

Analysis of poverty situation in 2017

**Press Conference
19 November 2018**

Definition and limitations of the poverty line

Definition

- Adopting the concept of “relative poverty”, the “Poverty Line” is set at 50% of median monthly household income before taxation and social welfare transfer (i.e. before the Government’s policy intervention)
- The “Poverty Line” is a tool for policy analysis to help the Government keep in view the poverty situation, assist policy formulation and assess policy effectiveness

Limitations

- As it takes household income as the sole indicator without considering assets and liabilities, some “asset-rich, income-poor” persons may be classified as poor population, and the poverty situation is thereby overstated
- The main analysis only takes into account the poverty alleviation effects of the Government’s recurrent cash intervention and does not fully reflect the effectiveness of other policies, such as:

In-kind benefits and Non-recurrent cash benefits	<ul style="list-style-type: none"> • Public rental housing • Community Care Fund assistance programmes
Public services and non-means-tested measures	<ul style="list-style-type: none"> • Elderly Health Care Voucher Scheme • Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities • Free Quality Kindergarten Education Scheme • Non-means-tested Subsidy Scheme for Self-financing Undergraduate Studies in Hong Kong

Major factors affecting the poverty statistics in 2017

1. **Economic cycle:** amid a tightening labour market and notable expansion of the Hong Kong economy, income and wages continued to grow in real terms
2. **“Poverty Line” thresholds:** most “Poverty Line” thresholds by household size went up visibly alongside marked improvement in labour earnings
3. **Structural factors:** population ageing and the trend towards smaller household size exert lingering upward pressure on poverty statistics
4. **The Government continues to enhance various measures,** including the following major targeted measures:
 - Enhancements of **the Old Age Living Allowance (OALA)***
 - Implementation and enhancements of the Low-income Working Family Allowance (LIFA), which is now renamed as **the Working Family Allowance (WFA)^**

Notes: (*) Including two enhancement measures: relaxing the asset limits of Normal OALA and introducing Higher OALA, with a retrospective effective date of 1 May 2017.

(^) With the implementation of enhancement measures on 1 April 2018, LIFA was renamed as the “Working Family Allowance” (WFA) on the same day. As the claim period of the allowance covers the past six months, part of its effect (from one to three months) is reflected in the poverty statistics in 2017.

Main poverty statistics in 2017

- **Before policy intervention**, the size of poor population was **1.377 million**
- **Recurrent cash intervention** and **in-kind benefits (mainly public rental housing (PRH))** lifted 0.66 million persons out of poverty, and reduced the poverty rate to **10.5%**, with a poor population of **0.72 million persons**

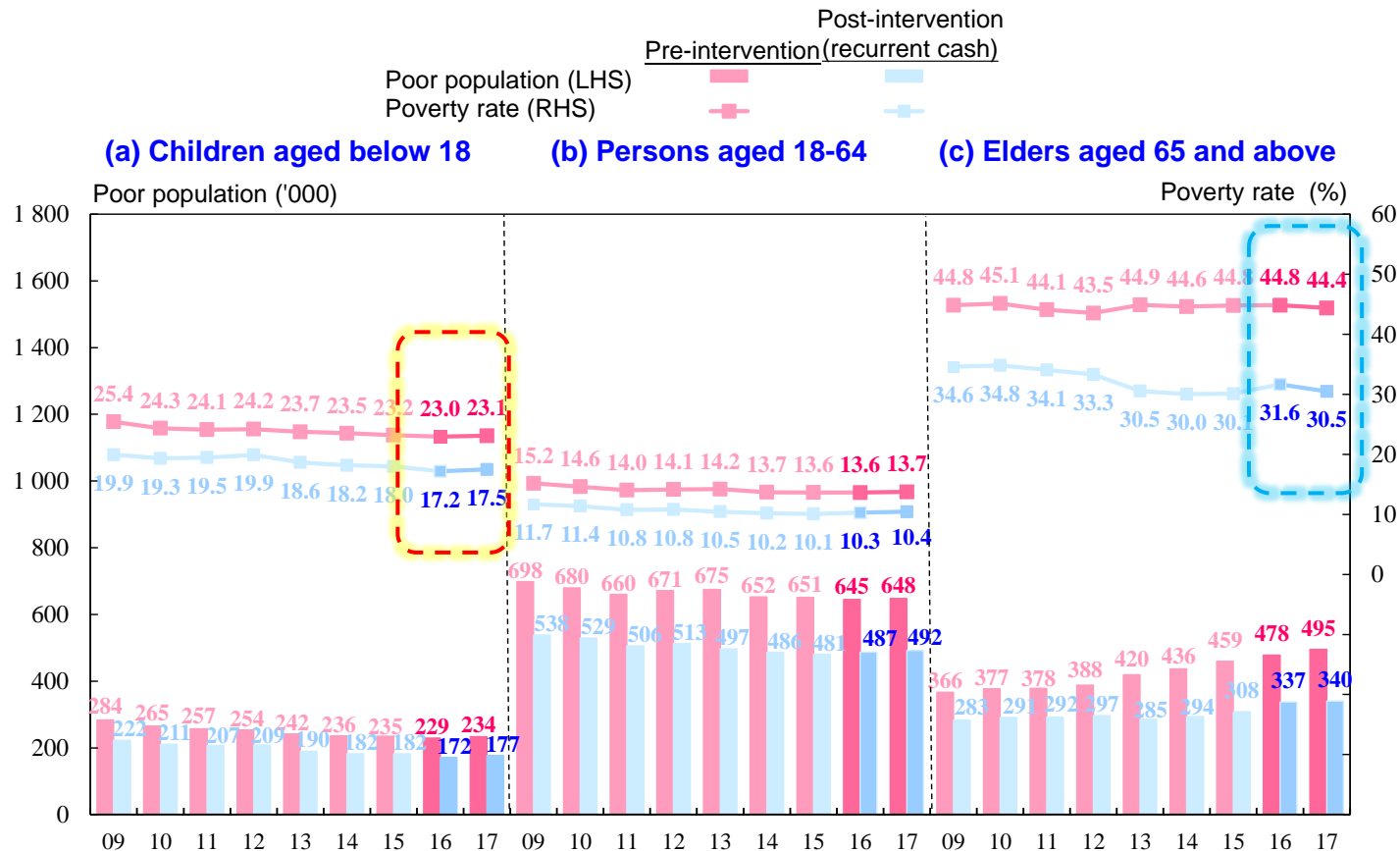
	Poor households	Poor population	Poverty rate
Pre-intervention	0.59mn (0.58mn)	1.38mn (1.35mn)	20.1% (19.9%)
Post-intervention (recurrent cash+in-kind)	0.31mn (0.30mn)	0.72mn (0.71mn)	10.5% (10.4%)
Post-intervention (recurrent+non-recurrent cash)	0.40mn (0.39mn)	0.95mn (0.93mn)	13.9% (13.7%)
Post-intervention (recurrent cash)	0.42mn (0.41mn)	1.01mn (1.00mn)	14.7% (14.7%)

Note: () Figures in parentheses denote the corresponding figures in 2016.

Main poverty statistics in 2017 (2)

- The poverty situation of the elderly improved notably in 2017, the poverty rate after recurrent cash policy intervention fell by 1.1 percentage points to 30.5%, returning to its 2013 level. Yet, that of children rose by 0.3 percentage point, offsetting the positive development from the former

Poor population and poverty rate by age, 2009-2017



Source: General Household Survey, Census and Statistics Department.

Key observations

- 1. Amid full employment in the labour market and notable economic growth in 2017, the overall poverty situation remained stable**
 - Poverty statistics after various policy intervention remained comparable to the year 2016. This amply demonstrates the achievement of the Government's persistent efforts in allocating resources to enhance various poverty alleviation measures over the past few years
 - Employment helps reduce poverty risk. The Government will continue to promote overall economic growth so as to provide more employment opportunities
- 2. PRH is an important pillar among poverty alleviation policies**
 - Recurrent cash policy and in-kind benefits (mainly PRH) reduced the poor population and poverty rate by approximately half
 - PRH provides the grassroots with material housing assistance and its poverty alleviation effectiveness is higher than that of any individual recurrent cash benefit
 - The Government will continue its efforts in increasing PRH supply and put forward initiatives to make a more effective use of public housing resources

Key observations (Cont'd)

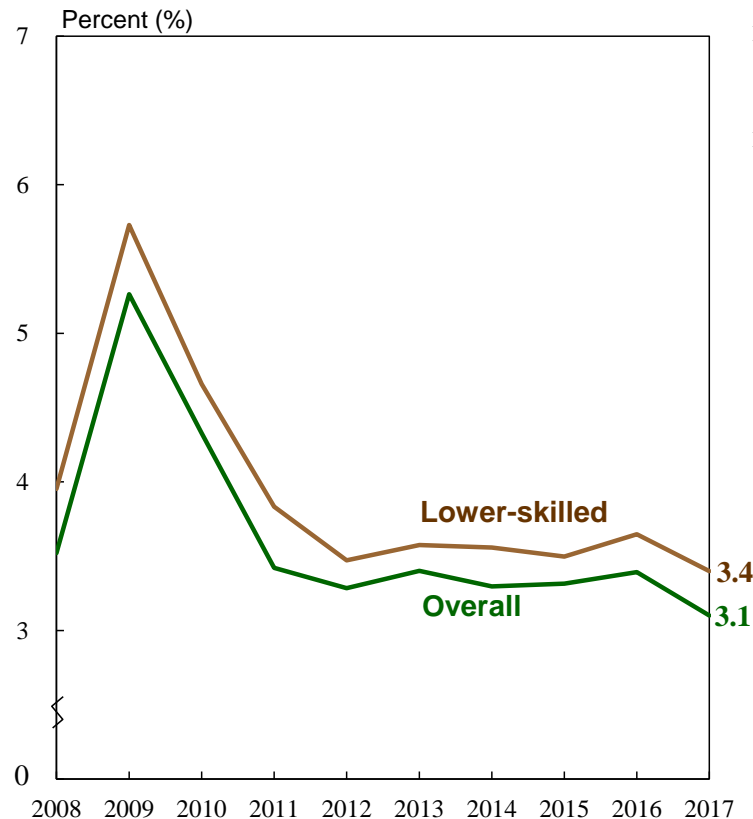
3. **The post-intervention poverty situation of the elderly showed notable improvement**
 - The elderly poverty rate improved notably and returned to its 2013 level, mainly attributable to the enhancement of OALA coupled with the decision of some elders to continue working or re-enter the labour market
 - The Government will continue to provide assistance to elders in need through various measures
4. **The number of children in poverty and the child poverty rate both went up, which continues to warrant attention**
 - Some of these additional poor children were from larger working households, most of whom lived with elders but there was only one working member, reflecting a heavy family burden
 - The Government will continue to monitor the effectiveness of relevant measures and examine how to further allocate resources to enhance the poverty alleviation work on this area
5. **Structural factors will further exert upward pressures on the poverty statistics**
 - Structural factors, such as population ageing, will continue to offset the positive impact on poverty alleviation and prevention brought about by, inter alia, economic growth and poverty alleviation measures
 - As population ageing will speed up in the years to come, poverty statistics will face greater upward pressures

