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Main Analysis of the Poverty Situation in 2020

Office of the Government Economist | Census and Statistics
Financial Secretary's Office | Department

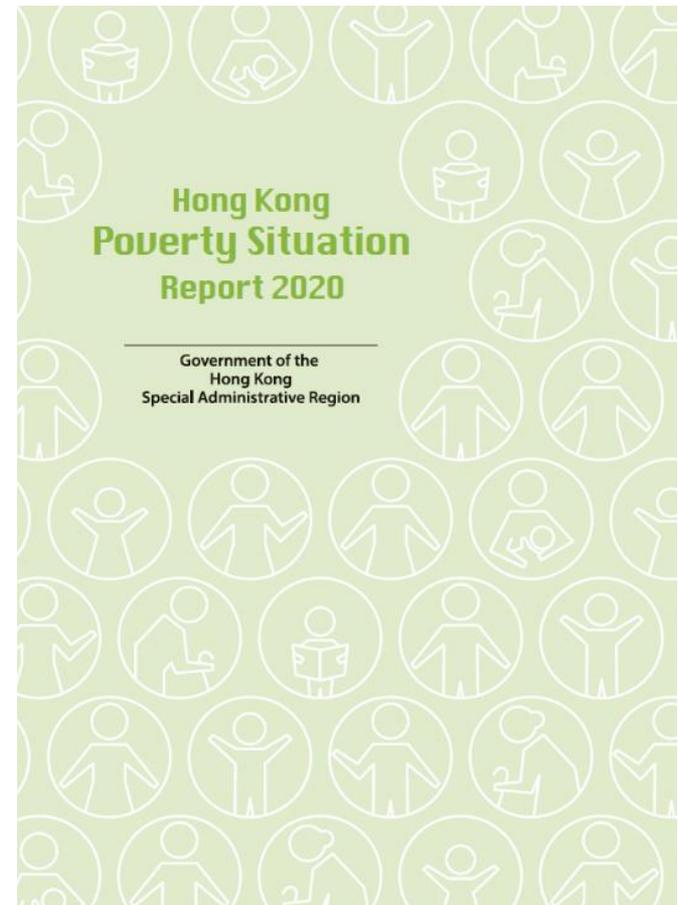
Main analysis of the poverty situation in 2020 - Outline

- I. **Main poverty situation and its trend in 2020**
- II. **Poverty situation analysed by socio-economic characteristic and age group**
- III. **Key observations & outlook**

Hong Kong Poverty Situation Report 2020

The full Report has been uploaded to CoP's website

<https://www.povertyrelief.gov.hk/eng/archives.html>



I. Main poverty situation and its trend in 2020

- ❖ Main analytical framework of the poverty line in 2020
- ❖ Major factors affecting poverty statistics
- ❖ Poverty line thresholds
- ❖ Key poverty statistics
- ❖ Trends of poverty statistics and poverty alleviation effectiveness
- ❖ Poverty alleviation effectiveness of individual selected measures

Main analytical framework of the poverty line in 2020

1. Relative poverty line

50% of median household income
before policy intervention

Pre-intervention (purely theoretical
assumption) household income

2. Policy intervention

Post-intervention household income
takes into account **all selected
measures**, which include three types
of policy intervention measures:

Post-intervention (all selected
measures) household income

I. Recurrent cash measures
(deducting taxes and including recurrent
cash measures like Comprehensive
Social Security Assistance)

II. Non-recurrent cash measures
(including one-off measures, such as
extra social security payment, cash
payout of \$10,000)

III. Means-tested in-kind benefits
(mainly public rental housing)

I



II



III

3. Poverty statistics

Poverty indicators:

- No. of poor households and the size of the poor population
- Poverty rate
- Poverty gap

(can be classified by different household or individual characteristics)

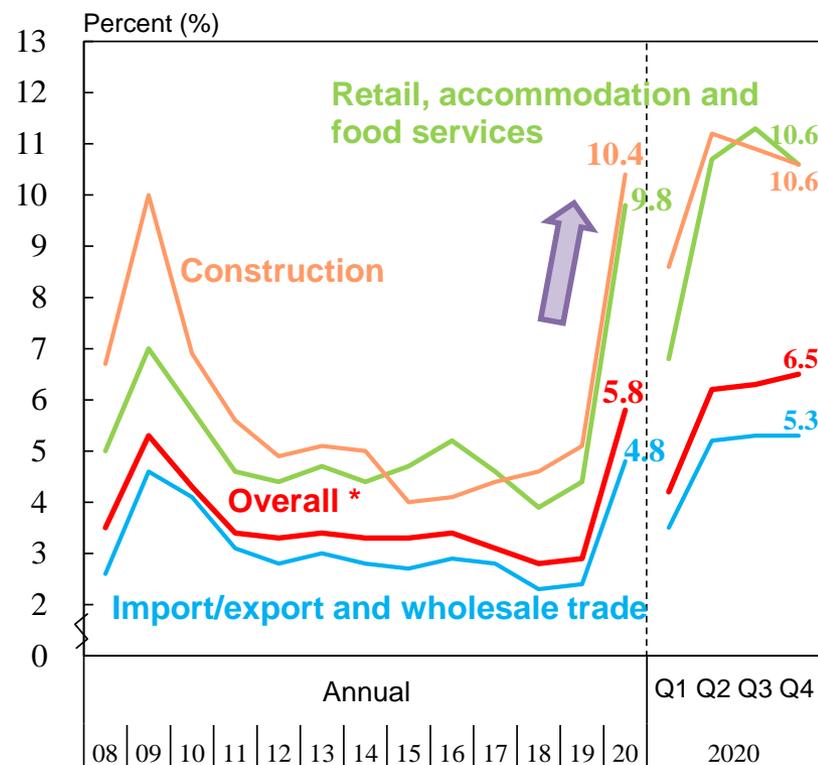
Compare the data **before** and **after**
policy intervention:

*Quantify the impact of **policy
intervention in poverty alleviation***

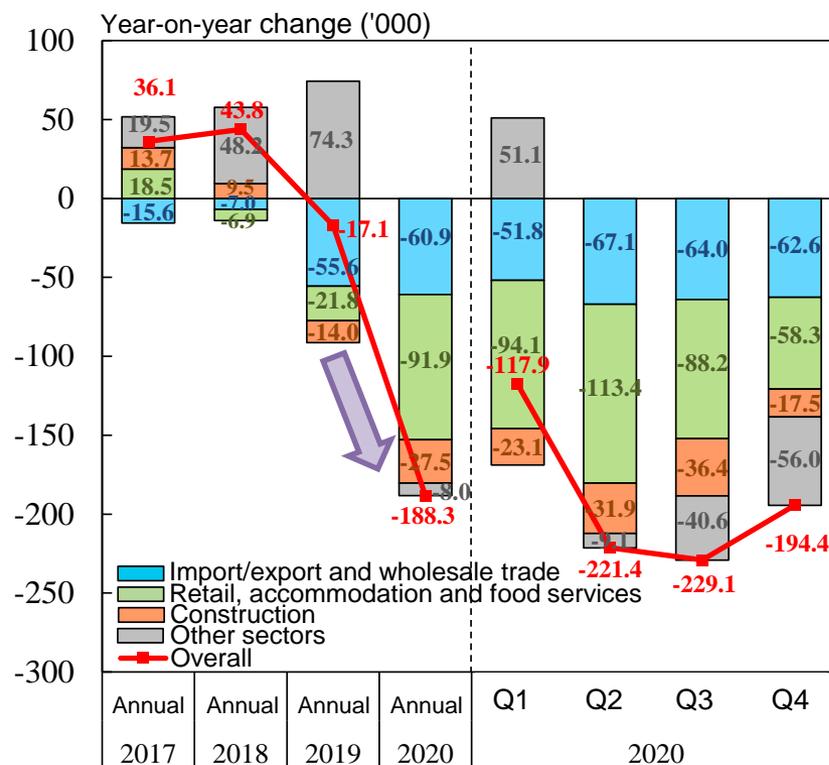
Major factors affecting poverty statistics in 2020

