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Subcommittee on Poverty

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 27 April 2013**

Measuring poverty

Purpose

This paper provides background information and summarizes the discussions at meetings of the Council and its committees on measuring poverty.

Background

2. Currently, there is neither an official definition of poverty nor a poverty line in Hong Kong. According to the Administration, the concept of poverty is open to different interpretations. Some non-governmental organizations ("NGOs") define poverty in relative terms, setting the poverty line at, say, half of the median wage, or half of the median monthly domestic household income ("MMDHI"), or some other similar benchmarks. Other NGOs define poverty in terms of income distribution, but such analyses have not taken account of intangible income derived from Government spending on housing, health and education, etc.

3. The former Commission on Poverty ("CoP") had discussed different methods for measuring poverty. While there were divergent views on the need to draw a line different from the current Comprehensive Social Security Assistance ("CSSA") level, there was a general consensus that poverty should not be defined rigidly as one fixed figure or line based on income. Rather, it would be more important to identify and address the different needs of different groups. As a result, a set of 24 multi-dimensional indicators is used to analyze the poverty situation in different age groups and support the formulation and evaluation of policies

to assist the needy. Of these 24 poverty indicators, 18 are life-cycle based and six are community based.

Past discussions by Members

Monitoring poverty

4. In the course of deliberation of the Subcommittee to Study the Subject of Combating Poverty ("SCSSCP")¹ on the subject of working poverty, it studied the concept of poverty and definition of the working poor in Hong Kong. While noting that different economies had adopted different benchmarks or definitions for measuring poverty, SCSSCP generally agreed that the working poor referred to those who worked but their income could barely meet the basic expenses of their families. SCSSCP considered that those households with a monthly income below 50% of the median income of households of the same size and with at least one family member working were working-poor households.

5. Some members of SCSSCP pointed out that the set of poverty indicators did not tell the size of people living in poverty, and where these people were. They took the view that CoP should define its target groups, "poverty" or low-income level since a definition of poverty would provide benchmarks for evaluating the effectiveness of anti-poverty measures.

6. The Administration explained that as people had different understanding on poverty, a comprehensive set of 24 poverty indicators was developed to assist the community to understand the progress made in addressing the needs of different target groups. These indicators would also enable tracking of the poverty situation over time, and provide reference for future policy formulation.

7. Some members of the Subcommittee on Poverty² ("the Subcommittee") considered that concrete targets for each of the 24 poverty indicators should be set. They considered that the Administration should set specific targets for alleviating poverty and assessing the effectiveness of the poverty alleviation measures. Some members of the Subcommittee on

¹ SCSSCP was formed in November 2004 under the House Committee ("HC") of the Third Legislative Council ("LegCo") to study the subject of combating poverty.

² The Subcommittee on Poverty was formed in October 2012 under HC of the current (Fifth) LegCo to study relevant policies and measures to ease the disparity between the rich and the poor and alleviate poverty, follow up the work of the Government's Commission on Poverty and make timely recommendations.

Poverty and Subcommittee on Poverty Alleviation ("SCPA")³ queried the usefulness and effectiveness of the 24 poverty indicators. In their view, the indicators should be updated more frequently to enable better understanding of the magnitude of the poverty situation and the formulation of immediate relief measures. Some members of SCPA also suggested that the performance of all the indicators should be updated by district in order to monitor the performance of indicators in different districts and facilitate the formulation of policies and measures to meet the specific needs of different disadvantaged groups in the less well-off districts.

8. The Administration was of the view that as many external factors such as economic conditions and changes in the demographic structure would have a bearing on the poverty situation, it was very difficult to set any target to reduce poverty. As for updating the indicators by districts, the Administration explained that the 24 poverty indicators were compiled mainly based on the data collected in the General Household Survey ("GHS") conducted by the Census and Statistics Department and the samples for GHS were selected according to a scientifically designed sampling method. It was therefore not advisable to subjectively over-sample specific target groups or specified districts as this would affect the representativeness of the survey results.

