respectively of the population of these age groups in working-poor households. The corresponding numbers in the second quarter of 2005 were 106 000 (56.8%) and 91 200 (70%). It is noted that the percentage increase of persons not in employment in these age groups is significantly greater than that of the increase in employed persons in these age groups. The increase in the number of persons not in employment in these age groups may be the result of an aging population and possibly a decrease in job opportunities for middle-aged persons.

3.11 The numbers of employed persons and those not in employment in various age groups in 1998 and the second quarter of 2005 in working-poor households are given in Table 3 and Table 4 below –

Table 3 – Number of employed persons in working-poor households

	1998			Q2 2005		
	Male	Female	Total	Male	Female	Total
Age group						
0-9	-	-	-	-	-	-
10-14	-	-	-	-	-	-
15-19	2 100	1 600	3 700	*	*	3 500
20-29	11 300	7 700	19 100	11 700	10 200	22 000
30-39	36 600	12 500	49 100	20 600	15 800	36 500
40-49	56 000	18 300	74 300	50 900	29 900	80 700
50-59	22 800	6 400	29 200	25 900	13 200	39 000
60 and over	12 500	3 700	16 100	9 200	2 500	11 600
Total	141 400	50 100	191 500	120 000	73 300	193 300

(* Figures of small magnitude are suppressed owing to large sampling error. Figures may not add up to the respective totals owing to rounding.)

Table 4 – Number of persons not in employment in working-poor households

	1998			Q2 2005		
	Male	Female	Total	Male	Female	Total
Age group						
0-9	73 700	68 500	142 200	55 100	52 400	107 500
10-14	49 000	49 600	98 600	53 500	49 500	103 000
15-19	37 900	39 100	77 000	44 800	46 700	91 500
20-29	16 100	21 700	37 800	24 000	23 800	47 800
30-39	13 100	58 500	71 600	13 600	50 700	64 400
40-49	20 000	59 200	79 200	33 500	72 500	106 000
50-59	18 500	27 000	45 500	35 600	55 600	91 200
60 and over	126 500	142 000	268 600	147 200	155 800	302 900
Total	354 800	465 600	820 400	407 200	507 100	914 300

Occupation and income of employed persons

3.12 According to the data provided by C&SD, the employed persons in working-poor households are mostly engaged in low-skilled jobs such as clerks, service workers, shop sales, craft workers, machine operators and elementary occupations (**Appendix VIII**). Elementary occupations include street vendors, domestic helpers and cleaners, messengers, private security guards, watchmen, freight handlers, lift operators, construction labourers, hand packers, agricultural and fishery labourers. The Subcommittee has noted that in the second quarter of 2005, there is an increase in the number of employed persons in the working-poor households in shop sales and service sector, and a reduction in the number of persons employed as craft workers, when compared to 1998. This is consistent with the recent trend of increasing demand for service workers and sales persons, and decreasing demand for lower-skilled jobs such as craft workers.

3.13 The Subcommittee has also noted that the employed persons in working-poor households now earn much less than they did in 1998. In the second quarter of 2005, there were 74 100 persons earning less than \$5,000, a two-fold increase over that in 1998 when there were 37 900 persons in this income bracket (**Appendix VIII**). Among these persons, 39 100 persons

earned less than \$3,000 in the second quarter of 2005, as compared to 17 000 persons in this income bracket in 1998. At the same time, there was also a significant decrease of 57% in the number of employed persons earning a monthly income above \$10,000, from 22 200 persons in 1998 to 3 300 persons in the second quarter of 2005.

Distribution of working-poor households by districts

3.14 The Subcommittee has noted from C&SD's statistics that in 2004, there were more working-poor households living in remote areas such as Tuen Mun and Yuen Long, and in "industrial" areas such as Kwun Tong and Kwai Ching (**Appendix IX**). Relatively speaking, there were less working-poor households resided in the Central and Western District and Wan Chai District. This is consistent with the distribution of Comprehensive Social Security Assistance (CSSA) recipients by geographical districts, i.e. there were more CSSA recipients in Kwun Tong, Yuen Long, Kwai Tsing and Yuen Mun, according to the statistics on CSSA provided in Secretary for Health, Welfare and Food (SHWF)'s reply to Hon CHAN Yuen-han's question at the LegCo meeting on 4 May 2005. Some members consider that the shortage of employment opportunities in remote new towns and in the former industrial areas is the main cause for the relatively higher proportion of low-income households in these areas.

"Low-earning" households under the Comprehensive Social Security Assistance scheme

3.15 Under the CSSA scheme administered by the Social Welfare Department (SWD), a person and his/her family will be eligible for CSSA if their total assessable monthly household income is insufficient to meet their total monthly needs as recognised under the scheme. When assessing the family's resources, training allowances and earnings from employment of those meeting the prescribed criteria can be disregarded up to a prescribed level. The provision of "disregarded earnings" under the CSSA scheme aims to encourage CSSA recipients to find and remain in employment. The first month's income earned by a recipient aged 15 or above from a new job can be totally disregarded. Monthly earnings in subsequent months can be partially disregarded up to a maximum amount of \$2,500 per month.

3.16 The Subcommittee has noted that there were 17 963 cases falling within the “low-earning” category under the CSSA scheme at the end of October 2005. “Low earning” cases refer to cases where the applicant aged 15 to 59 in normal health is earning not less than \$1,430 per month and working not less than 120 hours per month, but the total assessable household income is insufficient to meet the total monthly needs as recognised under the CSSA scheme. Table 5 below shows the sources of income in these “low-earning” cases under the CSSA scheme, as provided by SWD.

Table 5 - Sources of income in “low-earning” cases under the CSSA scheme (November 2004 to October 2005)

Number of eligible members	Average monthly assistance payable* (\$) (a)	Average monthly amount of other income (\$) (b)	Average monthly available resources (\$) (c) = (a) + (b)
One	1,806	2,230	4,036
Two	3,731	3,611	7,342
Three	4,950	4,588	9,538
Four	5,985	5,037	11,022
Five	7,539	5,432	12,971
Six or above	9,801	6,187	15,988

*Note : * It refers to the actual amount of CSSA payment after deducting assessable income.*

3.17 In his reply to Hon LEE Cheuk-yan’s question at the LegCo meeting on 26 November 2003, SHWF provided a breakdown of the CSSA applicants under the “low-earning” category by age, by sex, by educational levels and by occupation, which is appended to this report as **Appendix X**. According to the information provided in SHWF’s reply, the CSSA applicants under the “low-earning” category at the end of October 2003 had the following characteristics –

- (a) 59% of the applicants were of age between 40 and 54;
- (b) 61% of the applicants had education of primary school level or below;
- (c) most of the applicants engaged in lower-skilled jobs such as salesperson (7%), watchmen/guard (11%), cleaner (16%) or general labourer (18%); and
- (d) 61% of the applicants had monthly employment earnings below \$5,500.

3.18 The Subcommittee has also noted from SHWF's reply to Hon CHAN Yuen-han's question at the LegCo meeting on 4 May 2005 that the number of "low-earning" cases under the CSSA scheme has increased by more than two times from 1998 (7 348 cases) to 2004 (16 176 cases).

3.19 As the "low-earning" cases under the CSSA scheme form part of the working-poor households in Hong Kong, the Subcommittee is of the view that their characteristics should also be taken into account in formulating measures to assist the working poor.

**Chapter 4 : Causes of working poverty and problems faced
by the working-poor households**

Causes of working poverty

4.1 The Subcommittee is of the view that the problem of working poverty in Hong Kong is the result of a number of socio-economic factors, as revealed by the findings of various studies conducted by NGOs, academics and labour organisations in recent years. Most members of the Subcommittee consider that the following factors are some of the major causes of working poverty in Hong Kong –

- (a) economic re-structuring and re-location of industries to the Mainland, and the development of high-skilled industries, which have led to a loss of low-skilled jobs;
- (b) lack of manpower planning and coordination of policies or measures to cope with economic re-structuring;
- (c) over-emphasis on cost reduction in both the public and private sectors, which has given rise to a trend towards short-term or part-time employment;
- (d) contracting-out of government services and insufficient monitoring of the contractors, some of which exploit their workers by paying unreasonably low wages and reducing their rights and benefits;
- (e) unequal opportunities for disadvantaged groups, such as new immigrants and ethnic minorities;
- (f) particular needs, such as the need to take care of young children at certain stages of the family cycle, which has led to low labour force participation in certain households; and
- (g) lack of employment opportunities, social exclusion problems and high transport costs associated with living in remote areas.