Main analysis of the 2017 poverty statistics

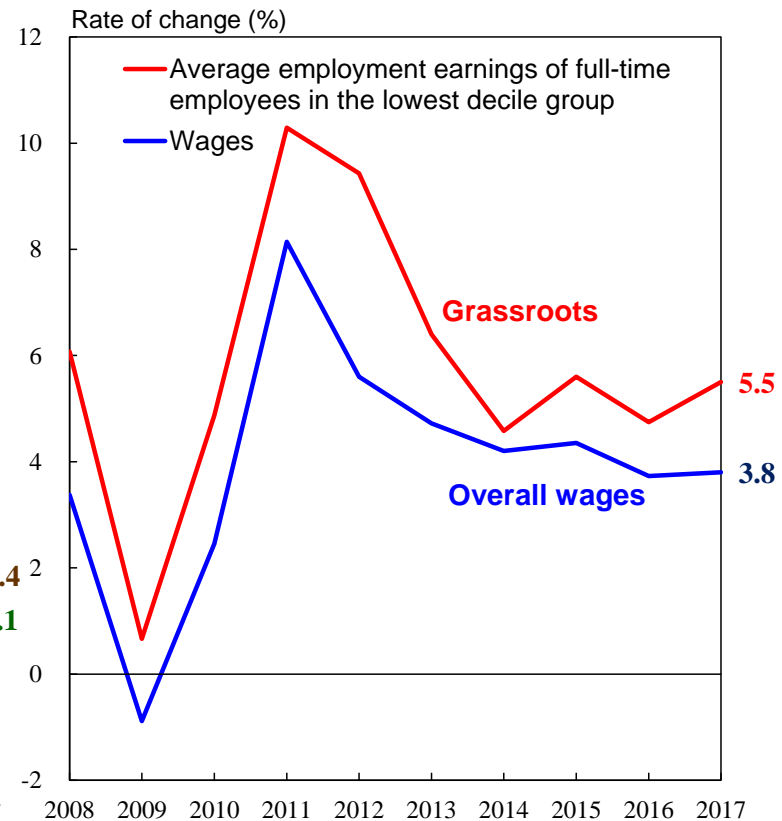
1. Economic cycle

- Amid a broad-based tightening of the labour market and notable expansion of the Hong Kong economy, coupled with the upward adjustment of the Statutory Minimum Wage rate since May 2017, the earnings of grassroots workers showed visible improvement, with the increase continuously exceeding inflation

(a) Unemployment rate



(b) Nominal wages and average employment earnings

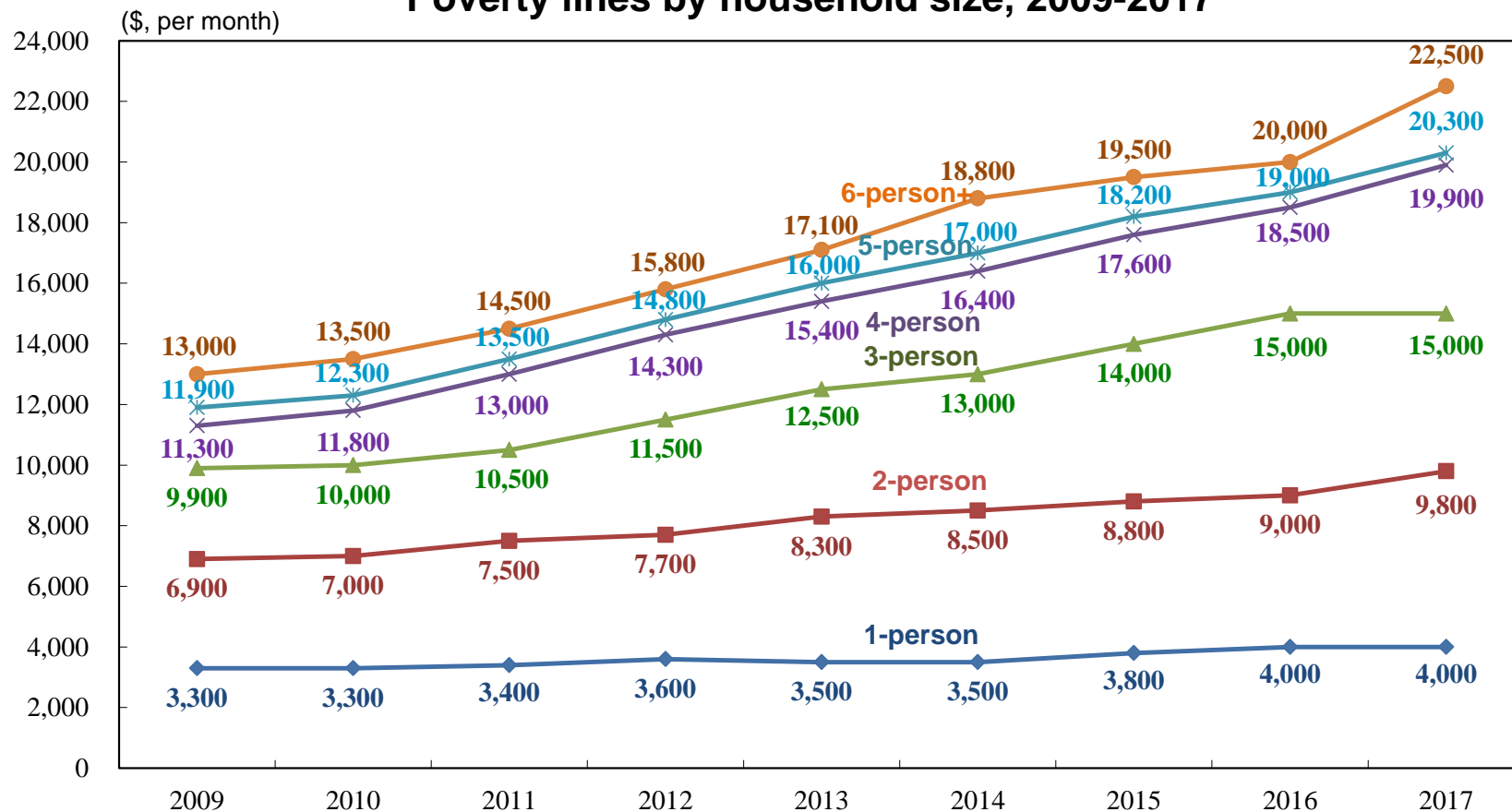


Sources: General Household Survey; and Labour Earnings Survey, Census and Statistics Department.

2. Most “Poverty Line” thresholds went up

- **1-person households:** with more than half being economically inactive, their poverty line threshold showed little changes albeit further gains in the earnings of grassroots workers
- **3-person households:** more than 60% of the additional 3-person households had retired elders and most of these households had no or only one working member

Poverty lines by household size, 2009-2017

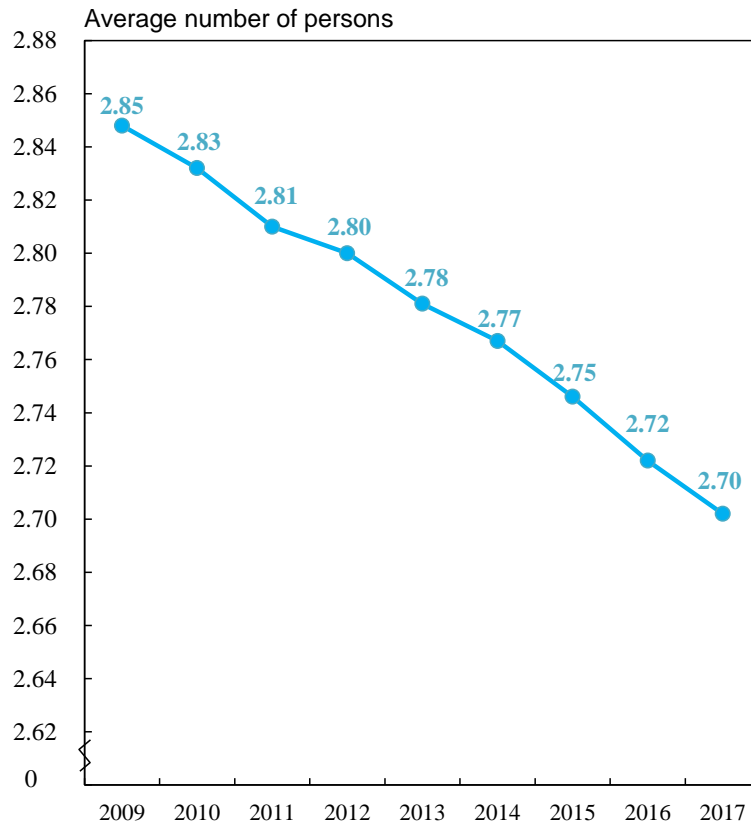


Source: General Household Survey, Census and Statistics Department.