1. **Macroeconomic situation:** being affected by the global COVID-19 pandemic, the Hong Kong economy experienced a severe recession in 2020, with the labour market deteriorated sharply. The unemployment rate surged to 6.5% in the fourth quarter of 2020, the highest in 16 years. The annual unemployment rate averaged at 5.8%, also substantially higher than that of 2.9% in 2019. Total employment shrank significantly by 0.188 million (or 4.9%) in 2020 over 2019, the largest annual decline on record. Specifically, the consumption- and tourism-related sectors saw a surge in unemployment rate and a sharp decrease in employment under the severe disruption brought by the pandemic.

(a) Unemployment rate by industry



(b) Employment by industry



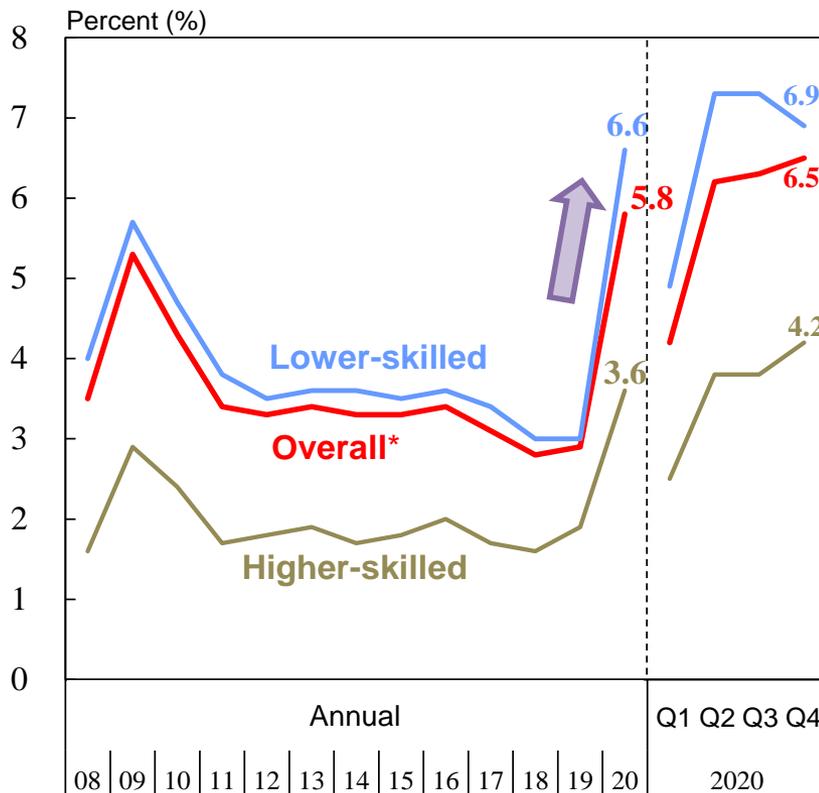
Note: (*) Quarterly overall unemployment rates are seasonally adjusted.

Source: General Households Survey, Census and Statistics Department.

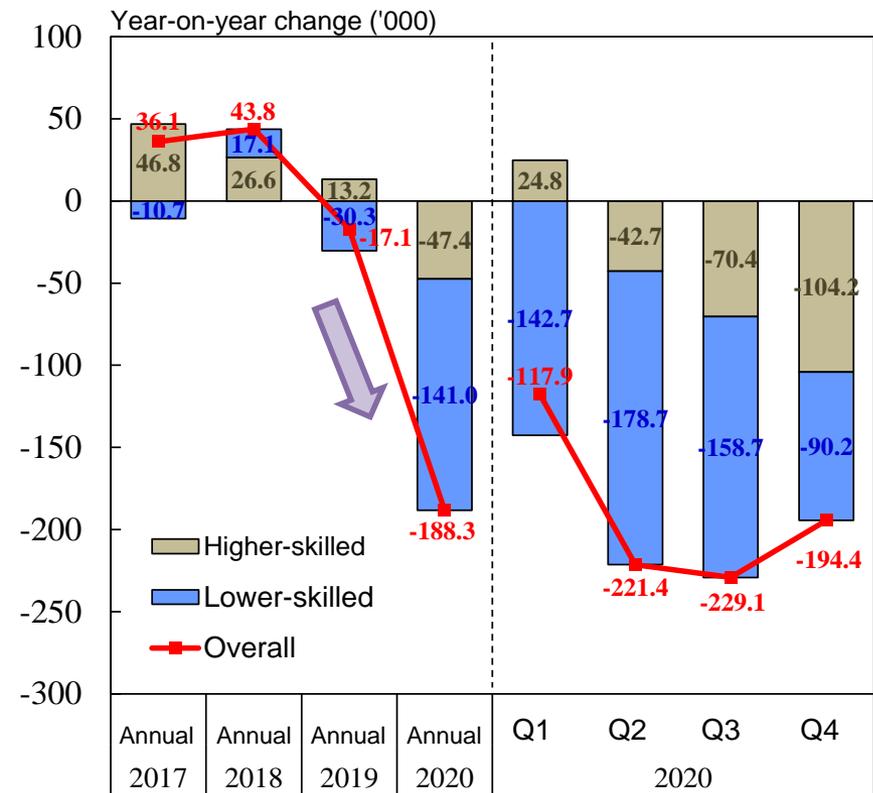
Major factors affecting poverty statistics in 2020 (cont'd)

1. **Macroeconomic situation:** the grassroots workers were particularly hard-hit. Analysed by occupation, the unemployment rate of the lower-skilled workers rose notably by 3.6 percentage points from 2019 to 6.6%. Employment of lower-skilled workers also fell significantly by 0.141 million (or 6.2%).