Chapter 4 : Causes of working poverty and problems faced by the working-poor households

4.2 The Subcommittee considers that economic re-structuring and transformation of the mode of production are the major causes of working poverty in many places, including Hong Kong. The rapid development of information technology and its extensive use in industries and service sectors nowadays have led to a loss of menial and low-skilled jobs in the market. Since the 1980s, many production industries in Hong Kong have been relocated to the Mainland, in order to take advantage of the relatively cheaper land/material costs and abundant supply of labour across the border. The shift from a production-based and labour-intensive economy to a service-oriented and knowledge-based economy in Hong Kong has led to greater demand for professionals and skilled personnel in place of the low-skilled and manual workers.

4.3 The Subcommittee is of the view that the Government has not taken a proactive approach in past years to cope with the economic re-structuring. The lack of vision and matching policies to keep pace with global developments and changes in local economy have reduced the competitiveness of Hong Kong and its labour force in recent years. As many workers in Hong Kong have low educational attainment, they have difficulties in catching up with the modern economy which places emphasis on knowledge and technology. There is also a mismatch in the labour market not only among the middle-aged workers, but also among young school-leavers, and many of them cannot find suitable jobs. Some members consider that the absence of coordinated Government policies to address economic re-structuring has aggravated and prolonged the problem of unemployment and working poverty in Hong Kong.

4.4 Some members of the Subcommittee have pointed out that the crux of the problem of working poverty is insufficient earnings and high living costs. The Subcommittee has noted that for many people who manage to find a job, their monthly income has decreased in recent years. Some members consider that there is a trend towards creating only part-time or short-term employment in many sectors, including public and private organisations. To enhance the competitiveness of their companies or organisations, many employers and managers are over-conscious about cost-cutting, and have resorted to employing part-time or temporary staff with lower remuneration and less benefits. This has led to lower take-home pay of employees, especially those in low-skilled jobs such as clerks, shop salespersons, security guards, cleaners and manual labourers.

Chapter 4 : Causes of working poverty and problems faced by the working-poor households

4.5 Some members have also pointed out that in recent years, more government services have been contracted out, but there is insufficient monitoring of the contractors. Some service contractors have exploited their workers and have not paid them the wages as prescribed in the contracts. Some contractors have also reduced the entitlements of their employees, such as the provision of meal breaks and rest days, in order to save costs. While the Government has required the contractors to offer no less than the average monthly wages of similar jobs in the market in setting wages for their workers, there are complaints from these workers⁴ about receiving wages below the prescribed level and breaches of the employment terms.

4.6 The Subcommittee has noted that disadvantaged groups, such as the new arrivals from the Mainland and ethnic minorities, do not have equal opportunities in finding employment and many of them are unable to find decent jobs to earn sufficient income to support their families. NGOs have advocated that extra support should be provided to the new arrivals and ethnic minorities, to enable them to integrate into the local communities and have greater access to social resources.

4.7 The Subcommittee has also noted that at certain stages of a family cycle, there are special needs that a family has to attend to. For example, some women have to stay at home because their children are young. This has led to a lower labour participation rate in certain households at certain stages; hence a lower household income.

4.8 Some members of the Subcommittee have pointed out that social exclusion is a major factor for working poverty, especially those who live in remote new towns such as Tin Shui Wai and Tuen Mun. While the original planning was to make such new towns self-sufficient with adequate infrastructural support and job opportunities created by the industries within the areas, not many employment opportunities have been generated in these new towns due to economic transformation. Moreover, the transport costs for these areas are high, which have limited the mobility of residents in these areas and their access to social resources.

⁴ The mandatory requirement on wage rates for government service contracts was promulgated on 6 May 2004, under which a tender offer shall not be considered if the monthly wages offered by the tenderer are less than the average monthly wages (which relate to an average number of normal hours of work per day and an average number of standard working days per month) for the relevant industry/occupation as published in the latest C&SD's Quarterly Report of Wage and Payroll Statistics at the time when the tenders are invited. The Government subsequently introduced a standard employment contract for government service contracts in April 2005.

**Chapter 4 : Causes of working poverty and problems faced
by the working-poor households**

Difficulties faced by the working poor and their families

4.9 The Subcommittee considers that the working-poor households face more difficulties in meeting their daily expenses than the households receiving CSSA payments, as the latter are automatically eligible for other forms of financial assistance in meeting their living expenses. In this connection, the Subcommittee has compared the types of financial assistance available to a four-member working-poor family with that of a CSSA household of the same size.

4.10 The four-member family on CSSA taken for illustration comprises an unemployed able-bodied applicant, a wife who is the homemaker, and two children aged 16 and seven respectively. As illustrated in Table 6 below, this family can receive a basic CSSA payment of \$9,229 a month, which does not include other special grants to cover school fees, spectacles, selected items of school-related expenses and examination fees. This family is also eligible for full fee waiver under the Medical Fee Waiver Mechanism when using public health care services.

Table 6 – Breakdown of CSSA payment to a four-member family

Recognized needs	Amount payable (HK\$)	Remarks
Standard rates	5,090	One able-bodied adult HK\$1,145 One family-carer HK\$1,395 Two able-bodied children HK\$1,275 x 2
Special grants ⁵		
<i>Rent</i>	<i>3,500⁶</i>	<i>Maximum level is HK\$3,545 per month</i>
<i>Water/sewage charges (HK\$11 x 4)</i>	<i>44</i>	<i>Amount of allowance depends on the number of persons sharing the water meter</i>
<i>Meal allowance for the student</i>	<i>195</i>	<i>Pre-determined by the Government</i>
<i>Travelling expenses to and from school</i>	<i>400</i>	<i>Actual expenses (normally by the cheapest means of available transport)</i>
Total	9,229	

Source: *Social Welfare Department*. (2005) Available from: http://www.info.gov.hk/swd/html_eng/ [Accessed December 2005].

⁵ Not including other special grants to cover spectacles, school fees, examination fees and selected items of school-related expenses, etc.

⁶ According to the Housing Authority, in 2003-04, the average living space per person in a public rental estate was 11.5 sq m, while the monthly rent per sq m was between HK\$22.6 and HK\$69.8. In this connection, the living space for a four-member household is estimated to be 46 sq m, and the rent payable ranges from HK\$1,040 to HK\$3,211.

**Chapter 4 : Causes of working poverty and problems faced
by the working-poor households**

4.11 The Subcommittee has noted that a four-member working-poor family with a monthly income of \$9,800 is not eligible for CSSA, because its assessable income is greater than the recognised needs under CSSA. While this family is still eligible for subsidies for school fees, school textbooks, student travel and medical fee waiver under various schemes, the household may not be eligible for the rent assistance for public housing tenants. When compared to the CSSA household as described in paragraph 4.10, the working-poor household earning \$9,800 or less may have difficulties in meeting its living expenses. The situation is even worse if the working-poor family does not live in subsidised public housing, or is residing in remote areas where the transport costs are high.

4.12 The Subcommittee recognises that a working-poor household, with its limited earnings, will endeavour to save on the non-essential expenses in order to make both ends meet. As a result, the working-poor family will tend not to participate in social activities, or attend training or self-enhancement programmes because all these entail expenses. Their children will also not take part in school activities if they are not eligible for subsidies on the expenses. In the long run, such families will be excluded from the mainstream activities, and have less chance to enhance their skills and find new opportunities to improve their living. Being socially excluded will make these families and their children even more difficult to break away from generational poverty.

4.13 The Subcommittee also recognises that the working poor often faces the dilemma between working very hard in order to survive and discontinuing working or working only on a part-time basis so as to be eligible for CSSA payments. According to HKCSS's "Research on Expenditure Pattern of Low Expenditure Households in Hong Kong" (2003), for those two-member and four-member families surveyed in 1999/2000, the lowest decile (10%) incurred a monthly expenditure of \$5,135 and \$9,346 respectively. The breakdown of expenditure is given below –

	Two-member families	Four-member families
Rental	\$1,209	\$1,665
Food	\$2,210	\$3,947
Transport	\$409	\$844
Other expenses	\$1,307	\$2,890
Total	\$5,135	\$9,346

Chapter 4 : Causes of working poverty and problems faced by the working-poor households

4.14 The Subcommittee has noted that for those households living in private housing, the rental cost was much higher than those in public housing. For the lowest decile of the four-member families in private housing, they had to save on other expenses such as recreational and social activities. For these families, there is little money left for replacement of household/electrical items, educational/training programmes, or to meet contingencies such as unemployment or illness of any family member. If both the parents in these households are working, it is difficult for the children to have adequate care and attention at home, unless there are other people who can assist in this respect.