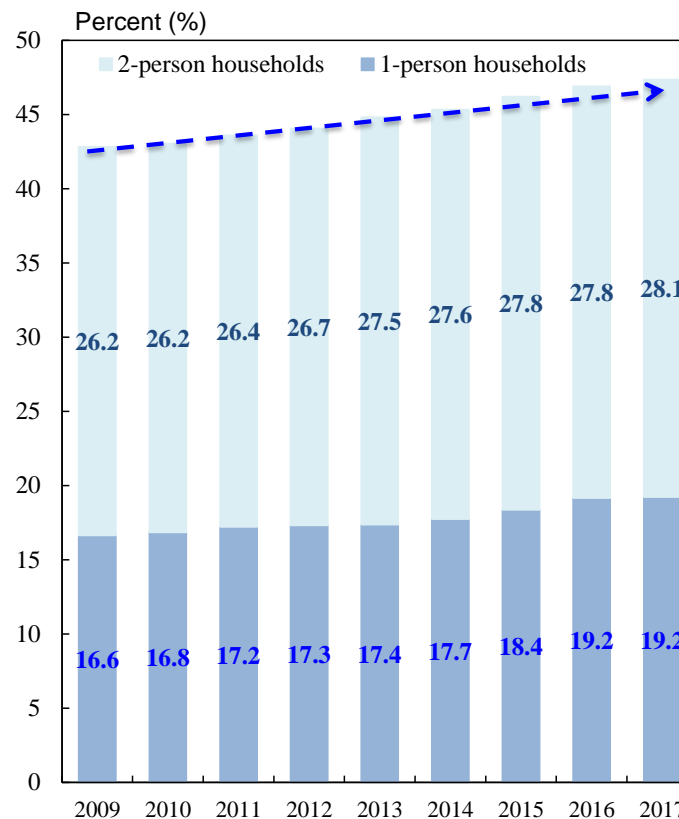
3. Demographic and household composition factors

- The growing prevalence of people remaining single, postponing marriage and getting divorce, as well as a low fertility rate, all contribute to the growing numbers of 1- and 2-person households and the continuous trend towards smaller household size

(a) Average household size of overall households

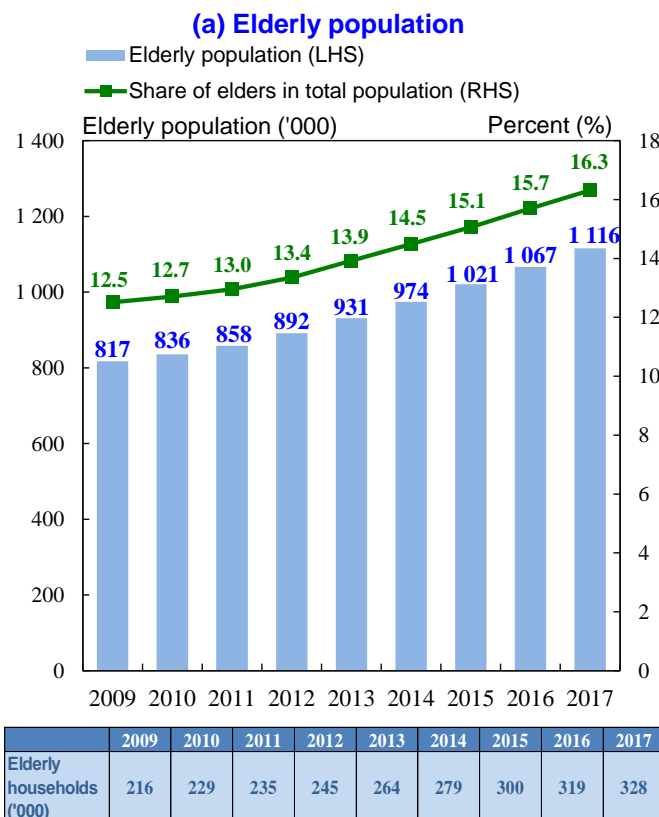


(b) Share of 1-person and 2-person households within all households

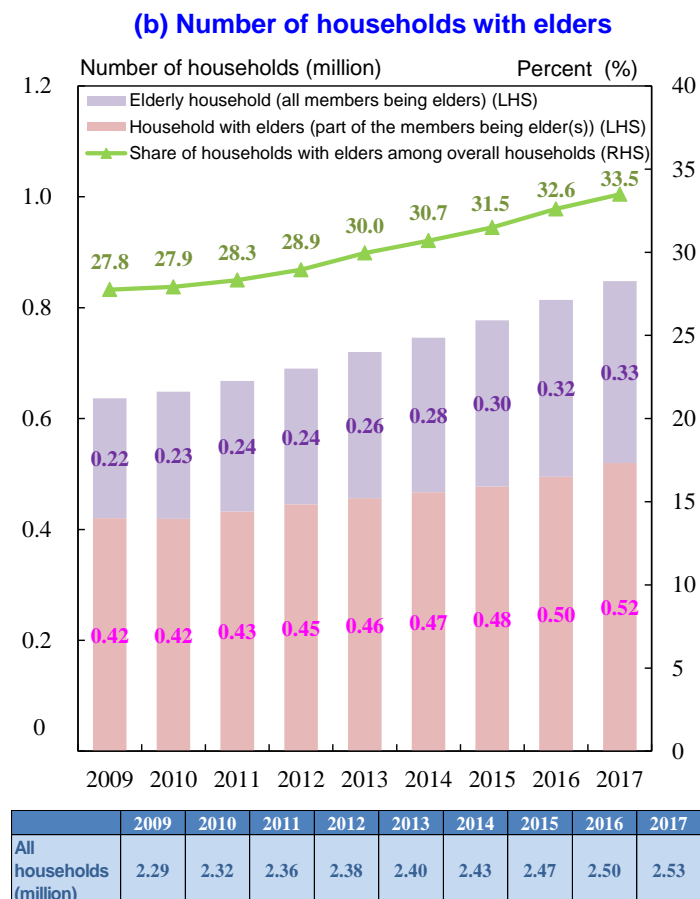


3. Demographic and household composition factors (Cont'd)

- In 2017, the proportion of elderly population grew further to 16.3% alongside the ongoing ageing trend in Hong Kong. With baby boomers entering retirement age progressively, population ageing is expected to accelerate notably in the years to come
- The elderly population residing in domestic households increased significantly by nearly 50 000 persons in 2017. Unlike the past few years, most of these additional elders lived in working households with non-elderly members, plausibly resulting in lower income and heavier family burden of some households



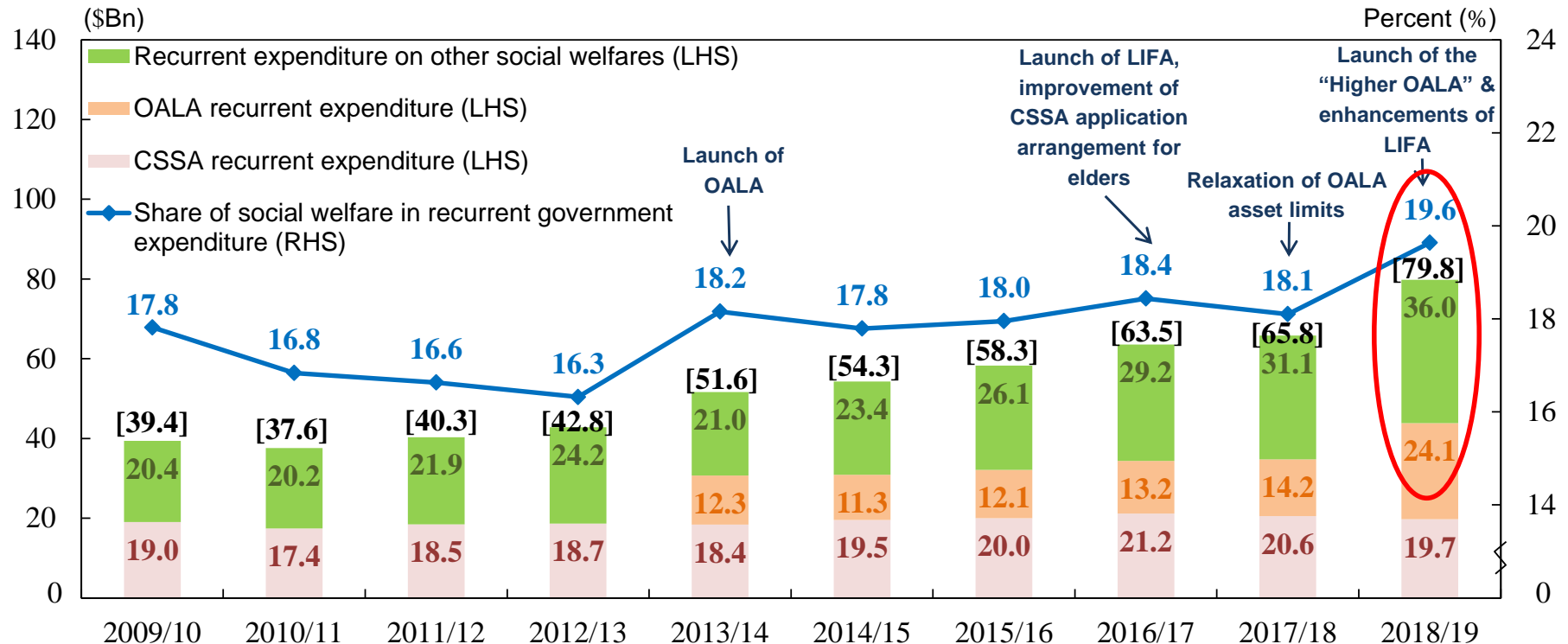
Note: Population figures refer to persons in domestic households, excluding foreign domestic helpers and the institutional population.
Source: General Household Survey, Census and Statistics Department.



4. Government's efforts in poverty alleviation

- The government expenditure on social welfare increased significantly in recent years, reflecting a noticeable strengthening of poverty alleviation efforts

Recurrent government expenditure on social welfare, 2009/10-2018/19*



Notes : (*) Figures for 2016/17 and before are actual figures. Those for 2017/18 and 2018/19 are revised estimates and estimates respectively.