9. Some members of the WS Panel expressed grave concern that in the absence of a poverty line, the Administration did not have specific targets for improving the poverty situation. The Administration advised that the former CoP had deliberated and considered that persons aged 0-59 and poor elders living in households with income below the average CSSA payments were those living in poverty. The 24 indicators of poverty provided objective reference for all relevant bureaux and departments in formulating and evaluating policies to assist the needy.

Drawing up of a poverty line

10. At the meeting of the WS Panel on 9 November 2009, members considered that the Government should make reference to the definition of poverty adopted universally and draw up a definition of poverty to measure the poverty situation. The Government should also set a target for tackling poverty instead of adopting a set of 24 poverty indicators, which, in their view, merely reflected the poverty situation from different perspectives. Some members cast doubt on the effectiveness of adopting CSSA payment as a benchmark to determine who was living in poverty.

³ The Panel on Welfare Services ("WS Panel") of the Fourth LegCo appointed SCPA in January 2009 to study policies and measures relating to poverty alleviation.

11. When the Panel on Constitutional Affairs was briefed on the Third Report of the Hong Kong Special Administrative Region under the International Covenant on Economic, Social and Cultural Rights at its meeting on 20 December 2010, members noted with concern that the number of the working poor had exceeded 1.2 million. They considered that the Administration should set a poverty line and formulate policies to alleviate the poverty problem.

12. When the Subcommittee was briefed on the work of the Preparatory Task Force on the Commission on Poverty and the key areas of work of the new CoP at its meeting on 5 November 2012, members noted that a poverty line would be drawn up for gauging the poverty situation and assessing the effectiveness of poverty alleviation policies. Meanwhile, the Administration had continued to monitor Hong Kong's poverty situation using the set of 24 poverty indicators. Members called on the Administration to solicit views from different strata of society in drawing up the poverty line.

13. At its meeting on 14 November 2012, the Council passed a motion on alleviating poverty urging the Government to, among other things, expeditiously draw up a poverty line, so that the Government and the society might compile statistics on the number of people in poverty and assess the effectiveness of poverty alleviation measures by means of objective and open criteria, and set up an evaluation mechanism to examine the possible impact of all policies and measures of the Government on the disparity between the rich and the poor before their introduction.

14. At the Subcommittee meeting on 11 December 2012, deputations gave different views on how the poverty line should be set. Some were in support of following the Organization for Economic Co-operation and Development to set the poverty line at 50% of MMDHI. Some others were in favour of following the European Commission to set the line at 60% thereof. And yet some others considered that the line should be set at a range from 40% to 60% of MMDHI.

15. The deputations also held different views on the number of poverty lines to be drawn up. Some considered that one official line was adequate. Some others were in favour of two. As regards how the two lines should be drawn up, two approaches had been put forward. Under the first approach, one line was to be drawn up based on the concept of absolute poverty with a view to providing protection for subsistence, while the other line was to be drawn up based on the concept of relative poverty and set at

50 % or 60% of MMDHI. Under the second approach, one line was to be set at the monthly expenditure for the basic daily necessities of an individual or a household, while the other line at 50% of MMDHI.

16. Some Subcommittee members shared the view of some deputations that there should be at least three benchmarks to measure poverty. The lowest benchmark should correspond to an income level that maintained subsistence living. The middle benchmark, representing the poverty line, should be set at 60% of median wage. Finally, the highest benchmark should represent a poverty prevention line. Individuals living below the poverty prevention line would be those who must rely on the Administration's support to live above the poverty level. The Administration should help them enhance their earning ability so that they would not fall below the poverty line. For those living below the poverty line, the Administration should provide a subsidy in order to bring their income up to the poverty line level. Apart from the aforesaid suggestions of setting one to three poverty lines, some other deputations considered that several poverty lines should be drawn up to keep track of the poverty situation.