Chapter 5 : Strategies and recommendations to alleviate working poverty

Objective of assisting the working poor

5.1 The Subcommittee is generally of the view that there should be more incentives and assistance to encourage able-bodied members of low-income households to engage in work and be self-reliant and not to rely on welfare. This is considered an important step to break the cycle of generational poverty.

5.2 While the challenge is to provide sufficient income from work to meet daily expenses and to avoid creating disincentive for staying in work, it is noted that many individuals have very low earning potential because of low educational attainment and lack of skills. In the cases of these individuals, work will not bring enough income to alleviate poverty, unless income from work increases or there are other measures to assist the working poor to get both ends meet. The Subcommittee generally shares the view that a working person and his family should have a more decent standard of living than those who do not work. There should be some forms of assistance and support to enable the working-poor households to attain an acceptable standard of living.

5.3 Some members of the Subcommittee, including those belonging to the Liberal Party, are of the view that in formulating measures to assist and support the working poor and their families, the Government should examine whether such families are eligible for financial assistance under the various schemes currently available to needy families, and whether it is feasible to re-deploy existing resources under these schemes to help the working poor.

5.4 The Subcommittee has considered the following recommendations put forward by members to reduce working poverty and to alleviate the problems faced by such households. These recommendations are summarised below and discussed in greater detail in paragraphs 5.5 to 5.22 –

- (a) enabling community participation and empowerment of the working poor in formulating strategies to reduce working poverty;

- (b) developing the economy and creating employment opportunities;
- (c) providing community support and developing local economies;
- (d) reviewing the contracting-out arrangements for Government services;
- (e) setting a minimum wage and safeguarding employees' benefits;
- (f) enhancing the competitiveness of the working poor through education and training;
- (g) providing financial assistance to the working-poor households; and
- (h) providing support services for working-poor households.

Measures proposed to alleviate working poverty

Enabling community participation and empowerment of the working poor in formulating strategies to reduce working poverty

5.5 Some members consider that both the Government and NGOs have not given sufficient attention to the phenomenon of working poverty and the problems faced by the working poor and their families. These members suggest that the Government should establish a consultative platform and work with the stakeholders, including the working poor, to formulate strategies to address the issue of working poor. The Government should model on the operation of the National Economic Social Forum (NESF) of the Republic of Ireland in involving various sectors of the community and the relevant policy bureaux in formulating and implementing anti-poverty strategies. There should also be a timetable for the discussion of specific topics, and open hearings should be held to gauge public views. Details of the operation of NESF are given in **Appendix XI**.

5.6 Some members of the Subcommittee also suggest that the working poor and disadvantaged groups should be empowered to participate in the making of decisions which affect their daily lives and access to fundamental rights. These members suggest that the empowerment process should start with the local communities or districts where there is a higher proportion of the working poor and disadvantaged groups.

5.7 As regards the formulation of Government policies at the central level, some members suggest that the Government should make reference to the “poverty proofing process” adopted by Ireland. Poverty proofing was introduced in 1998 in Ireland to sensitise policy-makers to the poverty dimensions of Government policies. The Subcommittee considers that the policy-makers in Hong Kong should also consciously assess whether the policies they formulate will have an impact on poverty and inequalities, with a view to reducing poverty. The guidelines on “poverty proofing” adopted by Ireland are in **Appendix XII**.

Developing the economy and creating employment opportunities

5.8 The Subcommittee generally agrees that boosting the economy and creation of employment are effective means to reduce poverty, as employment brings income, fosters self-reliance and improves the conditions of living. However, as the majority of the working poor in Hong Kong had low educational attainment, they will have difficulties in finding employment in an economy which places emphasis on high-technology. Some members have suggested that the Government should make efforts to develop local production industries and encourage the relocation of manufacturing industries back to Hong Kong. The Government should also provide tax incentive and assistance to certain kinds of industries (e.g. logistics industry, tourism and recycling industries) which can create employment for low-skilled workers.

5.9 As there is a shortage of employment opportunities in remote areas in the northern and western parts of the New Territories, some members suggest that the Government should introduce specific incentives to encourage the establishment of industries in these areas. Such incentives may include low land premium, tax incentive and more employment service programmes. With the availability of employment opportunities in these areas, it will no longer be

necessary for workers to travel long distance to seek employment. It will save these workers considerable travelling costs and allow them more time to spend with their families and for personal development.

Providing community support and developing local economies

5.10 Some members have pointed out that as the working poor usually have to work long hours or do not have a stable job, they have difficulties in participating in the activities of their respective districts, and therefore have less opportunity in developing their social network and improving their quality of life. Some members consider that the Government should encourage NGOs to develop neighbourhood network for the working-poor households and promote mutual-help activities, such as the formation of cooperative societies. This is to increase the social capital of the working poor so that they will have better chance of finding more decent jobs and improving their quality of life.

5.11 These members also suggest that the Government should encourage local economic development such as the organisation of unemployed workers and housewives to provide low-cost household cleaning and repair services for the needy. This will provide employment opportunities for those who did not participate in the labour force, and also enable the needy to have access to low-cost services for improving their living conditions. In this connection, the Government should consider formulating measures to encourage NGOs to bid for minor renovation and cleaning service contracts in their respective districts, so that the NGOs can enhance their services for the unemployed and the needy in the districts.

Reviewing the contracting-out arrangements for Government services

5.12 Some members have criticised that the contracting out of Government services and the lack of monitoring of the contractors have given rise to exploitation of low-skilled workers who have little or no bargaining power in the labour market. There have been reports of contractors paying their employees much less than the level prescribed in the contracts, requiring employees to work long hours and reducing their entitlements and benefits.

5.13 Some members suggest that the Government should review its contracting-out arrangements by –

- (a) reducing the contracting out of its services as it will lead to unemployment of its existing employees and lowering of wages in the labour market;
- (b) strengthening the monitoring of compliance of the contract terms, particularly those concerning wages and employees' entitlements;
- (c) abolishing the principle of selecting the lowest tender and giving more weight to the bidder's past performance and reputation in the selection of tender; and
- (d) putting in place sanctions against breaches of contract conditions concerning protection of employees' benefits, e.g. "blacklisting" those contractors who have breached such conditions and disqualifying them from participating in similar tender exercises of all government departments.

Setting a minimum wage and safeguarding employees' benefits

5.14 Some members are of the view that low wage level is the major cause of working poverty. They consider that setting a minimum wage will help reduce working poverty to a large extent, as it will enable an employed person and his family to have a reasonable standard of living. In this connection, they suggest that consideration be given to setting a minimum wage in Government service contracts by making reference to the median wage in the market and the recognised basic needs of an average household. Such a minimum wage should also be provided to the private sector for reference.

5.15 Members belonging to the Liberal Party and a few other Members object to the suggestion of setting a minimum wage. In essence, they are of the view that Hong Kong is a free economy and the wages of workers should be determined through natural adjustment of the labour market based on supply and demand, and the investment environment. These members consider that setting a minimum wage will only have adverse impact on the labour market, and will increase the difficulties for the disadvantaged and low-skilled in finding employment.

5.16 The Subcommittee generally agrees that the statutory employment entitlements as currently provided in the Employment Ordinance should be safeguarded. Some members consider that there should be mandatory provisions in the Government service contracts to protect employees' benefits, such as rest day, statutory holidays and annual leave, as provided in the Employment Ordinance. The relevant departments should also step up the monitoring of the contractors to guard against exploitation of workers by the contractors.

5.17 Some members suggest that the Employment Services Division of the Labour Department should refuse to post up vacancies which offer remuneration below half of the median wage of all households.

5.18 Some members also suggest that the Labour Department and relevant bureaux should also impose more severe sanctions against employers breaching the provisions in the Employment Ordinance.