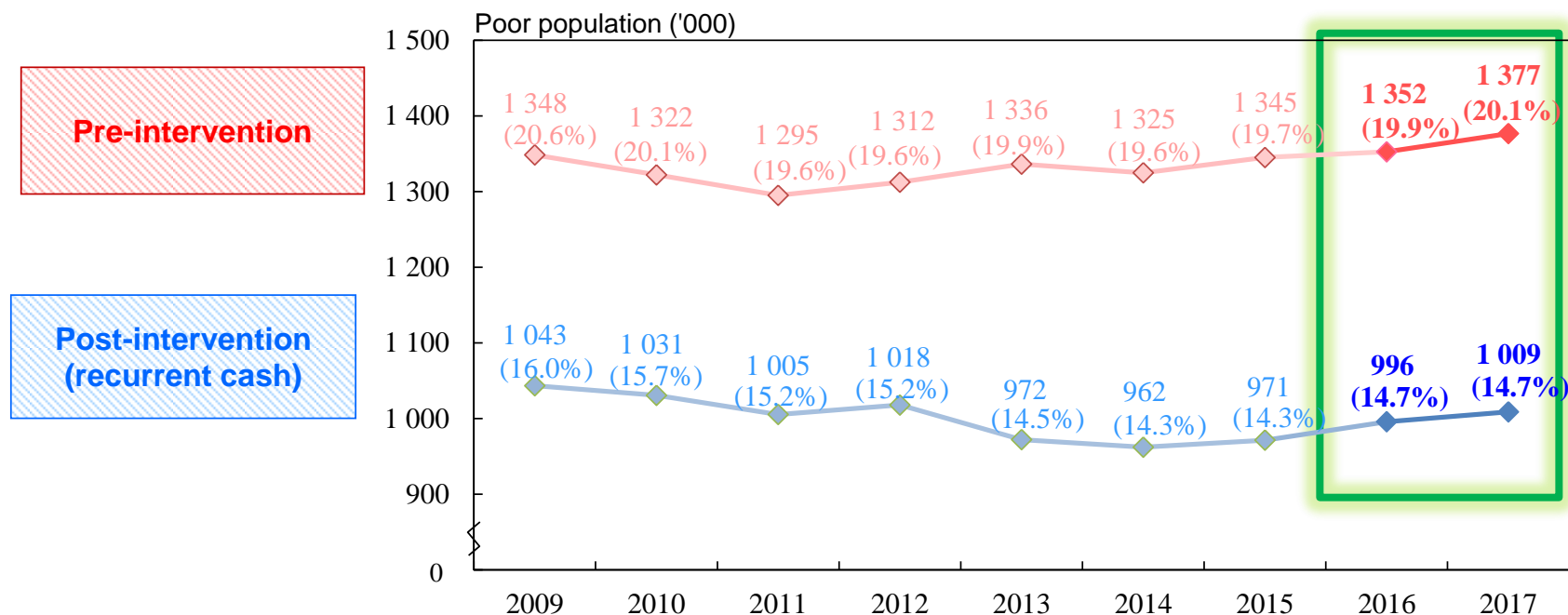
[] Figures in square brackets denote the total recurrent expenditure on social welfare.

Sum of individual items may not add up to total due to rounding.

Source: Financial Services and the Treasury Bureau.

The poverty situation in 2017 remained largely stable: the post-intervention (recurrent cash) poverty rate stayed at 14.7%. The pre-intervention poverty rate was 20.1%, with the increase mainly attributable to structural factors

Poor population and poverty rate after recurrent cash intervention, 2009-2017



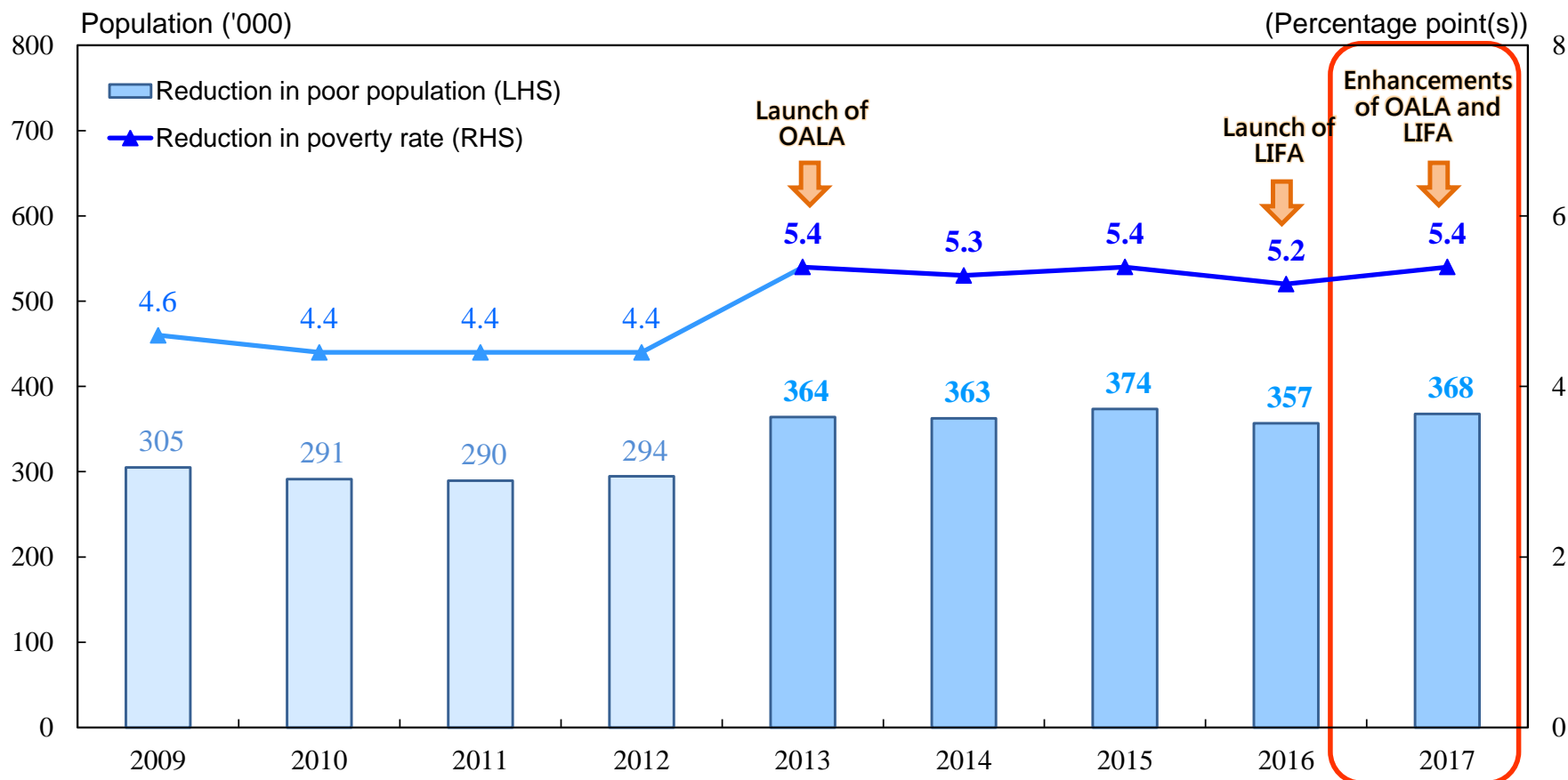
Poor households ('000)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Pre-intervention	541	536	530	541	555	555	570	582	594
Post-intervention (recurrent cash)	406	405	399	403	385	383	392	412	420

Note: () Figures in parentheses denote the corresponding poverty rates.

Source: General Household Survey, Census and Statistics Department.

Strengthened effectiveness of recurrent cash intervention in poverty alleviation: lifting 370 000 persons out of poverty and reducing the poverty rate by 5.4 percentage points, higher than the 5.2 percentage points in the preceding year

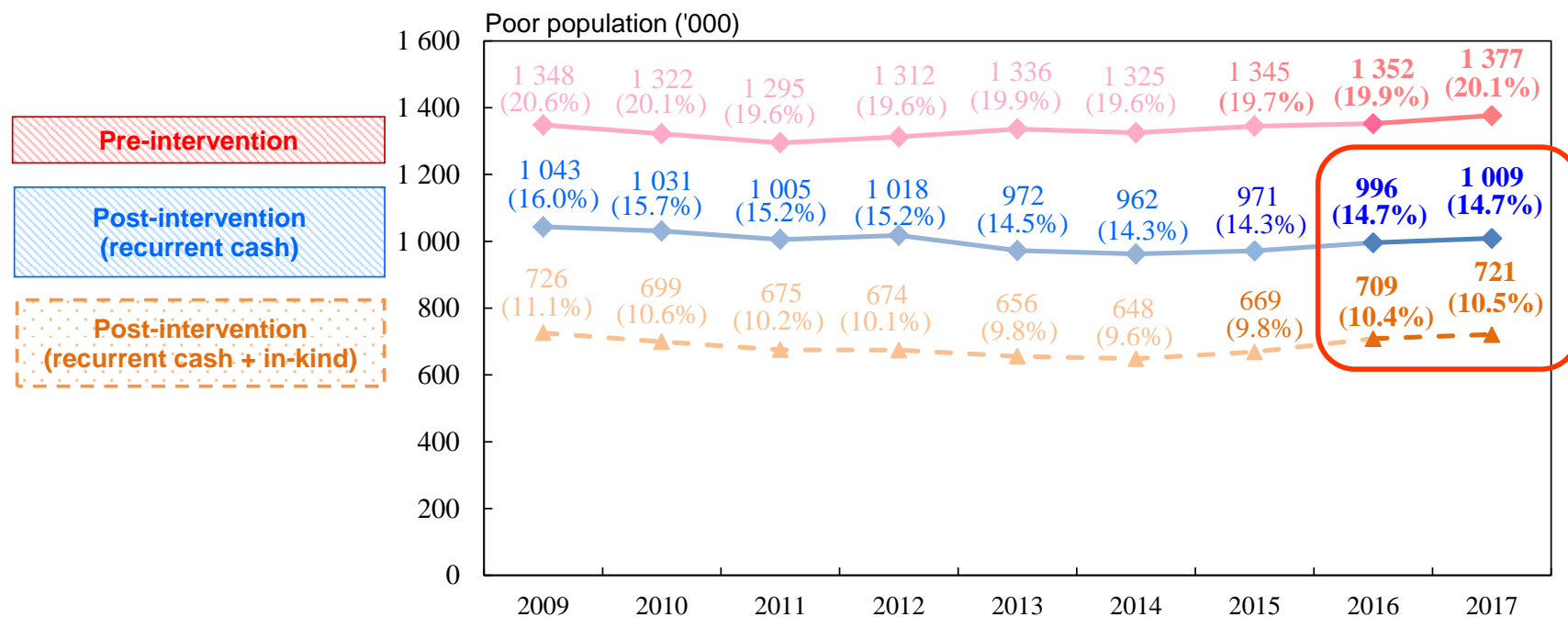
Effectiveness of recurrent cash benefits in poverty alleviation, 2009-2017



Source: General Household Survey, Census and Statistics Department.