(c) Unemployment rate by occupation



(d) Employment by occupation

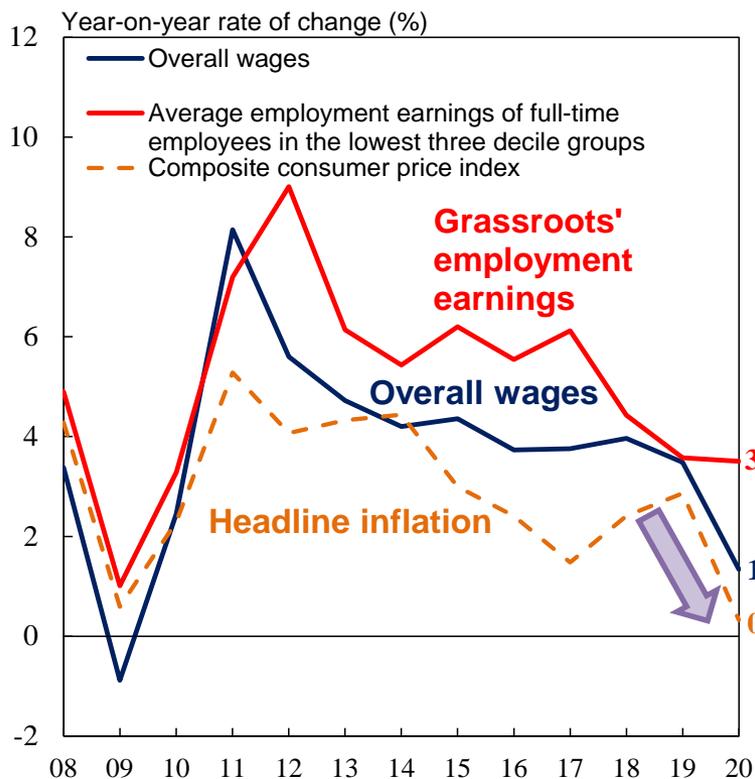


Note: (*) Quarterly overall unemployment rates are seasonally adjusted.
 Source: General Household Survey, Census and Statistics Department.

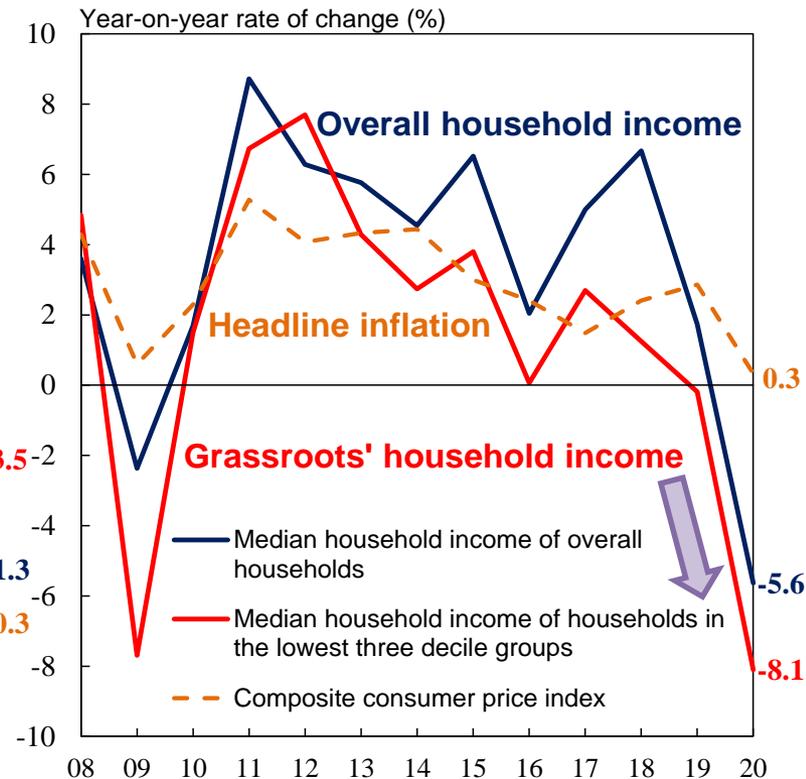
Major factors affecting poverty statistics in 2020 (cont'd)

1. **Macroeconomic situation:** amid the austere economic and labour market situations, overall wages registered decelerated growth. In addition, many families experienced reductions in number of working members and working hours, which visibly weighed on household income. For 2020 as a whole, the median monthly household income plunged by 5.6% from a year earlier, and that of the grassroots households even fell by 8.1%.

(e) Nominal wages and average employment earnings



(f) Household income



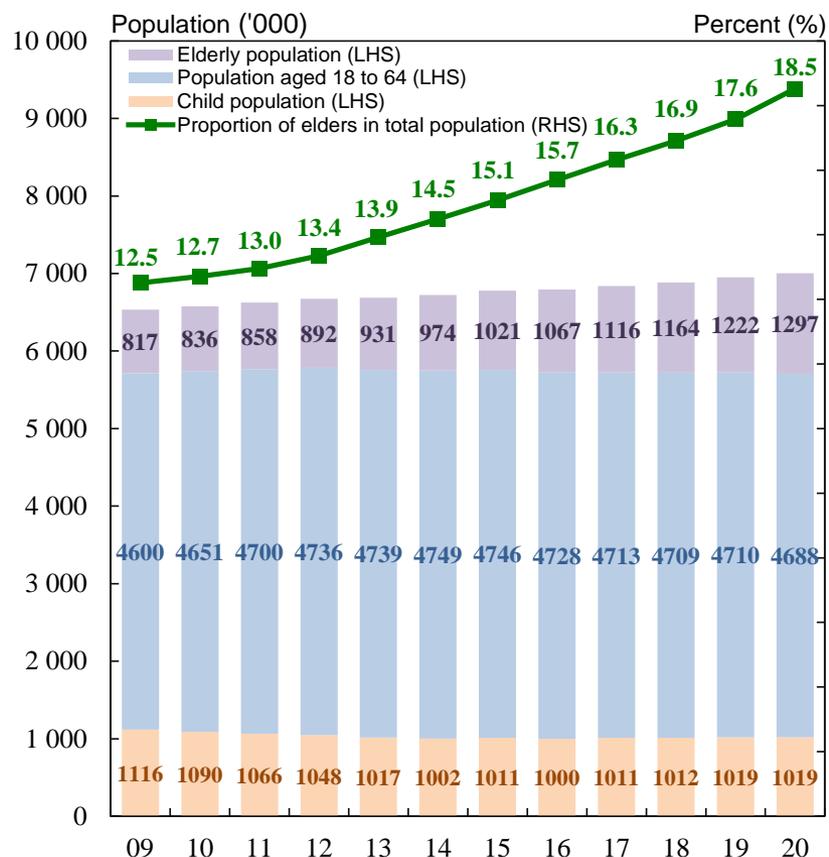
Note: Income figures exclude foreign domestic helpers.

Sources: General Household Survey, Monthly Report on the Consumer Price Index, and Labour Earnings Survey, Census and Statistics Department.