Enhancing the competitiveness of the working poor through education and training

5.19 The Subcommittee has noted that the majority of the working poor have low educational attainment and have difficulties in adapting to the fast-changing, knowledge-based economy. As education and training are essential to enhancing one's skills and potentials for further development, members suggest that there should be more targeted educational and training programmes for the low-skilled workers, to enable them to find suitable employment in the modern world. In addition to programmes for the middle-aged and displaced workers, the Government should also explore ways to help the young people in furthering their education and to better equip themselves for employment. In this connection, the Government should consider providing training subsidies to employers and employees, formulating measures to encourage employers to provide time-off for training, and expanding the scope of the Continuing Education Fund to provide fee waivers to low-income employees.

Providing financial assistance to the working-poor households

5.20 Some members consider that the CSSA Scheme should be improved by providing a “tax credit” or subsidy to working-poor households. The current provision of disregarded earnings under the CSSA Scheme is considered insufficient to encourage the recipients to engage in employment. Subsidies may take the form of cash subsidy to supplement the family income, or rental and travelling expenses. In setting the benchmark for such subsidies, some members have suggested that reference should be made to the basic needs of the households concerned.

5.21 These members have also pointed out that the Tax Credit Scheme of the United Kingdom provides useful reference for the proposed financial assistance scheme for low-income households. The Tax Credit Scheme aims to increase financial support to the low-income families, and to improve the incentives to work by the parents in these households. Tax credits in the United Kingdom take the form of cash benefits to people who need to take care of at least one child, and to those low-income working adults to provide incentives for them to stay in work. Details of these tax credits are given in **Appendix XIII**.

5.22 Some members also suggest that the Government should consider establishing a Child Support Fund to assist children in low-income families, and to provide allowances to assist job-seekers in these families to attend job interviews.

Providing support services for working-poor households

5.23 Some members suggest that, other than cash assistance, there should be more support services in the districts to provide low-cost child care services, tuition classes for children in school and employment services for job-seekers. These will provide immediate relief and practical assistance to the working-poor households. In organising these support programmes, the Government should mobilise community resources such as NGOs, district organisations and the working poor themselves. The concepts of social partnership and empowerment should be employed in the planning and operation of these support programmes.

Chapter 6 : Summary of recommendations

6.1 The Subcommittee generally agrees that it is Government's responsibility to formulate policies and strategies to alleviate poverty. The Subcommittee has agreed on the following recommendations to reduce working poverty and alleviate the problems faced by such households –

- (a) enabling community participation and empowerment of the working poor in formulating strategies to reduce working poverty;
- (b) developing the economy and creating employment opportunities;
- (c) providing community support and developing local economies;
- (d) reviewing the contracting-out arrangements for Government services;
- (e) safeguarding employees' benefits;
- (f) enhancing the competitiveness of the working poor through education and training;
- (g) providing financial assistance to the working-poor households; and
- (h) providing support services for working-poor households.

6.2 As regards the suggestion of setting a minimum wage, the Subcommittee considers that the Government should take note of the various views expressed on this subject in this report.

6.3 The Subcommittee agrees that the report should be provided to the Government for its consideration and response.

Subcommittee to Study the Subject of Combating Poverty

Membership list

Chairman	Hon Frederick FUNG Kin-kee, JP
Deputy Chairman	Hon James TIEN Pei-chun, GBS, JP
Members	Hon Albert HO Chun-yan Hon LEE Cheuk-yan Hon Fred LI Wah-ming, JP (until 17.1.2006) Hon Margaret NG Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP Hon CHAN Yuen-han, JP Hon LEUNG Yiu-chung Hon LAU Chin-shek, JP (until 14.10.2005) Hon Emily LAU Wai-hing, JP Hon Andrew CHENG Kar-foo (until 10.10.2005) Hon TAM Yiu-chung, GBS, JP Hon Abraham SHEK Lai-him, JP Hon LI Fung-ying, BBS, JP Hon WONG Kwok-hing, MH (until 26.9.2005) Hon Alan LEONG Kah-kit, SC Hon LEUNG Kwok-hung Dr Hon Fernando CHEUNG Chiu-hung Hon Ronny TONG Ka-wah, SC Hon Albert Jinghan CHENG Hon KWONG Chi-kin (until 26.9.2005)

(Total : 17 Members)

Clerk Mrs Constance LI

Legal adviser Mr LEE Yu-sung

Date 17 January 2006

**List of the non-governmental organizations (NGOs) and individuals
who have given views to the
Subcommittee to Study the Subject on Combating Poverty
(up to December 2005)**

1. Society for Community Organisation
2. The Boys' & Girls' Clubs Association
3. Sham Shui Po District Council
4. Alliance concerning CSSA
5. Oxfam
6. Hong Kong Social Security Society
7. Hong Kong Council of Social Service
8. Hong Kong Social Workers' General Union
9. Hong Kong Social Workers Association
10. Caritas – Hong Kong
11. Federation of Hong Kong Industries
12. Dr WONG Hung, Assistant Professor, Department of Social Work, The Chinese University of Hong Kong
13. Dr LUI Hon-kwong, Associate Professor, Department of Marketing & International Business, Lingnan University

Appendix I

Gini Coefficient in the world

Gini Coefficient	Place	Survey year
0.244	Hungary	1999
0.247	Denmark	1997
0.249	Japan	1993
0.250	Belgium	1996
0.250	Sweden	2000
0.254	Czech Republic	1996
0.258	Norway	2000
0.258	Slovak Republic	1996
0.262	Bosnia and Herzegovina	2001
0.268	Uzbekistan	2000
0.269	Finland	2000
0.282	Albania	2002
0.282	Macedonia, FYR	1998
0.283	Germany	2000
0.284	Slovenia	1998-99
0.289	Rwanda	1983-85
0.290	Croatia	2001
0.290	Kyrgyz Republic	2001
0.290	Ukraine	1999
0.300	Austria	1997
0.300	Ethiopia	2000
0.300	Ghana	1999
0.303	Romania	2000
0.304	Belarus	2000
0.308	Luxembourg	2000
0.313	Kazakhstan	2001
0.316	South Korea	1998
0.316	Poland	1999
0.318	Bangladesh	2000
0.319	Bulgaria	2001
0.319	Lithuania	2000
0.324	Latvia	1998

Gini Coefficient	Place	Survey year
0.325	India	1999-2000
0.325	Spain	1990
0.326	Netherlands	1994
0.327	France	1995
0.330	Pakistan	1998-99
0.331	Canada	1998
0.331	Switzerland	1992
0.333	Burundi	1998
0.334	Yemen, Republic	1998
0.343	Indonesia	2002
0.344	Egypt, Arab Republic	1999
0.344	Sri Lanka	1995
0.347	Tajikistan	1998
0.352	Australia	1994
0.353	Algeria	1995
0.354	Greece	1998
0.355	Israel	1997
0.359	Ireland	1996
0.360	Italy	2000
0.360	United Kingdom	1999
0.361	Vietnam	1998
0.362	Moldova	2001
0.362	New Zealand	1997
0.364	Jordan	1997
0.365	Azerbaijan	2001
0.367	Nepal	1995-96
0.369	Georgia	2001
0.370	Lao PDR	1997
0.372	Estonia	2000
0.379	Armenia	1998
0.379	Jamaica	2000
0.380	Gambia, The	1998

Appendix I (cont'd)

Gini Coefficient	Place	Survey year
0.382	Tanzania	1993
0.385	Portugal	1997
0.390	Mauritania	2000
0.395	Morocco	1998-99
0.396	Mozambique	1996-97
0.398	Tunisia	2000
0.400	Turkey	2000
0.403	Guinea	1994
0.403	Trinidad and Tobago	1992
0.404	Cambodia	1997
0.408	Turkmenistan	1998
0.408	United States	2000
0.413	Senegal	1995
0.425	Singapore	1998
0.426	St. Lucia	1995
0.430	Iran, Islamic Republic	1998
0.430	Uganda	1999
0.432	Guyana	1999
0.432	Thailand	2000
0.437	Ecuador	1998
0.440	Mongolia	1998
0.445	Kenya	1997
0.446	Cameroon	2001
0.446	Uruguay	2000
0.447	Bolivia	1999
0.447	Mainland China	2001
0.452	Côte d'Ivoire	1998
0.456	Russian Federation	2000
0.461	Philippines	2000
0.465	Costa Rica	2000
0.470	Guinea-Bissau	1993
0.474	Dominican Republic	1998

Gini Coefficient	Place	Survey year
0.475	Madagascar	2001
0.482	Burkina Faso	1998
0.483	Guatemala	2000
0.491	Venezuela, RB	1998
0.492	Malaysia	1997
0.498	Peru	2000
0.503	Malawi	1997
0.505	Mali	1994
0.505	Niger	1995
0.506	Nigeria	1996-97
0.509	Papua New Guinea	1996
0.522	Argentina	2001
0.525	Hong Kong, China	2001
0.526	Zambia	1998
0.532	El Salvador	2000
0.546	Mexico	2000
0.550	Honduras	1999
0.551	Nicaragua	2001
0.564	Panama	2000
0.568	Paraguay	1999
0.568	Zimbabwe	1995
0.571	Chile	2000
0.576	Colombia	1999
0.591	Brazil	1998
0.593	South Africa	1995
0.609	Swaziland	1994
0.613	Central African Republic	1993
0.629	Sierra Leone	1989
0.630	Botswana	1993
0.632	Lesotho	1995
0.707	Namibia	1993

Sources: The World Bank (2004) and Census and Statistics Department (2002).