In-kind benefits had a notable impact on poverty alleviation: lifting additionally about 290 000 persons out of poverty and reducing the poverty rate by 4.2 percentage points to 10.5% in 2017. Yet, the estimated impact fell somewhat mainly due to the decrease in the number of beneficiaries and the subsidy offered under the *Kindergarten and Child Care Centre Fee Remission Scheme*, after the new kindergarten education scheme was implemented

Poor population and poverty rate after taking into account in-kind benefits, 2009-2017



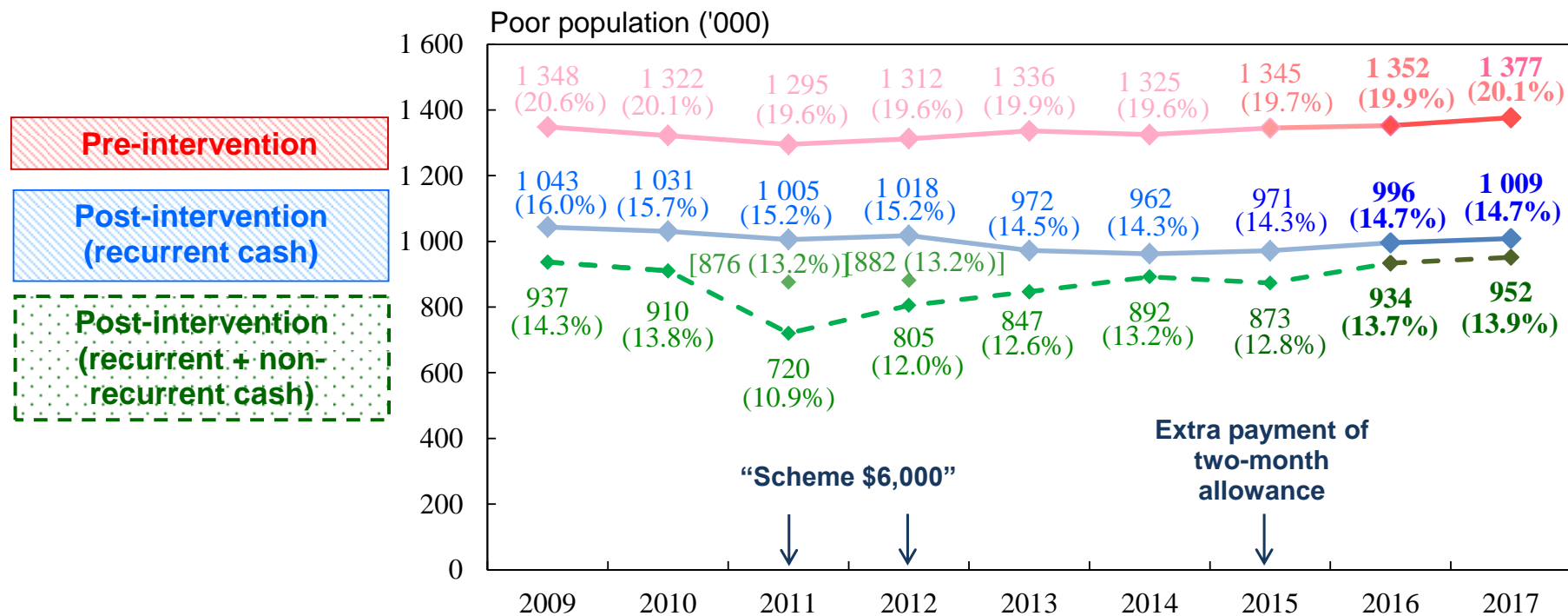
Poor households ('000)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Pre-intervention	541	536	530	541	555	555	570	582	594
Post-intervention (recurrent cash)	406	405	399	403	385	383	392	412	420
Post-intervention (recurrent cash + in-kind)	284	278	271	272	269	271	281	304	308

Note: () Figures in parentheses denote the corresponding poverty rates.

Source: General Household Survey, Census and Statistics Department.

Non-recurrent cash measures were also effective in poverty alleviation

Poor population and poverty rate after taking into account non-recurrent cash benefits, 2009-2017



Poor households ('000)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Pre-intervention	541	536	530	541	555	555	570	582	594
Post-intervention (recurrent cash)	406	405	399	403	385	383	392	412	420
Post-intervention (recurrent + non-recurrent cash)	361	354	281 [339]	312 [341]	333	355	354	387	397

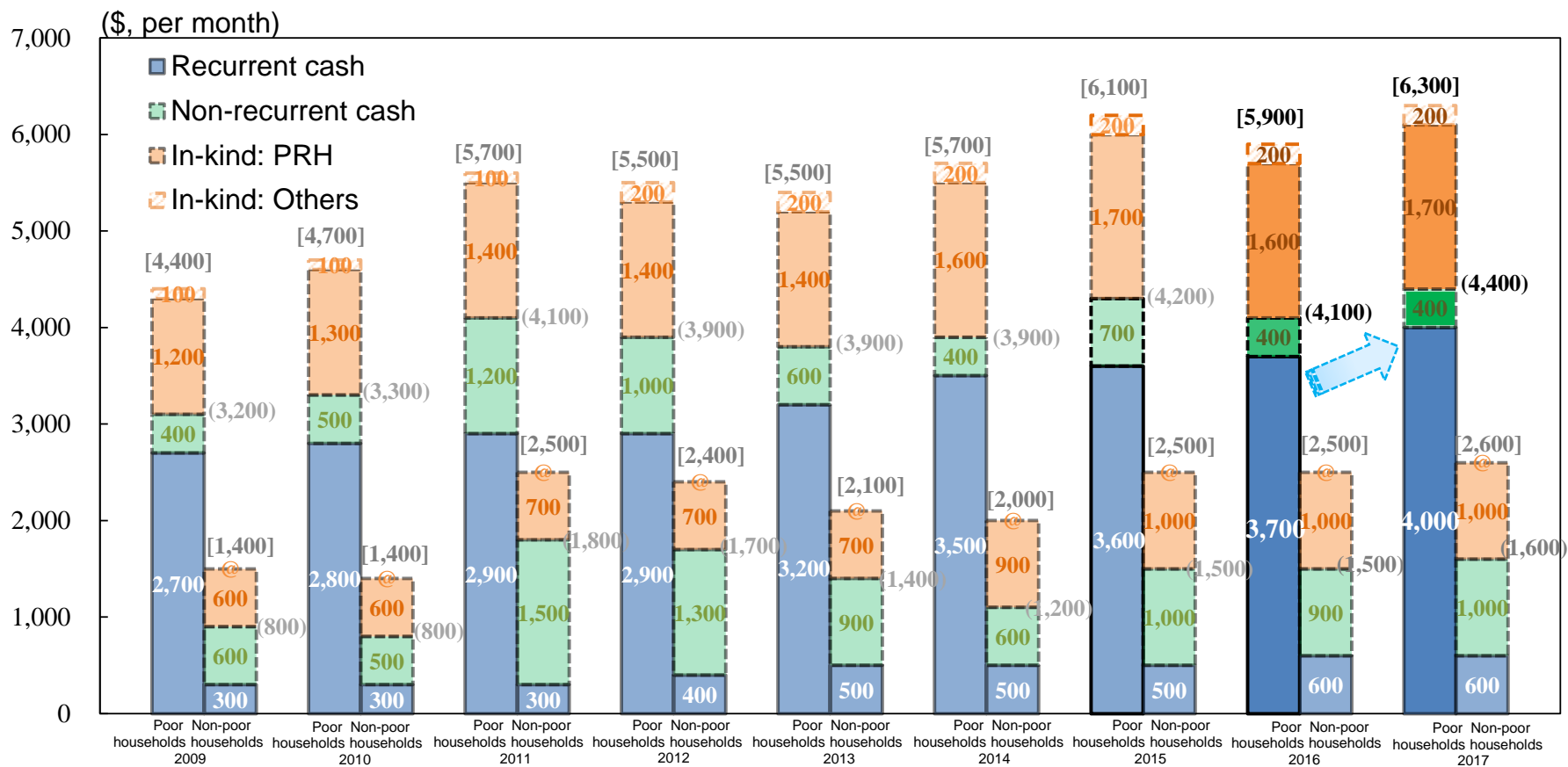
Notes: () Figures in parentheses denote the corresponding poverty rates.

[] Figures in square brackets denote the corresponding poverty figures, taking into account non-recurrent cash benefits, with the effect of "Scheme \$6,000" excluded. As "Scheme \$6,000" was covered in 2011 and 2012 only, there were no corresponding figures for other years.

Source: General Household Survey, Census and Statistics Department.