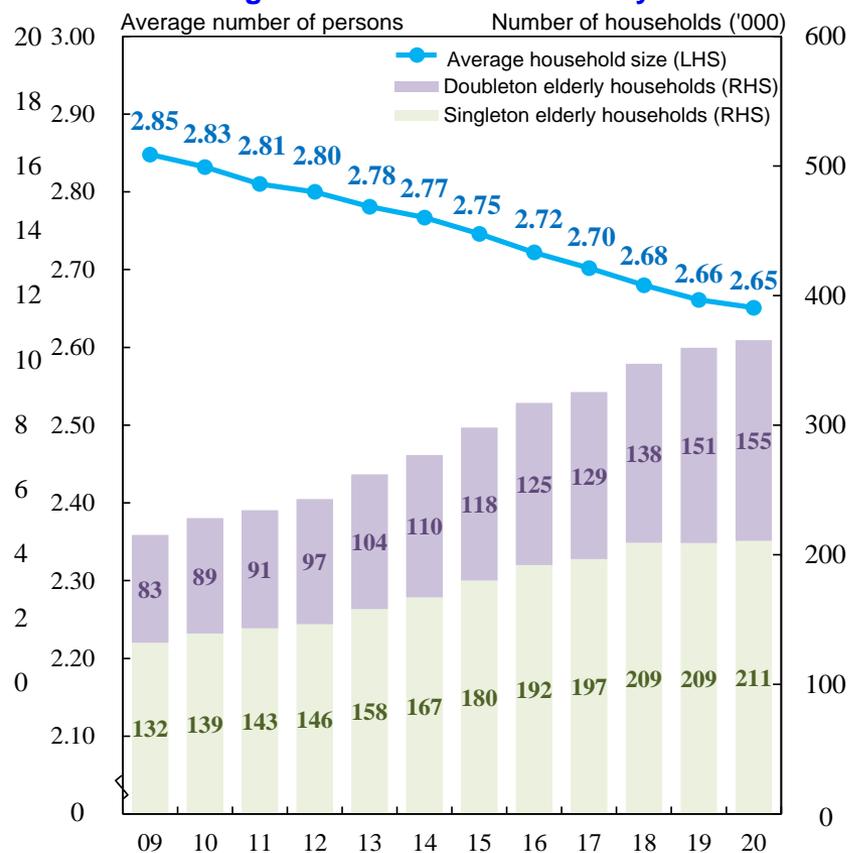
Major factors affecting poverty statistics in 2020 (cont'd)

2. **Structural factors:** the structural trends of population ageing and dwindling household size continued, with rising numbers of singleton and doubleton elderly households made up of retired elders with no employment income. This will exert continuous upward pressures on poverty statistics estimated based on household income.

(a) Population figures by age group



(b) Average household size of overall households, number of singleton and doubleton elderly households



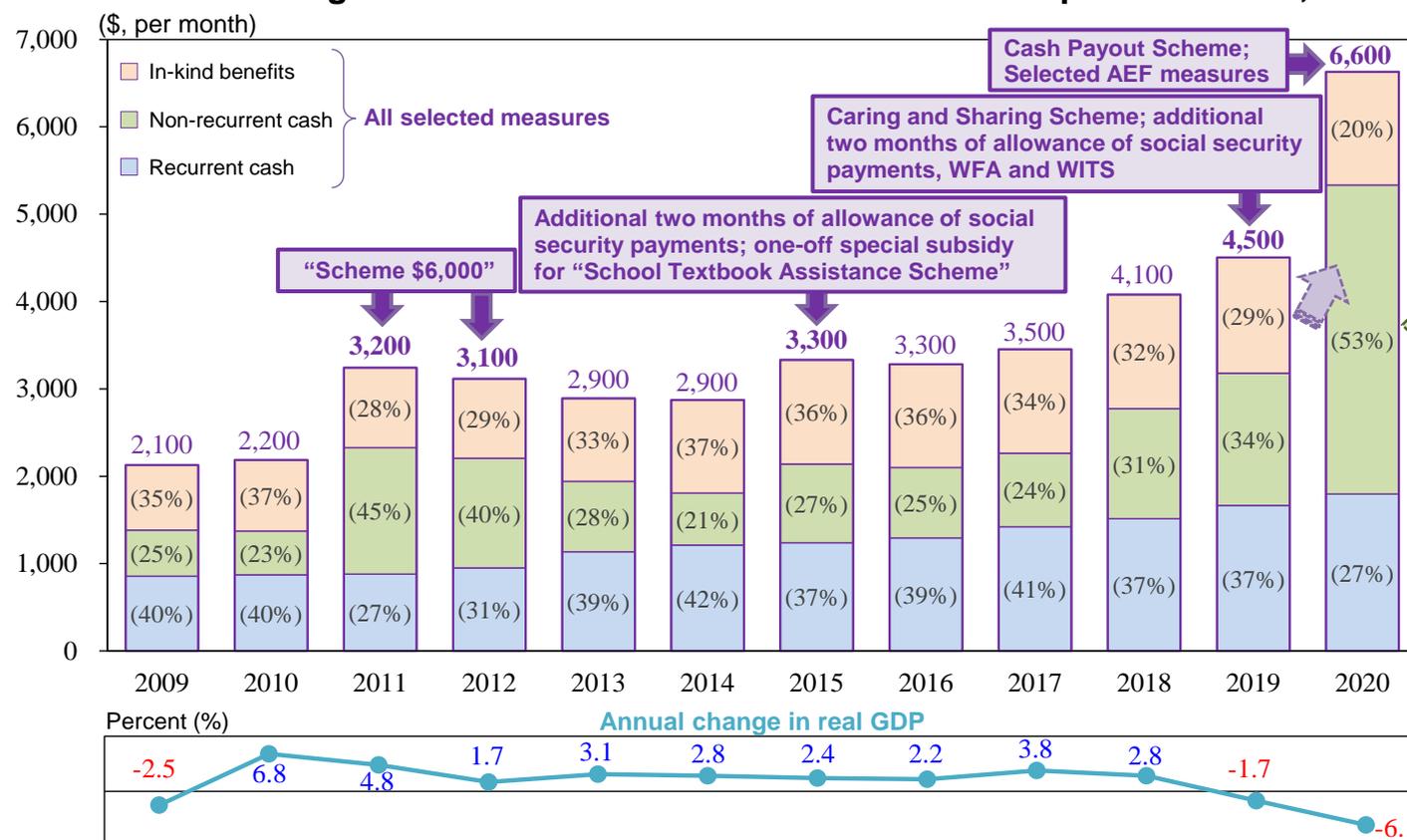
Note: Population figures refer to persons in domestic households, excluding foreign domestic helpers and the institutional population.

Source: General Household Survey, Census and Statistics Department.

Major factors affecting poverty statistics in 2020 (cont'd)

3. **Government's policies in poverty alleviation:** the amount dedicated to relevant policy intervention measures reached a record high – besides long-term commitments from recurrent cash policies, the Government launched a series of one-off counter-cyclical measures in 2020 that were unprecedented in scale and coverage. While these measures aimed to stabilise the macroeconomic and employment conditions, they would also relieve the pressures on the grassroots' livelihood.