**Wording of the motion passed
at the Council meeting on 3 November 2004
on “Alleviating the disparity between the rich and the poor”**

“That, as the Hong Kong economy has entered an inflation period, yet the unemployment rate remains high, with wages not showing an evident rebound and the disparity between the rich and the poor becoming more serious, this Council urges the Government to set up a governmental interdepartmental committee on aiding the poor to comprehensively examine the disparity between the rich and the poor in Hong Kong, so as to enhance the self-help capability of the socially disadvantaged groups and enable a more effective allocation of social resources, thereby helping those who are most in need and safeguarding the basic needs of the grass-roots people; at the same time, the Government should co-ordinate the efforts of various departments in formulating corresponding policies as well as measures to help get rid of poverty, with a view to narrowing the gap between the rich and the poor, reducing social conflicts and promoting harmonious social development.”

Membership of the Commission on Poverty

Chairman

- Mr TANG Ying Yen, Henry, GBS, JP (Financial Secretary, HKSARG)

Members (in alphabetical order)

- Prof CHAN K C
- Ms CHAN Suk Mei, BBS
- Prof CHEUNG Yan Leung, Stephen
- Dr CHOI Yuen Wan, Philemon, SBS, JP
- Prof CHOW Wing Sun, Nelson, SBS, JP
- Ms FANG Meng Sang, Christine, JP
- Mr FOK Chun Wan, Ian, SBS, JP
- The Hon FUNG Kin Kee, Frederick, JP
- Dr LAW Chi Kwong, SBS, JP
- Mr LEUNG Che Cheung, MH
- The Hon LI Fung Ying, BBS, JP
- Mr HO Hei Wah, BBS
- The Hon TAM Yiu Chung, GBS, JP
- The Hon TIEN Pei Chun, James, GBS, JP
- Mr TIK Chi Yuen, JP
- Mr WONG Ying Wai, Wilfred, JP
- Mr WONG Tung Shun, Peter, JP
- Ms YU Sau Chu, MH

Ex-officio Members

- Dr CHOW Yat Ngok, York, SBS, JP (Secretary for Health, Welfare & Food, HKSARG)
- Mr HO Chi Ping, Patrick, JP (Secretary for Home Affairs, HKSARG)
- Mr IP Shu Kwan, Stephen, GBS, JP (Secretary for Economic Development & Labour, HKSARG)
- Prof LAU Siu Kai, JP (Head, Central Policy Unit, HKSARG)
- Prof LI Kwok Cheung, Arthur, GBS, JP (Secretary for Education & Manpower, HKSARG)

Terms of Reference of the Commission on Poverty

- To study and identify the needs of the poor.
- To make policy recommendations to prevent and alleviate poverty, and promote self reliance.
- To encourage community engagement; delineate responsibility between the government, social welfare sector and community organisations; foster public-private partnerships and mobilise social capital in alleviating poverty.

**Motion on "Expectations for the Commission on Poverty"
moved by Hon Frederick FUNG Kin-kee at the Council meeting on 2 March 2005**

"That, as the Chief Executive announced in his Policy Address delivered early this year the establishment of the Commission on Poverty ('the Commission'), and the Commission, from its incubation to its present inception, lacks a clear positioning and specific plans in regard to the direction for alleviating poverty as well as its mode of operation, this Council urges the Government to vigorously adopt the following proposals regarding the Commission's direction, operation and efforts to promote community engagement:

- (a) setting a clear and definite direction for alleviating poverty, and defining the Commission's role and the values behind it;
- (b) establishing a benchmark for measuring poverty so as to accurately analyze and assess the problem of poverty in the community, and clearly defining the target recipients of assistance so as to enable a more effective use of resources;
- (c) studying the causes of poverty in Hong Kong, examining the overall social structure and existing systems, and identifying the areas of poverty that need to be studied, such as poverty among children and the elderly, working poverty, secondary safety net and the review of the Comprehensive Social Security Assistance Scheme, etc;
- (d) as the coverage of the Commission's present membership is inadequate, appointing to the Commission such additional members as representatives from policy bureaux and relevant executive departments responsible for the housing and transport portfolios, etc, as well as from public transport operators, so as to take account of the various aspects of the daily life of the poor;
- (e) co-ordinating various policy bureaux and their departments in formulating specific plans for alleviating poverty, establishing feasible and clear objectives for alleviating poverty and setting specific implementation timetables, as well as requiring various departments to submit reports to the Commission on a regular basis, with the latter reporting to the public on the progress of its work and briefing the public after each of its meetings;
- (f) setting up an evaluation mechanism for assessing the implications of individual policies on the disparity between the rich and the poor in the community, whereby all new policies and initiatives launched by policy bureaux and departments must be subject to such assessment and be adjusted as appropriate before implementation, and all existing relevant legislation and policies must also undergo this assessment; and
- (g) promoting community engagement and the building of partnerships, encouraging the business sector to give support and fulfil their corporate social responsibility, and devolving powers and allocating resources to district organizations and, by making effective use of their flexibility, responding appropriately to the needs of various districts having regard to their different poverty situations, as well as holding regular public forums to enable public participation in the course of formulating the policies on poverty alleviation."

Some definitions of the working poor in literature

Country	Source	Work definition	Poverty threshold
EU	Eurostat	- employed at least 15 hours (Marlier, 2000) - most frequent activity status in the last year	Low-income threshold: less than 60% of the median equivalised household income (Relative monetary poverty)
France	- Institut National de la Statistique et de l'Économie (INSEE) - Academics - National Action Plan for Social Inclusion 2001-2003/2003-2005	- individuals who have spent at least six months of the year on the labour market (working or searching a job) - working at least six months - have had a job for at least one month during a year	Low-income threshold: less than 50% (60%-70% occasionally) of the median equivalised household income (Relative monetary poverty)
Belgium	National Action Plan for Social Inclusion 2001-2003/2003-2005	- individuals who have spent at least six months of the year on the labour market (working or searching for a job) - working at least six months	Low-income threshold: less than 60% of the median equivalised household income (Relative monetary poverty)
Switzerland	- Swiss Federal Statistical Office - Academics	- all 'active' individuals, regardless of the number of hours they work; or - all individuals working full-time (i.e. 36 hours or more weekly); or - at least one individual having a lucrative activity for at least 40 hours a week (one full-time job).	Administrative flat rates of social security modified. ¹ (Monetary administrative poverty)
US	US Census Bureau	Total hours worked by family members greater than or equal to 1,750 hours (44 weeks)	Federal poverty line (FPL) (Absolute monetary poverty)
	US Bureau of Labour Statistics	- individuals who have spent at least six months (27 weeks) of the year on the labour market (working or searching for a job)	
	US researchers in general	- adults working, on average, at least half time (approximately 1,000 hours) - or definition of USCB and USBS (see above)	
Canada	National Council of Welfare (NCW)	More than 50% of total family income comes from wages, salaries or self-employment	Statistics Canada's Low-income cut-offs (LICOs) (Absolute monetary poverty)
	Canadian Council on Social Development (CCSD)	Adult members have, between them, at least 49 weeks of either full-time (at least 30 hours a week) or part-time work	CCSD relative low-income threshold (Relative monetary poverty)
	Canadian Policy Research Networks (CPRN)	Full-time/Full year	Relative low-income threshold: less than \$20,000 per year (Relative monetary poverty)
Australia	Social Policy Research Centre	All 'active' individuals, regardless of the number of hours they work	Henderson absolute poverty line ³ (Absolute monetary poverty)