The average transfer per poor household also increased after enhancements of various recurrent cash measures

Estimated average transfer per household by policy category, 2009-2017

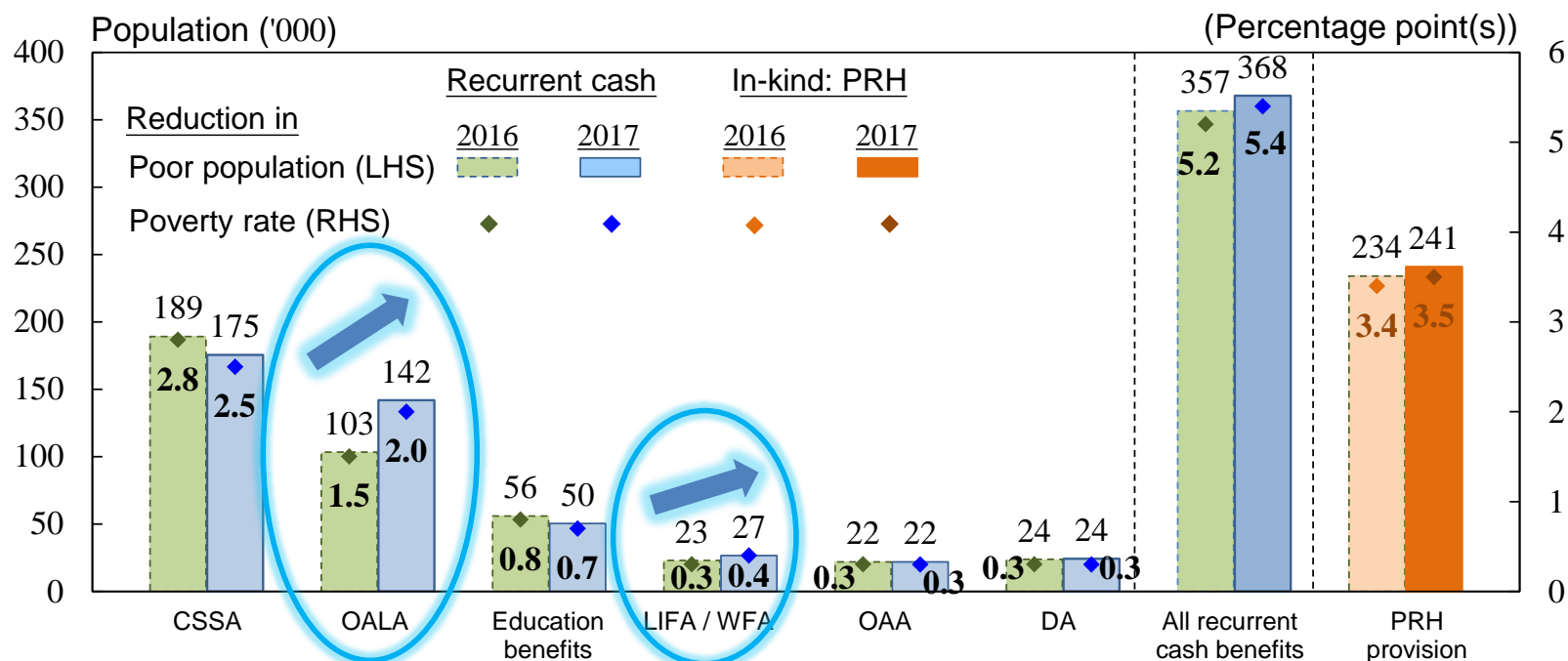


Notes: (@) Amounts smaller than \$50 are not released.
 () Figures in parentheses denote the sum of estimated recurrent and non-recurrent cash transfers.
 [] Figures in square brackets denote the sum of all estimated transfers.
 Poverty figures are pre-intervention figures.

Source: General Household Survey, Census and Statistics Department.

In 2017, the increase in overall poverty alleviation impact of OALA was the most significant, followed by LIFA. The poverty alleviation impact of PRH was also strengthened and continued to be greater than that of any recurrent cash measure

Effectiveness of selected recurrent cash benefits and PRH provision in poverty alleviation, 2016 and 2017

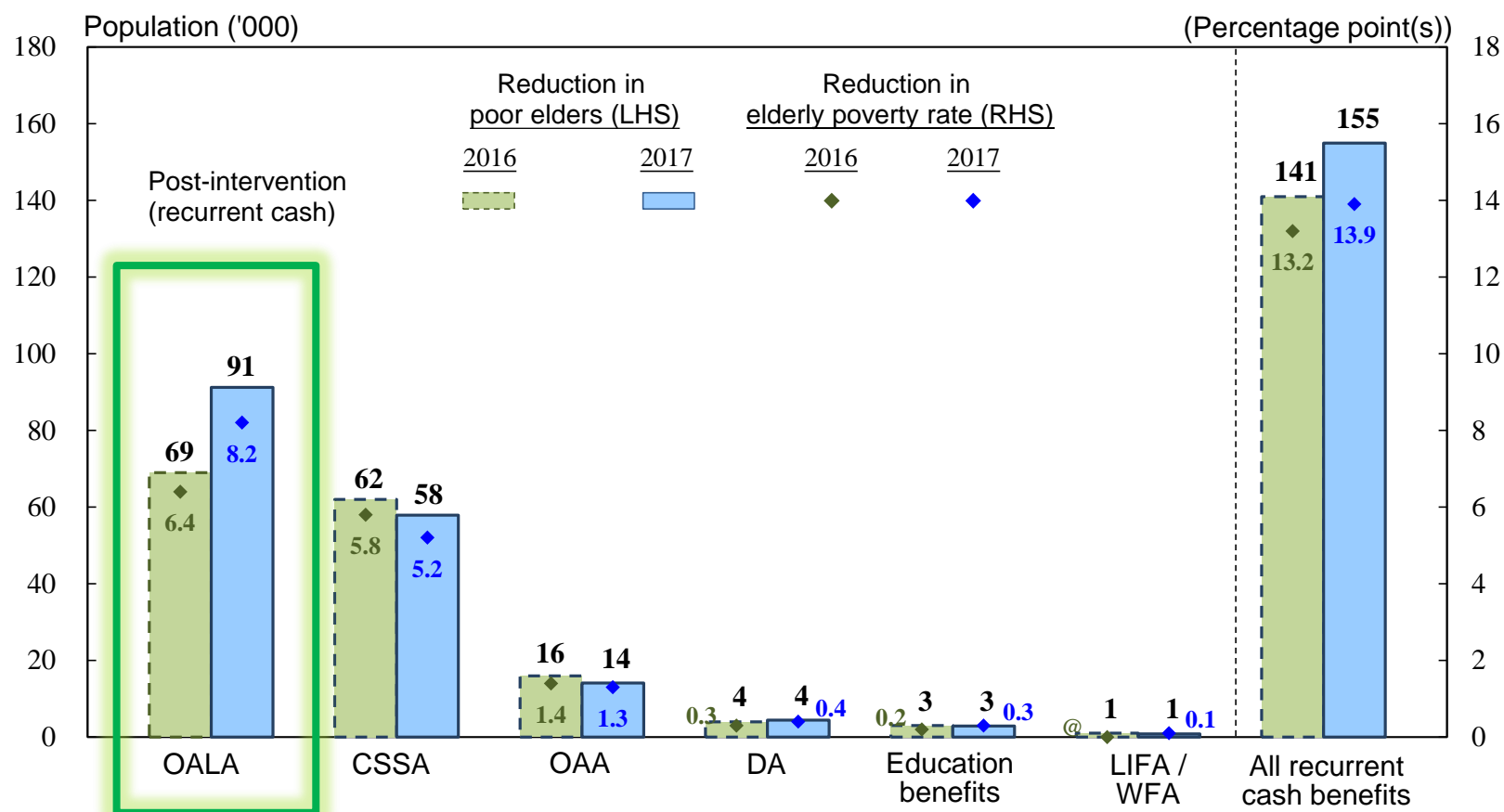


Reduction in poor households ('000)	CSSA	OALA	Education benefits	LIFA / WFA	OAA	DA	All recurrent cash benefits	PRH provision
2016	107	49	15	6	10	8	170	91
2017	99	64	14	7	10	9	174	93

Source: General Household Survey, Census and Statistics Department.

Focusing on the poverty alleviation effect on target beneficiary groups, the enhanced OALA reduced the elderly poverty rate by 8.2 percentage points, significantly higher than that in the preceding year

Effectiveness of selected recurrent cash benefits in poverty alleviation on elders*, 2016 and 2017

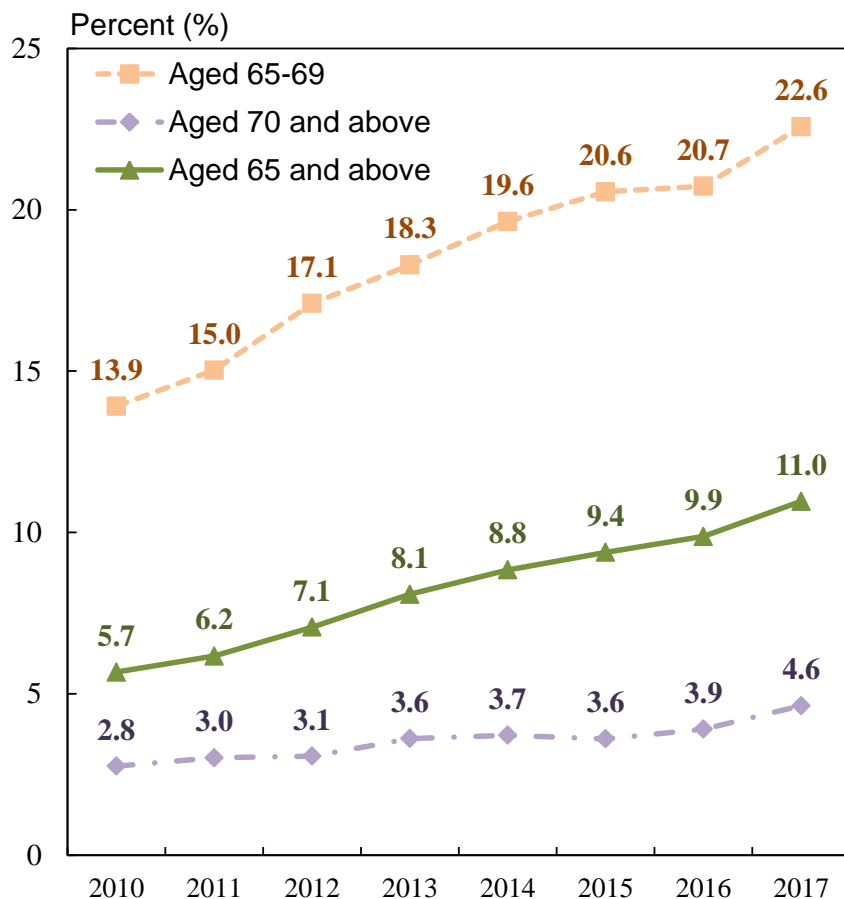


Notes: (*) Refer to elders aged 65 and above in households receiving the selected recurrent cash benefit(s).
 (@) Reduction in the poverty rate less than 0.05 percentage point.