Estimated average welfare transfer of all selected measures per household, 2009-2020

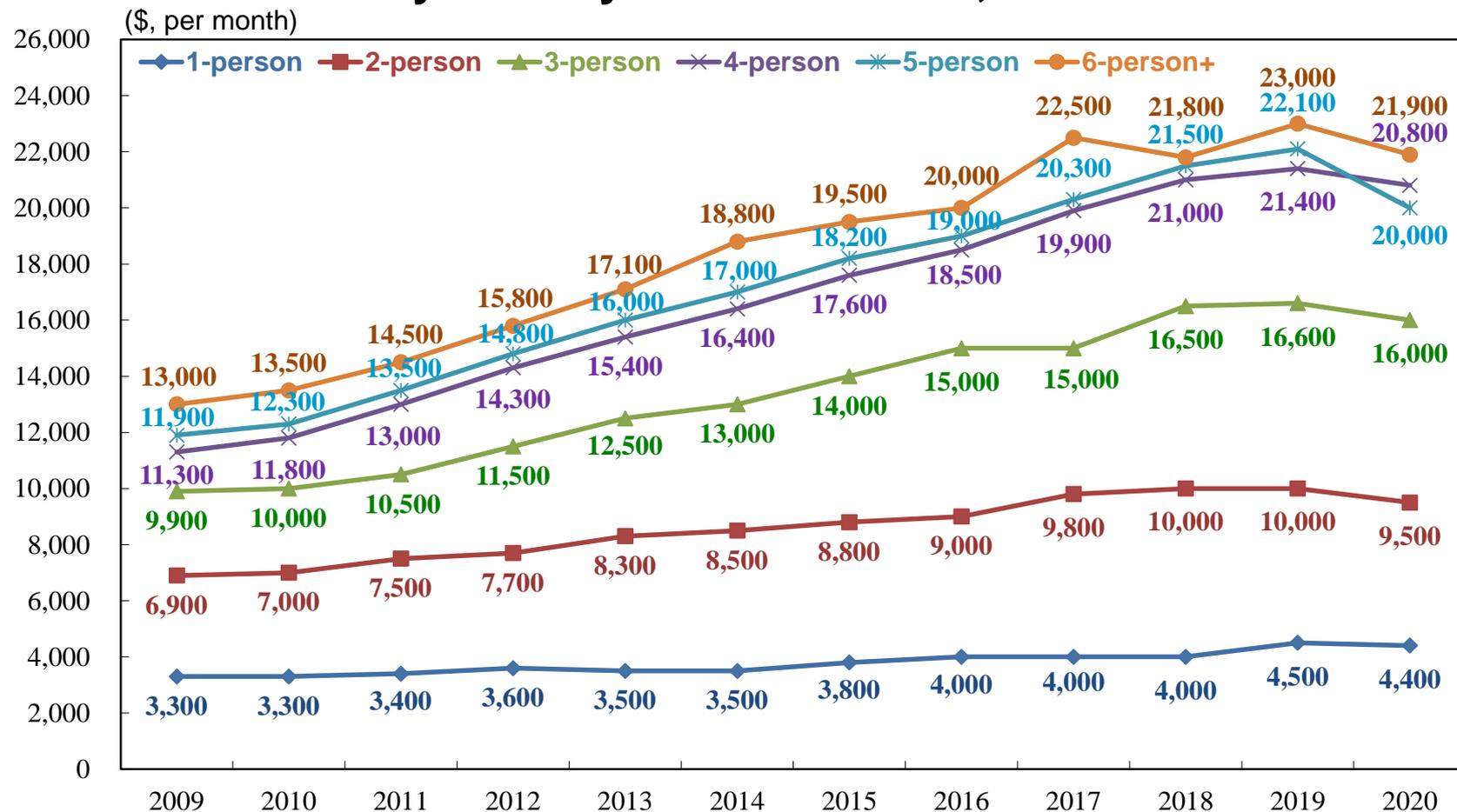


Benefitted from the \$10,000 Cash Payout Scheme and relevant measures under Anti-epidemic Fund (AEF), the estimated average amount of transfer per household went up appreciably in 2020

Poverty line thresholds in 2020: recorded declines of varying degrees

- The poverty lines of 1-person households to 4-person households and 6-person-and-above households: decreased ranging from 1.8% to 5.0%.
- The poverty line of 5-person households declined notably by 9.5%: mainly attributable to the drastic fall in the proportion of working households and a significant decrease in the proportion of households with two employed members and above among working households.

Poverty lines by household size, 2009-2020



Source: General Household Survey, Census and Statistics Department.

In response to the severe economic recession of Hong Kong in 2020 due to the blow of COVID-19 pandemic, the Government rolled out a large scale of one-off counter-cyclical measures. The poverty indicators hence improved **after policy intervention (all selected measures)**. But the **pre-intervention** poverty situation of last year would still deteriorate noticeably

In 2020, the size of the poor population and the poverty rate taking into account **all selected measures (recurrent cash + non-recurrent cash + in-kind benefits)** were **0.554 million** and **7.9%** respectively (**fell by 0.088 million and 1.3 percentage points over 2019**).

➤ **All selected measures** alleviated about **1.10 million persons** out of poverty, reducing the poverty rate by **15.7 percentage points**

(strengthened visibly by **3.5 percentage points** from **12.2 percentage points** in 2019)

Household income	Poor households	Poor population	Poverty rate
Post-intervention (all selected measures)	0.242 mn (0.287 mn)	0.554 mn (0.642 mn)	7.9% (9.2%) ↓
Poverty alleviation impact	-0.461 mn (-0.361 mn)	-1.099 mn (-0.849 mn)	-15.7%pts (-12.2%pts)
Pre-intervention (purely theoretical assumption)	0.703 mn (0.649 mn)	1.653 mn (1.491 mn)	23.6% (21.4%) ↑

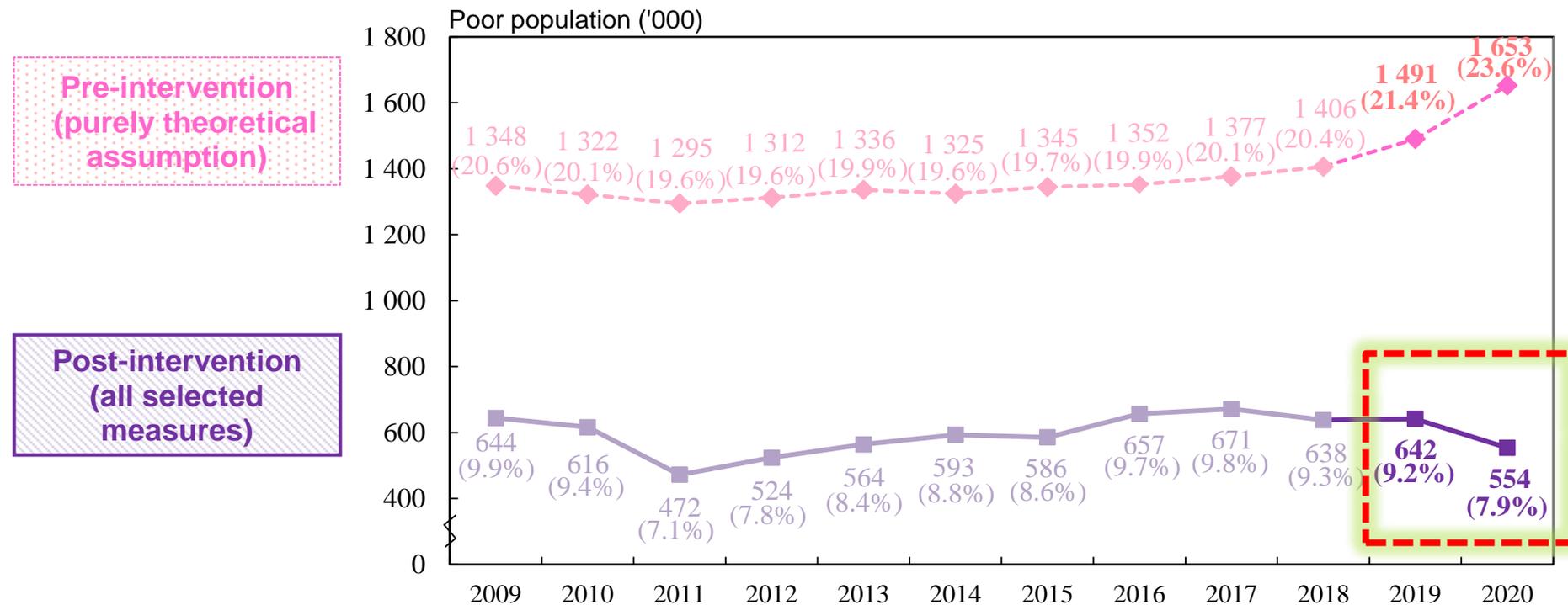
Notes: () Figures in parentheses refer to figures in 2019.