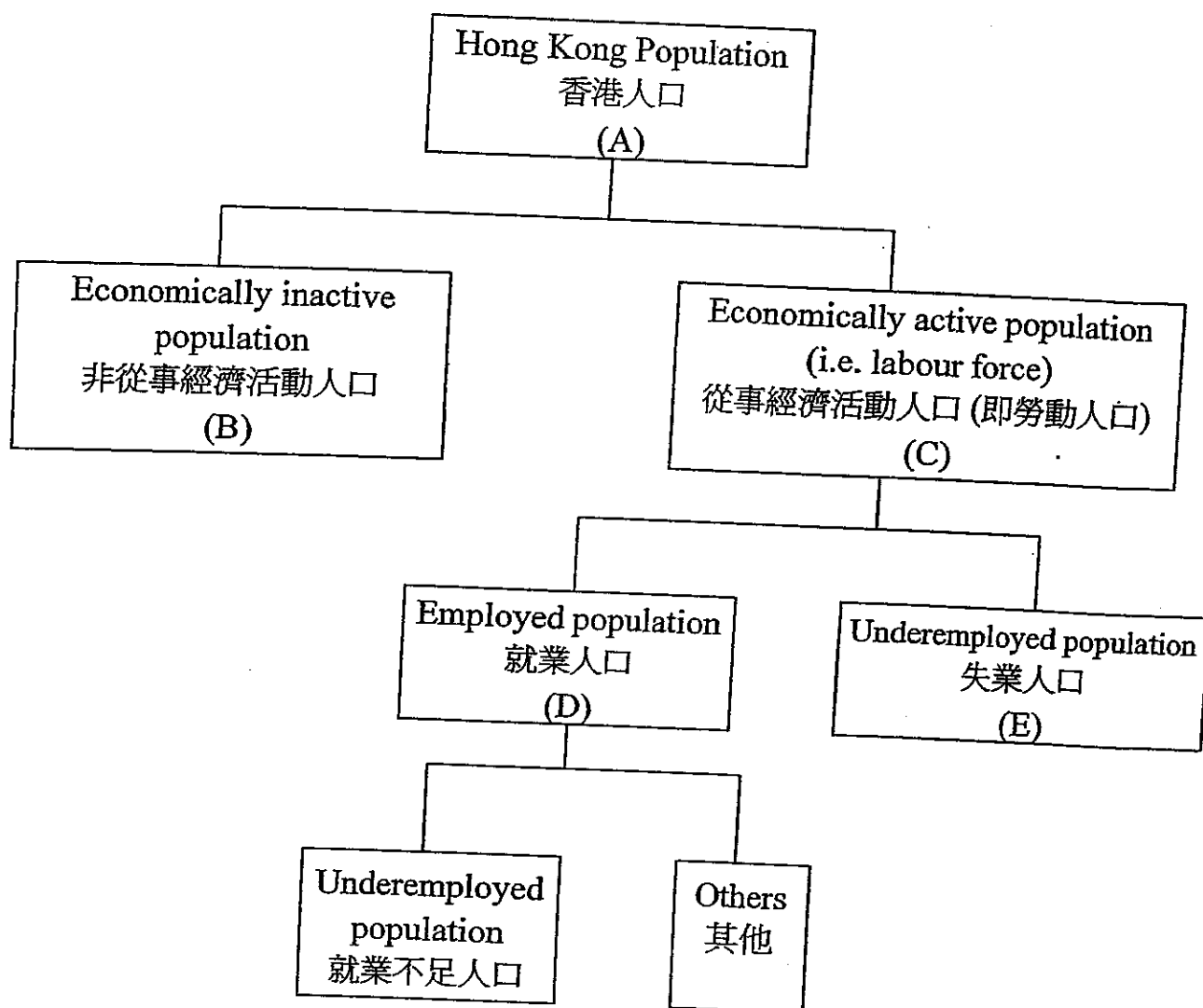
¹ The threshold is calculated by adding the cost of a 'moderate' rent and that of a basic health insurance premium to the Confédération Suisse des Institutions d'Action Sociale's 'vital' minimum.

² The use of alternative poverty thresholds expresses the general perception of US researchers that the federal poverty line is too low to assess poverty to its full extent (Warren C. R., 2002; Employment Policies Institute, 2002).

³ The Henderson poverty line was developed by Professor R. F. Henderson in the 1970s while undertaking the Australian government commission into poverty. His widely used formula calculates the amount of money which individuals and families of different sizes need to cover basic living costs.

Definitions of Employment, Unemployment and Underemployment

I. Conceptual Framework of Labour Force Statistics



- The population of Hong Kong is composed of two main groups of people, viz. the economically inactive and the economically active (i.e. $A = B + C$).
- Within the economically active population (also known as “labour force”), there are employed persons and unemployed persons (i.e. $C = D + E$).
- Among the employed persons, a group of underemployed persons can be differentiated for further analysis.
- Persons who are neither employed nor unemployed are economically inactive persons. Such persons are mainly young children, students, retired persons and full-time home-makers (「全時間料理家務人士」)

- Statistics on the labour force, employment, unemployment and underemployment are compiled in accordance with the conceptual framework recommended by the International Labour Organization (ILO).

II. Definitions

The employed population

- 1) This comprises all employed persons. For a person aged 15 or over to be classified as employed, that person should:
 - a) be engaged in performing work for pay or profit during the seven days before enumeration; *or*
 - b) have formal job attachment (i.e. that the person has continued receipt of wage or salary; or has an assurance or an agreed date of return to job or business; or is in receipt of compensation without obligation to accept another job).

The underemployed population

- 1) Within the employed population, a group of underemployed persons can be differentiated for further analysis.
- 2) The criteria for an employed person to be classified as underemployed are:

involuntarily working less than 35 hours during the seven days before enumeration; *and* either

 - a) has been available for additional work during the seven days before enumeration; *or*
 - b) has sought additional work during the thirty days before enumeration.
- 3) Working short hours is considered *involuntary* if it is due to slack work, material shortage, mechanical breakdown or inability to find a full-time job. Following this definition, employed persons taking no-pay leave due to slack work during the seven days before enumeration are also classified as underemployed if they worked less than 35 hours or were on leave even for the whole period during the seven-day period.

The unemployed population

- 1) This comprises all unemployed persons. For a person aged 15 or over to be classified as unemployed, that person should:
 - a) not have had a job and should not have performed any work for pay or profit during the seven days before enumeration; *and*
 - b) have been available for work during the seven days before enumeration; *and*
 - c) have sought work during the thirty days before enumeration.

However, if a person aged 15 or over fulfils the conditions (a) and (b) above but has not sought work during the thirty days before enumeration because he/she believes that work is not available, he/she is still classified as unemployed, being regarded as a so-called 'discouraged worker'.

- 2) Notwithstanding the above, the following types of persons are also classified as unemployed:
 - a) persons without a job, have sought work but have not been available for work because of temporary sickness; *and*
 - b) persons without a job, have been available for work but have not sought work because they:
 - (i) have made arrangements to take up a new job or to start business at a subsequent date; or
 - ii) are expecting to return to their original jobs (e.g. casual workers are usually called back to work when service is needed).

Definitions of Domestic Household and Monthly Household Income

Domestic Household

It consists of a group of persons who live together and make common provision for essentials for living. These persons need not be related. If a person makes provision for essentials for living without sharing with other persons, he/she is also regarded as a household. In this case, the household is a one-person household.

Monthly Household Income

It refers to the total cash income (including earnings from all jobs and other cash incomes) received in the last month by members of the household.