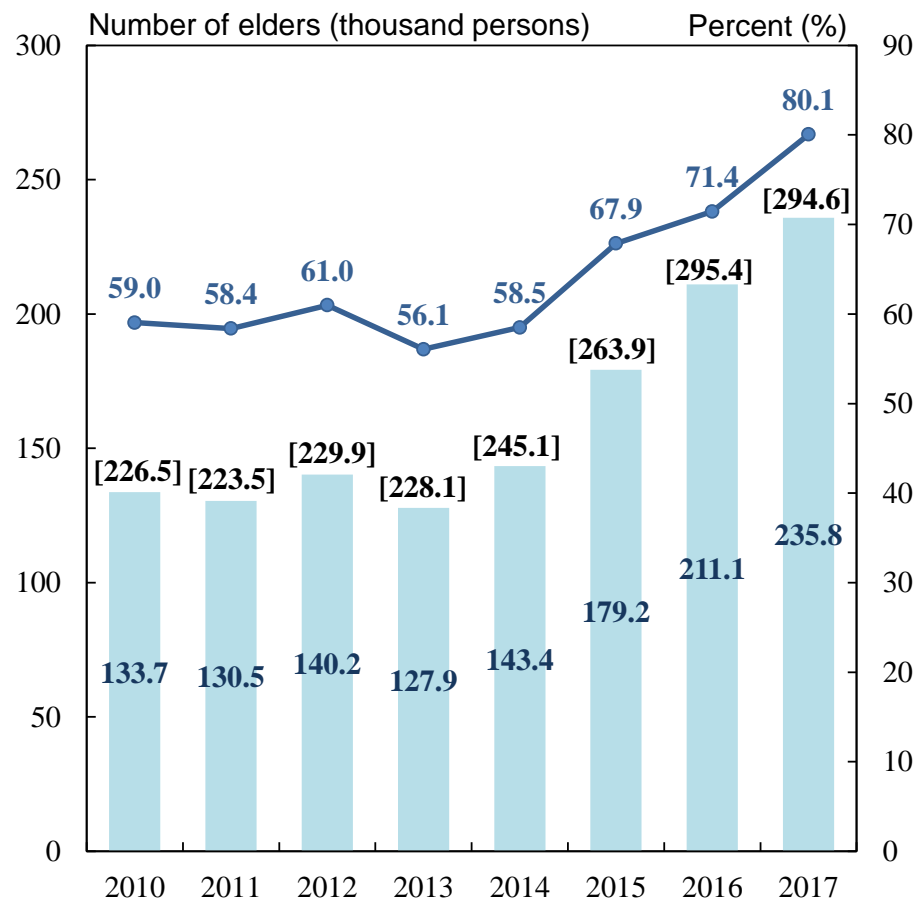
Source: General Household Survey, Census and Statistics Department.

The number and share of poor elders with no financial needs increased in recent years, conceivably partly attributable to more mature persons joining the labour market and the Government's strengthened support to the elders in need

(a) Elderly labour force participation rate



(b) Poor elders living in non-CSSA households with no financial needs

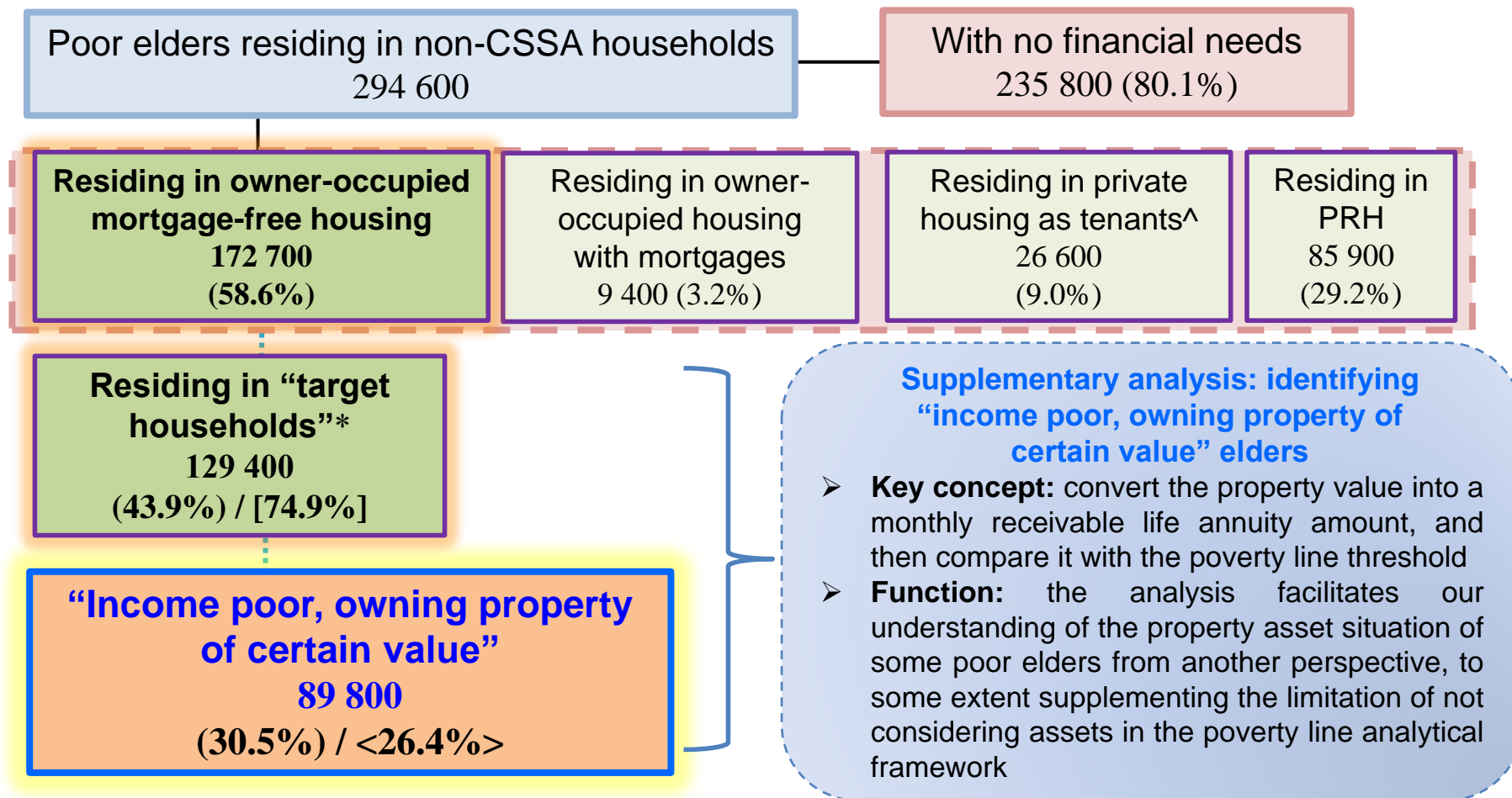


Notes: Refer to statistics after recurrent cash intervention.

[] Figures in square brackets denote the number of poor elders residing in non-CSSA households.

Source: General Household Survey, Census and Statistics Department.

In 2017, among the poor elders residing in non-CSSA owner-occupied mortgage-free housing, around 90 000 persons were identified as “income poor, owning property of certain value”, accounting for about a quarter of all poor elderly persons



Notes: () Figures in parentheses denote the proportion of the relevant elders among all poor elders residing in non-CSSA households.
 [] The figure in square bracket denotes the proportion of the relevant elders among the poor elders residing in non-CSSA owner-occupied mortgage-free housing.
 < > The figure in arrow bracket denotes the proportion of the relevant elders among all poor elders.
 (^) Also including other households mainly residing in rent-free or employer-provided accommodation.
 (*) “Target households” refer to households residing in owner-occupied mortgage-free housing with all members aged 55 or above (aged 60 or above if residing in subsidised sale flats with unpaid land premium) among non-CSSA poor households.

Source: General Household Survey, Census and Statistics Department.

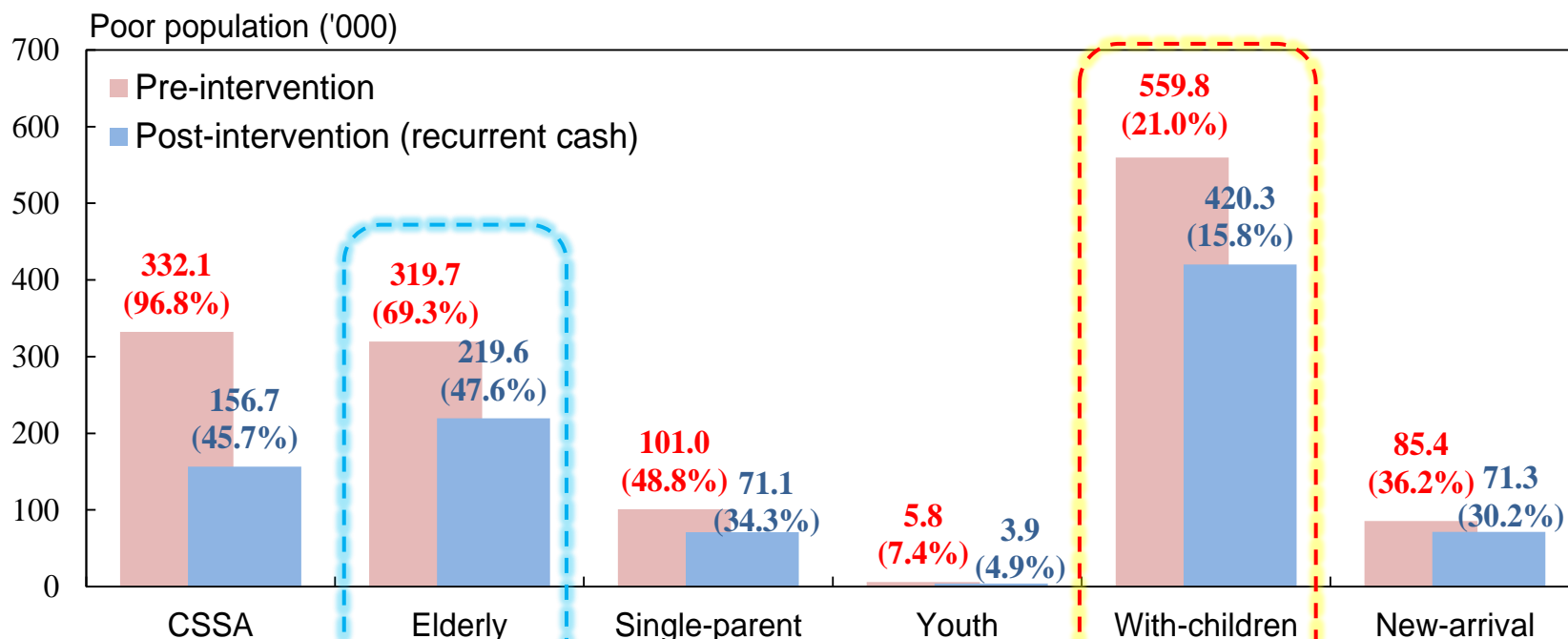
Structural factors such as population ageing offset the positive impacts brought about by economic growth and Government measures, etc. on the poverty rate. From 2009 to 2017, **the offsetting ratio was over 50%**

Post-intervention (recurrent cash) poverty rate in 2009	16.0%	
Decomposition of changes in the poverty rate between 2009 and 2017 into the following three factors		
1. Age structure (Population ageing → overall poverty rate ↑)	+ 0.79 % point	-1.3 % points
2. Household size (Smaller households ↑ → overall poverty rate ↑)	+ 0.46 % point	
3. Other factors, including economic and labour market conditions, effects of the Government's poverty alleviation efforts	- 2.47 % points	
Post-intervention (recurrent cash) poverty rate in 2017	14.7%	

Note: Offsetting ratio = $(1+2)/3 = -51\%$.