Recurrent cash measures include CSSA/SSA, WFA, etc.; **non-recurrent cash measures** include tax reduction and rates concessions, Cash Payout Scheme, various benefits under AEF and other relief measures rolled out in light of the pandemic that can be included in the imputation, offering additional payments of social security allowance, etc.; **means-tested in-kind benefits** include PRH, Kindergarten and Child Care Centre Fee Remission Scheme, etc.

Source: General Household Survey, Census and Statistics Department.

Taking into account the impact of policy intervention of all selected measures: in 2020, the poverty rate fell by 1.3 percentage points to 7.9% over 2019, and the size of the poor population decreased by 0.088 million to 0.554 million

Poor population and poverty rate, 2009-2020



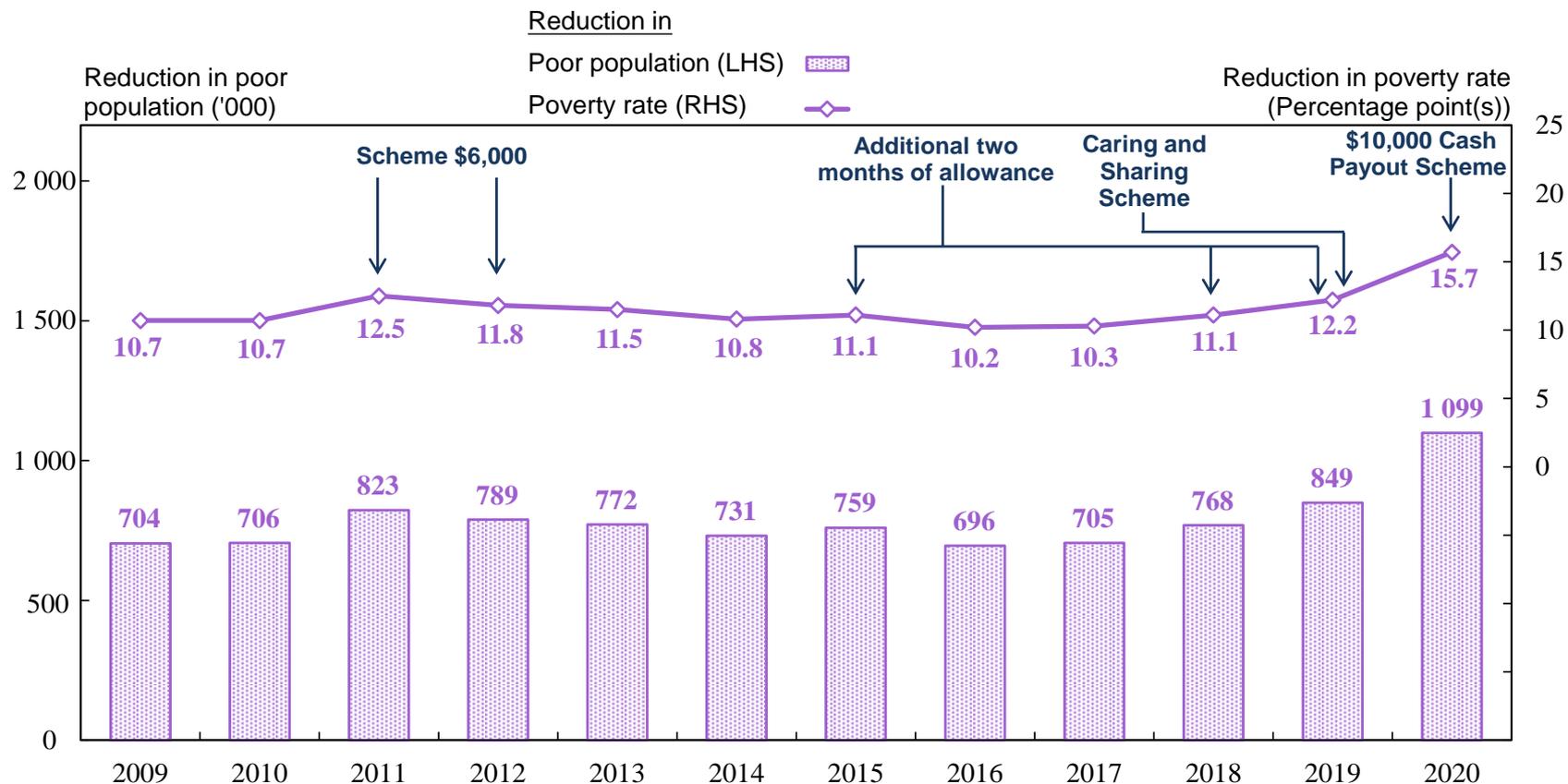
Poor households ('000)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pre-intervention (purely theoretical assumption)	541	536	530	541	555	555	570	582	594	613	649	703
Post-intervention (all selected measures)	253	246	194	216	233	250	250	284	287	276	287	242

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

Source: General Household Survey, Census and Statistics Department.

The poverty alleviation impact of all selected measures was 15.7 percentage points in 2020, strengthened substantially from 12.2 percentage points in the preceding year