GENERAL HOUSEHOLD SURVEY

Number of domestic households **with at least one employed person**
and with monthly household income **less than half of the median** monthly household income
by household size and **number of employed persons** (excluding foreign domestic helpers)
(1998 and Q2 2005)

Period : 1998

	Number of employed persons			Total No.('000)
	1	2	>= 3	
	No.('000)	No.('000)	No.('000)	
Household size				
1	6.9	-	-	6.9
2	23.7	2.1	-	25.8
3	41.0	3.3	*	44.5
4	44.7	3.7	*	48.5
5	27.4	3.0	*	30.5
6 and over	13.7	2.9	*	16.9
Total	157.5	14.9	0.8	173.1

Period : Q2 2005

	Number of employed persons			Total No.('000)
	1	2	>= 3	
	No.('000)	No.('000)	No.('000)	
Household size				
1	2.9	-	-	2.9
2	23.0	2.5	-	25.5
3	45.4	6.5	*	52.0
4	51.2	8.6	*	60.6
5	16.7	4.9	*	22.2
6 and over	5.5	*	*	7.2
Total	144.7	24.2	*	170.4

Notes : * Figures of small magnitude are suppressed owing to large sampling error.
Figures may not add up to the respective totals owing to rounding.
Foreign domestic helpers are excluded.

GENERAL HOUSEHOLD SURVEY

Number of employed persons in domestic households **with at least one employed person**
and with monthly household income **less than half of the median** monthly household income
by occupation and monthly employment earnings
(1998 and Q2 2005)

Period : 1998

Occupation	Monthly employment earnings									Total No.('000)
	< 3000	3,000 - 3,999	4,000 - 4,999	5,000 - 5,999	6,000 - 6,999	7,000 - 7,999	8,000 - 8,999	9,000 - 9,999	>= 10,000	
	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	
Clerks	1.1	*	*	1.0	2.3	2.9	4.2	2.1	1.0	15.3
Service workers and shop sales workers	5.1	2.1	2.1	2.8	3.8	4.1	5.1	4.1	2.5	31.7
Craft and related workers	1.5	1.1	1.1	2.5	3.1	4.8	8.8	7.8	5.6	36.3
Plant and machine operators and assemblers	1.1	1.4	1.4	2.0	2.8	3.2	6.5	6.0	4.3	28.8
Elementary occupations	6.2	4.4	5.0	9.1	10.9	8.8	8.7	6.7	3.2	63.0
Others	2.0	0.9	0.8	1.1	1.2	1.2	2.1	1.5	5.6	16.3
Total	17.0	10.1	10.8	18.6	24.1	25.0	35.5	28.3	22.2	191.5

Period : Q2 2005

Occupation	Monthly employment earnings									Total No.('000)
	< 3000	3,000 - 3,999	4,000 - 4,999	5,000 - 5,999	6,000 - 6,999	7,000 - 7,999	8,000 - 8,999	9,000 - 9,999	>= 10,000	
	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	
Clerks	*	*	*	2.4	4.0	2.4	*	*	*	15.9
Service workers and shop sales workers	11.9	3.3	3.8	4.2	6.8	4.2	4.3	2.7	*	41.6
Craft and related workers	2.9	*	2.5	3.3	4.2	5.3	5.9	3.5	*	29.8
Plant and machine operators and assemblers	2.3	*	*	2.5	3.8	3.4	4.1	3.4	*	23.6
Elementary occupations	14.2	6.2	10.4	10.2	10.9	5.5	4.9	2.4	*	65.0
Others	6.0	*	*	2.3	2.3	*	*	*	*	17.3
Total	39.1	14.4	20.6	24.8	32.0	22.8	22.4	13.9	3.3	193.3

Notes : * Figures of small magnitude are suppressed owing to large sampling error.
Figures may not add up to the respective totals owing to rounding.
Foreign domestic helpers are excluded.

GENERAL HOUSEHOLD SURVEY

Number of domestic households **with at least one employed person**
and with monthly household income **less than half of the median** monthly household income
by District Council district (1998 - 2004)

	1998	1999	2000	2001	2002	2003	2004
	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)	No.('000)
District Council							
Central and Western	4.9	4.9	3.5	4.0	4.7	3.4	3.7
Wan Chai	2.3	3.1	2.3	2.6	2.9	3.4	2.5
Eastern	10.1	11.2	11.0	10.8	10.4	10.9	11.0
Southern	4.9	5.5	5.0	4.4	6.7	5.7	5.4
Yau Tsim Mong	8.8	8.2	8.2	8.6	8.7	9.8	7.2
Sham Shui Po	11.8	12.1	11.4	12.2	12.6	9.9	10.1
Kowloon City	7.8	9.5	8.3	7.4	7.0	8.2	6.6
Wong Tai Sin	11.6	12.7	12.4	10.5	11.2	13.1	11.3
Kwun Tong	15.6	16.1	19.1	15.3	14.1	18.4	13.9
Kwai Tsing	13.0	13.4	16.0	13.7	12.1	14.8	13.8
Tsuen Wan	5.8	5.5	5.8	4.9	5.8	5.7	6.0
Tuen Mun	17.3	15.3	13.1	14.3	16.0	17.4	17.5
Yuen Long	14.4	13.2	15.4	14.5	18.4	18.6	18.4
North	8.7	8.6	9.7	9.4	9.3	10.1	9.0
Tai Po	8.8	8.6	8.8	7.0	8.9	8.9	9.8
Sha Tin	14.6	14.4	12.9	13.0	14.0	14.6	13.3
Sai Kung	6.0	6.7	6.5	6.4	7.9	10.5	8.0
Island	2.9	2.8	2.2	2.5	2.5	2.3	3.1
Total	169.2	172.0	171.6	161.6	173.3	185.7	170.5

Notes : Figures may not add up to the respective totals owing to rounding.

Statistics on the demographic and socio-economic characteristics of the population at the District Council district level are published once a year. These statistics are based on data collected in the General Household Survey in May to August each year as well as the mid-year population estimates by District Council district compiled jointly by the Census and Statistics Department and an inter-departmental Working Group on Population Distribution Projections.

Foreign domestic helpers are excluded.

Appendix X

Statistics on Low Earnings Category under Comprehensive Social Security Assistance Scheme (Secretary for Health, Welfare and Food's reply to Hon LEE Cheuk-yan's question at the Legislative Council meeting on 26 November 2003)

Table A : Breakdown of the gender and age profiles (in groups each covering five years) of applicants of "low earnings" cases :

<i>Age group</i>	<i>Percentage</i>		<i>Total</i>
	<i>Female</i>	<i>Male</i>	
15 – 19	1%	2%	3%
20 – 24	4%	4%	8%
25 – 29	1%	3%	4%
30 – 34	3%	4%	7%
35 – 39	7%	7%	15%
40 – 44	10%	13%	24%
45 – 49	10%	13%	23%
50 – 54	4%	7%	12%
55 – 59	1%	4%	5%
Total	43%	57%	100%

Table B : Breakdown of education levels as reported by applicants of "low earnings" cases :

<i>Education level</i>	<i>Percentage</i>
Primary school or below	61%
Lower Secondary (Form One to Form Three)	21%
Upper Secondary (including technical institute/or commercial institute) or above	18%
Total	100%

Table C : Breakdown of employment earnings (in groups each covering \$500) as reported by applicants of “low earnings” cases :

<i>Monthly employment earnings</i>	<i>Percentage</i>
< \$2,000	2%
\$2,000 – < \$2,500	4%
\$2,500 – < \$3,000	5%
\$3,000 – < \$3,500	8%
\$3,500 – < \$4,000	8%
\$4,000 – < \$4,500	11%
\$4,500 – < \$5,000	11%
\$5,000 – < \$5,500	12%
\$5,500 – < \$6,000	9%
\$6,000 – < \$6,500	10%
\$6,500 – < \$7,000	6%
\$7,000 – < \$7,500	5%
\$7,500 – < \$8,000	3%
\$8,000 or above	7%
Total	100%

Table D : Breakdown of occupations as reported by applicants of “low earnings” cases :

<i>Occupation</i>	<i>Percentage</i>
Construction worker	4%
Delivery worker	5%
Driver	6%
Waiter/Waitress	6%
Salesperson	7%
Watchman/guard	11%
Cleaner	16%
General worker/labourer (other than construction worker)	18%
Others	27%
Total	100%

Note : Figures as at the end of October 2003.

National Economic Social Forum in Ireland

The National Economic Social Forum (NESF) was established by the Irish Government in 1993 to contribute to the formation of a wider national consensus on social and economic policy initiatives, particularly in relation to unemployment.

Role and functions of NESF

2. The major role and functions of NESF are –
 - (a) to monitor and analyse the implementation of specific measures and programmes identified in the context of social partnership agreements, especially those concerned with the achievements of equality and social inclusion; and
 - (b) to facilitate public consultation on policy matters referred to it by the Government.