The poverty rate of elderly households improved distinctly, while that of households with children went up. Some of the increases were from larger households with one working member only, subject to heavy family burden

Poor population and poverty rate by social characteristic, 2017



After policy intervention:

Changes as compared to 2016

Poor population ('000) + 3.7

Poverty rate (% point(s)) + 2.5

+ 1.0

-1.2

+ 2.2

-0.1

+ 0.3

+ 0.2

+ 12.8

+ 0.5

+ 5.8

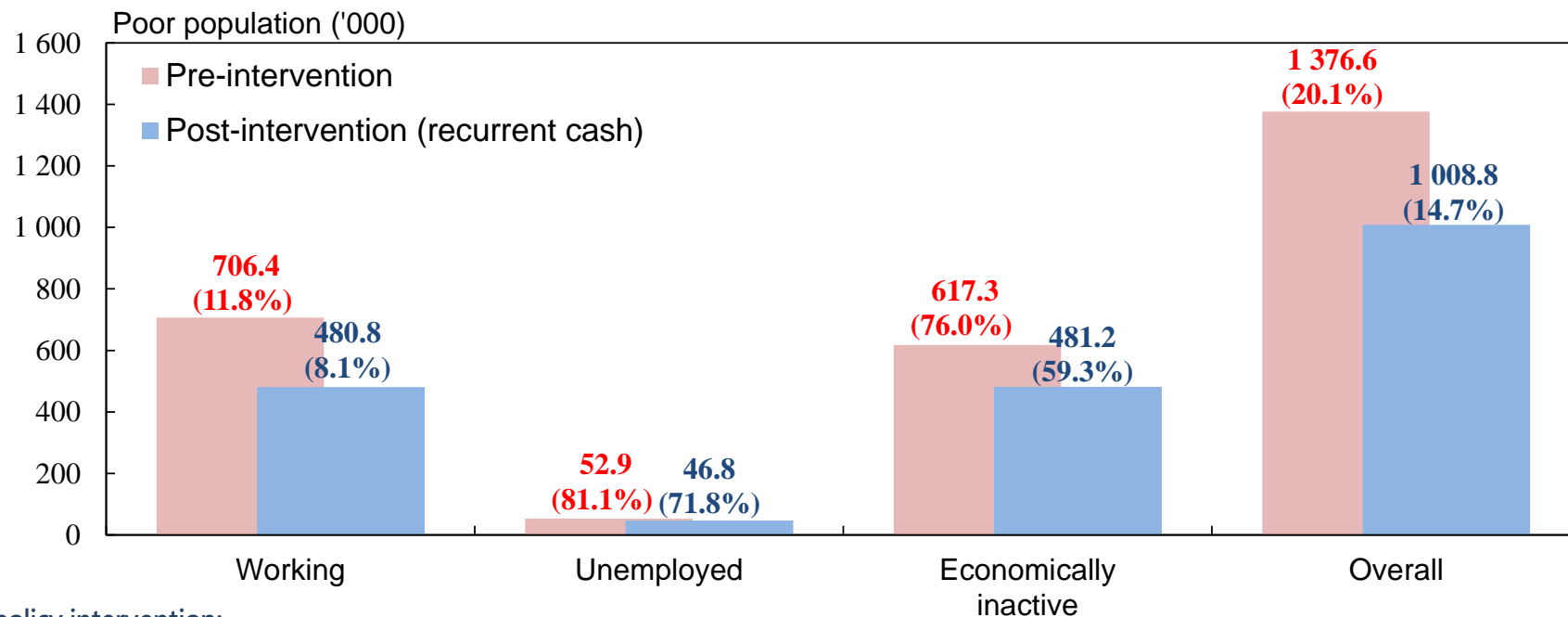
+ 0.1

Note: () Figures in parentheses denote the corresponding poverty rates.

Source: General Household Survey, Census and Statistics Department.

The poverty rates of working and economically inactive households remained largely stable over 2016. Still, the latter's poverty rate was far higher than the former, reflecting that employment can substantially reduce poverty risk

Poor population and poverty rate by economic characteristic, 2017



After policy intervention:

Changes as compared to 2016

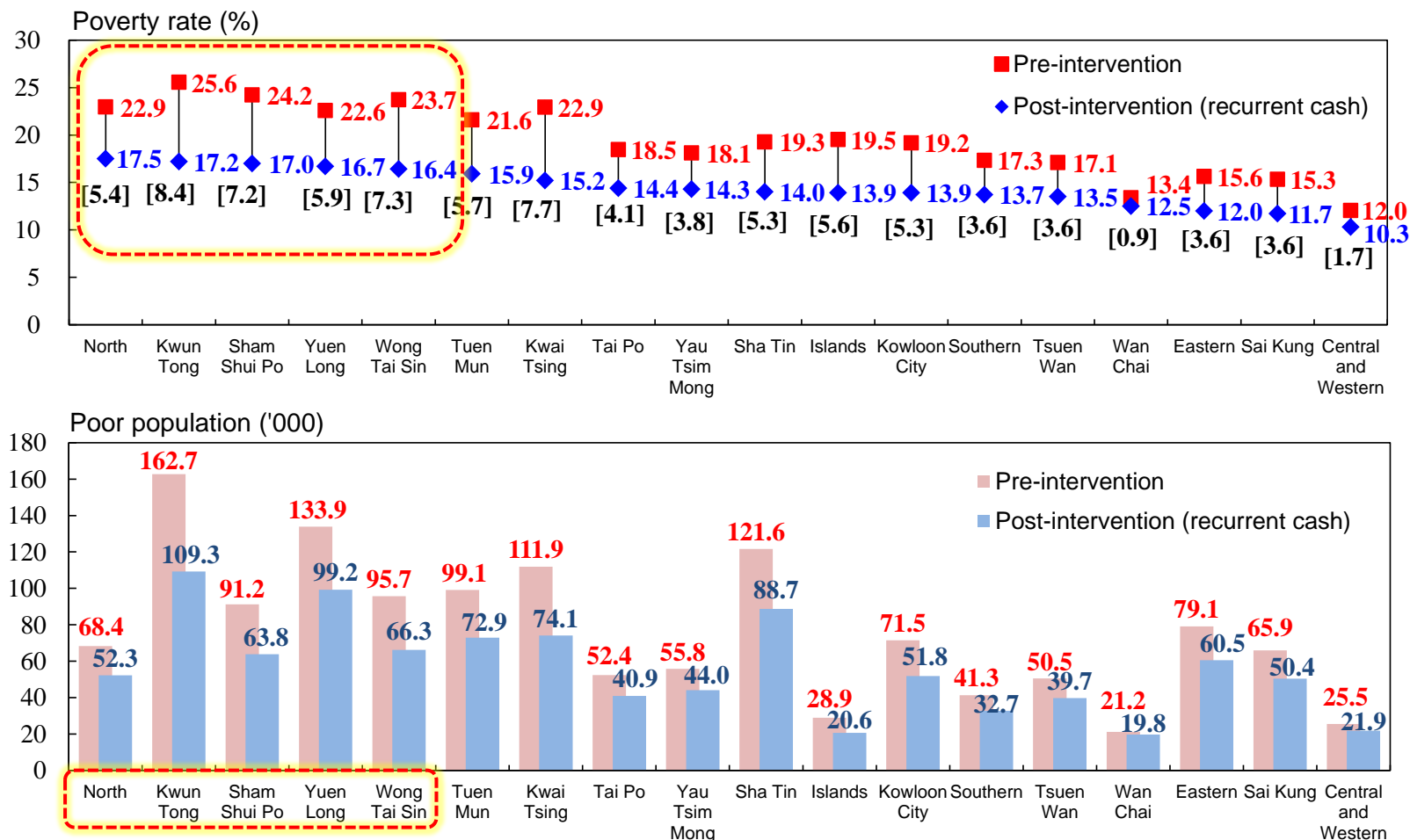
Poor population ('000)	+ 5.6	- 0.5	+ 7.9	+ 13.0
Poverty rate (% point(s))	+ 0.1	+ 2.0	+ 0.1	@

Notes: () Figures in parentheses denote the corresponding poverty rates.
 (@) Changes less than 0.05 percentage point.

Source: General Household Survey, Census and Statistics Department.

Analysed by the 18 districts, the poverty rates of North district, Kwun Tong, Sham Shui Po, Yuen Long and Wong Tai Sin were significantly higher than the overall average. The proportions of full-timer were lower in these districts, with most engaged in lower-skilled jobs. Yet, recurrent cash measures have considerably alleviated their poverty situations

Poor population and poverty rate by District Council district, 2017



Note: [] Figures in square brackets denote the percentage point(s) reductions in the poverty rates.

Source: General Household Survey, Census and Statistics Department.

Thank you