Poverty alleviation effectiveness of all selected measures, 2009-2020

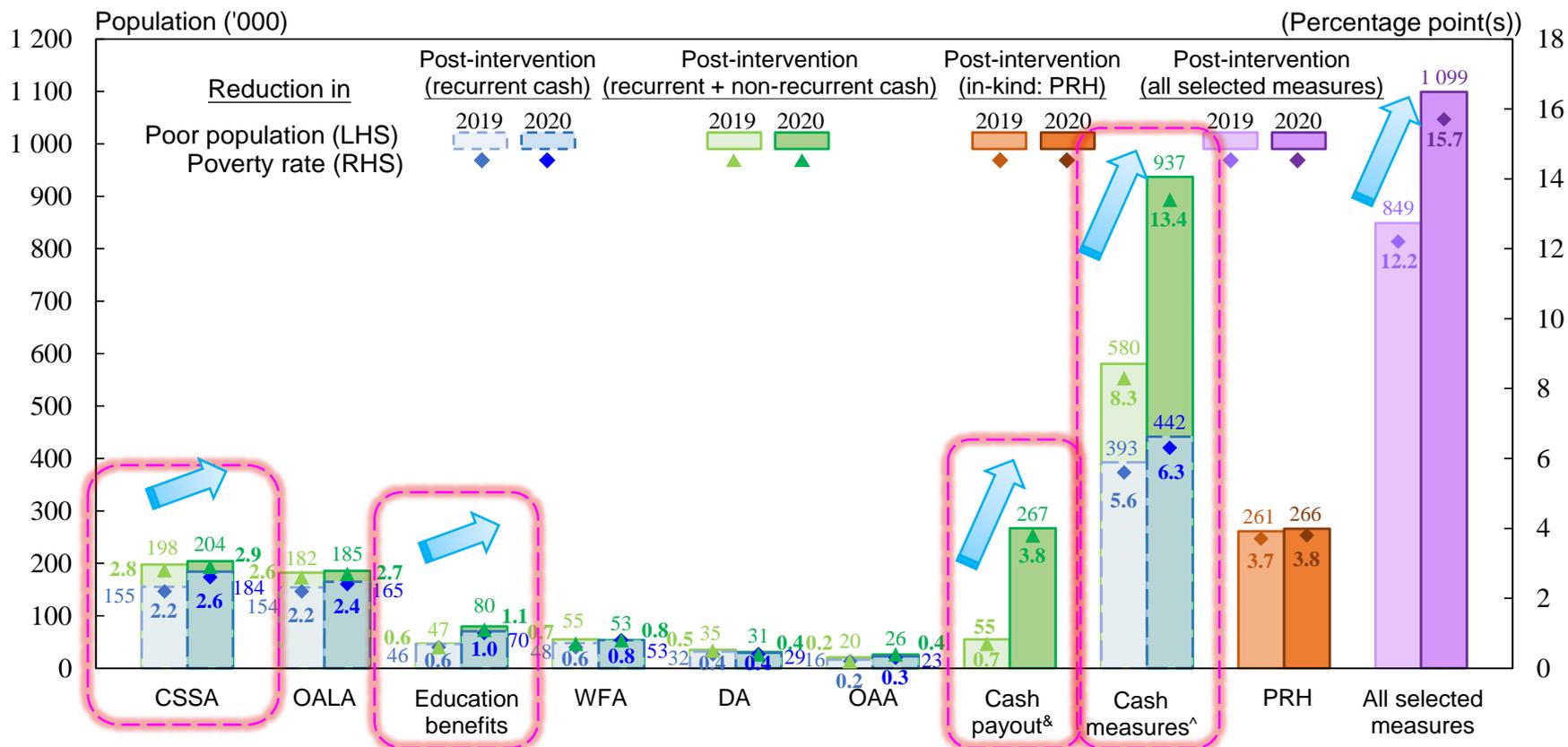


Reduction in poor households ('000)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
All selected measures	288	289	337	324	321	306	320	298	307	337	361	461

Source: General Household Survey, Census and Statistics Department.

The strengthening in impact of all selected policies was mainly attributable to the **non-recurrent cash measures** (such as the \$10,000 cash payout and the relevant measures under AEF). As for **recurrent cash measures**, CSSA and education benefits recorded more noticeable increases in their poverty alleviation impacts. The former largely reflected the increase in the number of CSSA recipients, and the latter was due to the effect of Student Grant

Poverty alleviation effectiveness of selected measures, 2019-2020



Notes:

(&) Figures for 2019 included Caring and Sharing Scheme. Those for 2020 included Cash Payout Scheme and “One-off Allowance for New Arrivals from Low-income Families” Programme.

(^) Apart from the major recurrent / non-recurrent cash measures listed in the chart, cash measures also included Public Transport Fare Subsidy Scheme, measures under AEF and other relief measures rolled out in light of the pandemic that can be imputed in the framework (e.g. Special allowance for eligible WFA and SFA households), cash items under CCF, etc.

Source:

General Household Survey, Census and Statistics Department.

II. Poverty situation analysed by socio-economic characteristic and age group

- ❖ Key poverty statistics by socio-economic characteristic and age group
- ❖ Poverty trend by age group
- ❖ How economic recession affected the poverty situation in 2020
- ❖ Quantitative decomposition of changes in the overall poverty rate

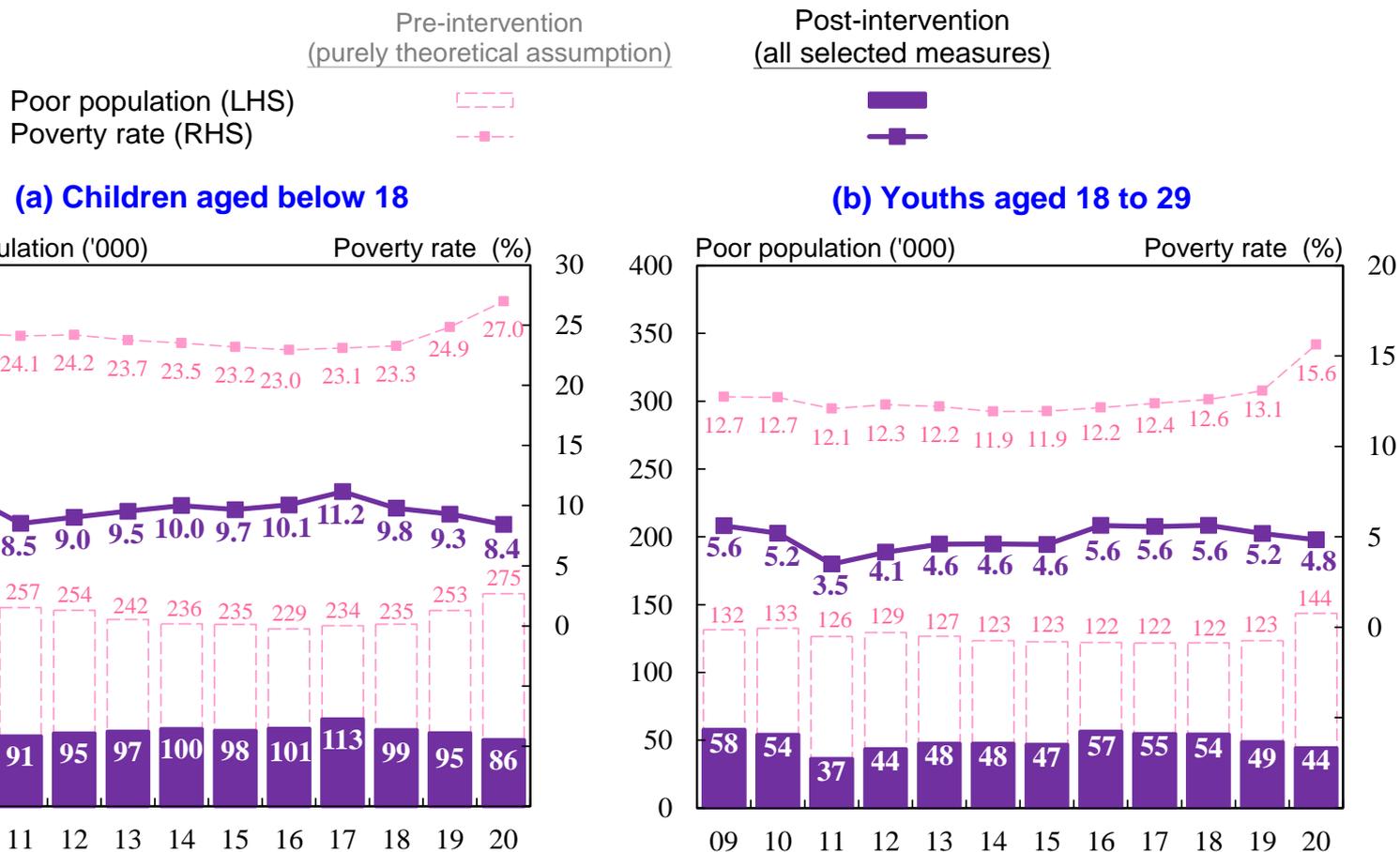
Annual decreases in **post-intervention (all selected measures)** poverty rates were observed in different age groups and most of the selected socio-economic groups, illustrating the widespread impact of these short-term measures that could broadly benefit various groups. **The poverty rate of youth households** still went up, partly attributable to the fact that the group faced a deterioration in unemployment situation, and the lower proportion of youth households benefitting from policy intervention