3. In carrying out its role and functions, NESF will –
 - (a) consider policy issues on its own initiative or at the request of the Government; the work programme to be agreed with the Department of Taoiseach;
 - (b) consider reports prepared by Teams involving social partners, with appropriate expertise and representatives of relevant departments and agencies and its own Secretariat;
 - (c) ensure that the Teams compiling such reports take account of the experience of implementing bodies and customers/clients including regional variations;
 - (d) publish reports with such comments as may be considered appropriate; and
 - (e) convene meetings and other forms of relevant consultation appropriate to the nature of issues referred to it by the Government from time to time.

Membership of NESF

4. Membership of the NESF will comprise 15 representatives from each of the following four strands –

- (a) Oireachtas (Irish Parliament)
(TDs and Senators from both Government and Opposition parties);
- (b) employers, trade unions and farm organisations;
- (c) the voluntary and community sector; and
- (d) central government, local government and independents.

5. The term of office of the Members is three years. During the term alternates may be nominated. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed will hold office until the expiry of the current term of office of all members. Retiring members will be eligible for re-appointment.

Working arrangements

6. NESF will decide on its own internal structures and working arrangements. It has its own independent Chairperson, a Deputy Chairperson and Secretariat. It works through Plenary Sessions of the full membership, which meets four to six times a year. Projects are usually undertaken by teams that are drawn from the full membership.

7. NESF has published reports on a range of topics such as social partnership, unemployment, educational disadvantage and early school leaving, housing, health prisoners, single parents, rural development, social capital, local development, equality issues and social inclusion.

NESF Funding

8. NESF is under the aegis of the Department of the Taoiseach and is funded by a Grant-in-Aid. Its annual accounts are audited by the Comptroller and Auditor General and laid before the Houses of the Oireachtas.

Poverty proofing process in Ireland

Definition of poverty proofing

Poverty proofing is defined as “the process by which government departments, local authorities and State Agencies assess policies and programmes at design and implementation stages in relation to the likely impact that they will have or have had on poverty and on inequalities which are likely to lead to poverty with a view to poverty reduction”.

Background

2. The poverty proofing process was introduced in 1998 to sensitise policy makers to the poverty dimensions of government policies. It is a requirement in the updated Cabinet Handbook that Memoranda for the Government involving significant policy proposals “indicate clearly the impact of the proposal on groups in poverty or at risk of falling into poverty in the case of significant policy proposals”.

3. In 1999, the Office for Social Inclusion in the Department of Social and Family Affairs issued guidelines with examples to all relevant departments setting out the framework to be followed in carrying out poverty proofing.

Poverty proofing procedure

4. As stated in the poverty proofing guidelines issued by the Office for Social Inclusion, poverty proofing should be undertaken in the following circumstances –

- (a) in the preparation of Statements of Strategy and Annual Business Plans;
- (b) in designing policies and preparing Memoranda to Government on significant policy proposals;
- (c) in the preparation of the Estimates and Annual Budget proposals;
- (d) in the preparation of the National Development Plan and other relevant European Union Plans and Programmes; and
- (e) in the preparation of legislation.

5. In the circumstances outlined above, departments should individually address the following questions –

- (a) What is the primary objective of the policy/ programme/ expenditure proposal?
- (b) Does it –
 - (i) help to prevent people falling into poverty?
 - (ii) reduce the level (in terms of numbers and depth) of poverty?
 - (iii) ameliorate the effects of poverty?
 - (iv) have no effect on poverty?
 - (v) increase poverty?
 - (vi) contribute to the achievement of the National Anti-Poverty Strategy targets?
 - (vii) address inequalities which might lead to poverty?
 - (viii) reach the target group(s)?
- (c) If the proposal has the effect of increasing the level of poverty, what options might be identified to ameliorate this effect?
- (d) If the proposal has no effect on the level of poverty, what options might be identified to produce a positive effect?

6. In answering the above questions, particular attention should be paid to those groups which have been identified as being either in persistent poverty or known to be at risk of poverty, viz. –

- (a) the unemployed, particularly the long-term unemployed;
- (b) children, particularly those living in large families;
- (c) single adult households and households headed by someone working in the home;
- (d) single parents;

- (e) people with disabilities;
- (f) older people, in particular households headed by a retired person;
- (g) members of the Traveller community;
- (h) the homeless; and
- (i) ethnic minorities.

7. Particular attention should also be paid to inequalities which may lead to poverty. These could arise, for instance, in the context of age, gender, disability, belonging to an ethnic minority (including membership of the Traveller community) or sexual orientation.

Working Tax Credit in the United Kingdom

What is Working Tax Credit

Working Tax Credit tops up the earnings of working people (employed or self-employed) on low income, including those who do not have children. There are extra amounts for working households in which someone has a disability, and the costs of qualifying childcare.

2. Working Tax Credit was introduced in April 2003 and is administered by the Inland Revenue.

Eligibility criteria

- (a) For any person who is responsible for a child or young person, he or she must be aged 16 or above and work at least 16 hours a week; or
- (b) For any person who is not responsible for a child or young person, he or she must be –
 - (i) aged 25 or above and work at least 30 hours a week; or
 - (ii) aged 16 or above and work at least 16 hours a week and have a disability which puts he or she at a disadvantage in getting a job; or
 - (iii) aged 50 or above and work at least 16 hours a week and are returning to work after claiming qualifying out-of-work benefits.

Amount of payment

3. The amount of Working Tax Credit payable is based on individual circumstances of the claimants, for example, the number of working hours and household income. Working Tax Credit is paid on top of any Child Tax Credit that a claimant may be entitled.

4. The following tables show the amount of money a claimant for Working Tax Credit can get for the tax year 2004-05.

(a) Working people who are responsible for at least one child or young person

Gross annual household income (£)	Child Tax Credit and Working Tax Credit (£)	
	One Child	Two children
5,000 ¹	5,295	6,920
8,000 ²	4,850	6,475
10,000	4,110	5,735
15,000	2,260	3,885
20,000	545	2,035
25,000	545	545
30,000	545	545
35,000	545	545
40,000	545	545
45,000	545	545
50,000	545	545
55,000	210	210
60,000	---	---

¹ Those with income of £5,000 a year are assumed to work part-time (working between 16 and 30 hours a week).

² In families with an income of £8,000 a year or more, at least one adult is assumed to be working 30 hours or more a week.

(b) Working people who are not responsible for any children or young people

Gross annual household income (£)	Working Tax Credit (£)	
	Single person aged 25 or over working 30 hours or more a week	Couple (working adults aged 25 or over) working 30 hours or more a week
7,566 ¹	1,285	2,835
8,000	1,125	2,675
9,000	755	2,305
10,000	385	1,935
11,000	---	1,565
12,000	---	1,195
13,000	---	825
14,000	---	455
15,000	---	85
16,000	---	---

- ¹ Any person aged 25 or over, working 30 hours a week on National Minimum Wage would earn £7,566 a year.

A higher rate of Working Tax Credit will be given if the claimant (or his/her spouse) –

- is aged 50 or over and are returning to work after claiming qualifying out-of-work benefits;
- is a working person with a disability which puts he or she at disadvantage in getting a job; or
- has a severe disability.

Childcare element

5. The Working Tax Credit also has a Childcare Tax Credit element. As part of the Working Tax Credit, the claimant may receive assistance to cover the costs of childcare if the claimant is working at least 16 hours a week. The Childcare Tax Credit covers 70% of eligible childcare costs. This is limited to £135 a week if the claimant has one child and £200 a week for two or more children. The maximum childcare element one can get is either –

- (a) £94.50 a week (£135 x 70%) for one child; or
- (b) £140 a week (£200 x 70%) for two or more children.

Payment of Working Tax Credit

6. Working Tax Credit will normally be paid by employer with the claimant's pay. For self-employed workers, payment will be paid directly to their bank or building society account.

7. For couples who both work at least 16 hours, they can decide who receive the payment of Working Tax Credit.

8. The childcare element of Working Tax Credit is paid directly to the person who is mainly responsible for caring the child or children, alongside payments of Child Tax Credit.

9. If the entitlement of Working Tax Credit is greater than the tax liability, a cash payment will be made to the claimants.