17. According to the Administration, the poverty line served three functions: to quantify the poverty-stricken population for a focused analysis of the situation; to investigate the causes of poverty and inform policy formulation; and to assess the effectiveness of its poverty alleviation policies. CoP's Social Security and Retirement Protection Task Force ("the Task Force") would study issues relating to the drawing up of a poverty line. It would refer to relevant statistics and expert advice as well as views of the community in its study. It aimed to work out a preliminary proposal for drawing up a poverty line within 2013.

18. The Administration advised that the Task Force agreed, at its meetings on 28 January and 18 March 2013, to adopt the concept of relative poverty and set the main poverty line at half of the median household income. The Task Force considered that setting the poverty line in this way was easy to understand, but noted that there were also limitations such as only household income was counted while assets were not; and there would always be some people statistically below the poverty line. With due regard to these limitations, the Task Force accepted that the poverty line could not be directly linked to the eligibility criteria of various means-tested social welfare schemes. In other words, even if the poverty line was set, the Administration would not automatically offer subsidies to individuals or households whose income was below the poverty line. On the contrary, even if the household income of some groups was slightly

above the poverty line, they would be eligible for government subsidies subject to their being able to meet the means test of individual social welfare schemes.

19. According to the Administration, the Government currently had different cash-based and non-cash based social welfare measures (such as CSSA, student finance assistance and public housing, etc) to assist people in need and improve their living standard. At its two meetings mentioned above, the Task Force discussed in detail and formed an initial view on what measures should be counted in the "post-tax and post-social transfer household income", which would serve as a quantified indicator measuring the impact of poverty alleviation measures of the Government.

20. At its meeting on 25 March 2013, members of the Subcommittee noted that CoP might, at its meeting on 28 March 2013, make recommendations on the poverty line and the Administration might announce how the poverty threshold would be specified after the CoP meeting. Members of the Subcommittee took a strong view that CoP should receive more public views on the issue before making concrete recommendations. In this connection, although the Subcommittee had received public views on the issue at its meeting on 11 December 2012, it would, in the light of the importance of the drawing up of a poverty line, hold a special meeting on 27 April 2013 to further receive public views on the matter.

21. After the CoP meeting on 28 March 2013, the Administration advised that it was not ready to announce how the poverty threshold would be specified as it was still engaging CoP members in very active discussions over various aspects of the poverty line. With reference to the discussion at the two meetings of the Task Force, CoP had initially agreed to adopt the concept of relative poverty as the framework for drawing up the poverty line, including using median household income as the basis for calculation, and reflecting the change between pre-policy and post-policy intervention with quantitative figures, thereby assessing the effectiveness of poverty alleviation measures. Noting that the above methodology would not take into account households' assets, CoP agreed that the poverty line should not be pegged directly with the eligibility criteria of various means-tested social welfare schemes. Apart from continuing the discussion on the poverty line, CoP would also interact with the public to build consensus within the community with a view to drawing up the poverty line within 2013.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
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Relevant papers on measuring poverty

Committee	Date of meeting	Paper
Subcommittee to Study the Subject of Combating Poverty	14 January 2005 (Item II)	Agenda Minutes
Subcommittee to Study the Subject of Combating Poverty	23 February 2005 (Item II)	Agenda Minutes
Subcommittee to Study the Subject of Combating Poverty	23 June 2005 (Items III & IV)	Agenda Minutes
Subcommittee on Poverty Alleviation of the Panel on Welfare Services	-	Report of the Subcommittee to the House Committee (LC Paper No. CB(2)1760/09-10)
Panel on Welfare Services	9 November 2009 (Item VI)	Agenda Minutes
Panel on Constitutional Affairs	20 December 2010 (Item V)	Agenda Minutes
Subcommittee on Poverty	5 November 2012 (Item II)	Agenda
Legislative Council	14 November 2012	Official Record of Proceedings Pages 222 - 370
Subcommittee on Poverty	11 December 2012 (Item III)	Agenda
House Committee	22 March 2013	Agenda
Subcommittee on Poverty	25 March 2013 (Item I)	Agenda