	Poverty rate (after intervention of all selected measures, %)		Annual change in 2020 over 2019 (%pt(s))
	2019	2020	
Overall	9.2	7.9	-1.3
Children aged below 18	9.3	8.4	-0.9
Persons aged 18 to 64	6.5	6.0	-0.5
Youths aged 18 to 29	5.2	4.8	-0.4
Elders aged 65 and above	19.7	14.5	-5.2
Economic groups			
Working households	4.1	3.0	-1.1
Unemployed households	55.3	44.5	-10.8
Economically inactive households	40.4	33.2	-7.2
Social groups			
CSSA households	15.0	8.3	-6.7
Elderly households	30.9	21.3	-9.6
Single-parent households	15.1	13.2	-1.9
Youth households	4.2	6.6	+2.4
Households with child(ren)	8.4	7.5	-0.9
New-arrival households	14.6	13.2	-1.4

Source: General Household Survey, Census and Statistics Department.

Non-recurrent measures did help stabilise the poverty situation of children and youths. Their poverty rates taking into account all selected measures showed declines instead of increases, to 8.4% and 4.8% respectively

Poor population and poverty rate by age, 2009-2020



Source: General Household Survey, Census and Statistics Department.

Similarly, the poverty rates for persons aged 18 to 64 and elders aged 65 and above fell to 6.0% and 14.5% respectively

Poor population and poverty rate by age, 2009-2020

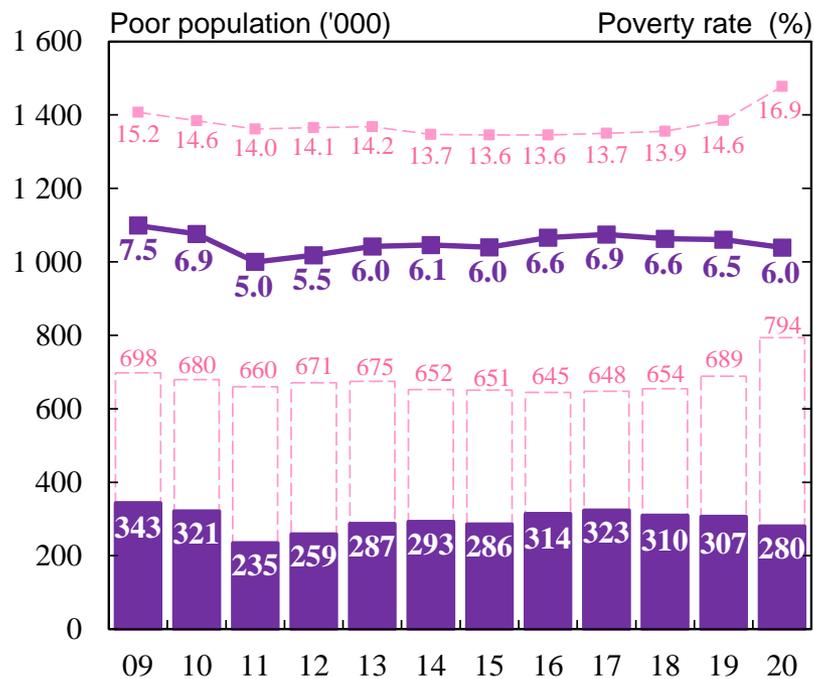
Pre-intervention
(purely theoretical assumption)

Post-intervention
(all selected measures)

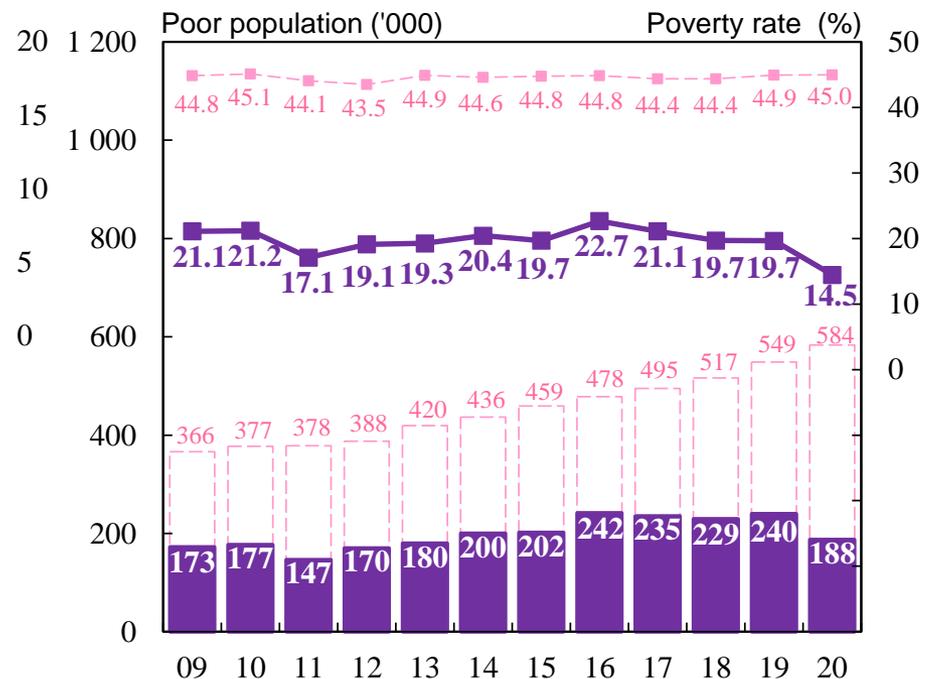
Poor population (LHS)
Poverty rate (RHS)



(c) Persons aged 18 to 64



(d) Elders aged 65 and above



Source: General Household Survey, Census and Statistics Department.

Analysed by economic characteristic of households: **the poverty rates of working and unemployed households** likewise showed declines. Yet, the negative impact of economic recession can still be observed from their respective pre-intervention poverty indicators (particularly in unemployed households)

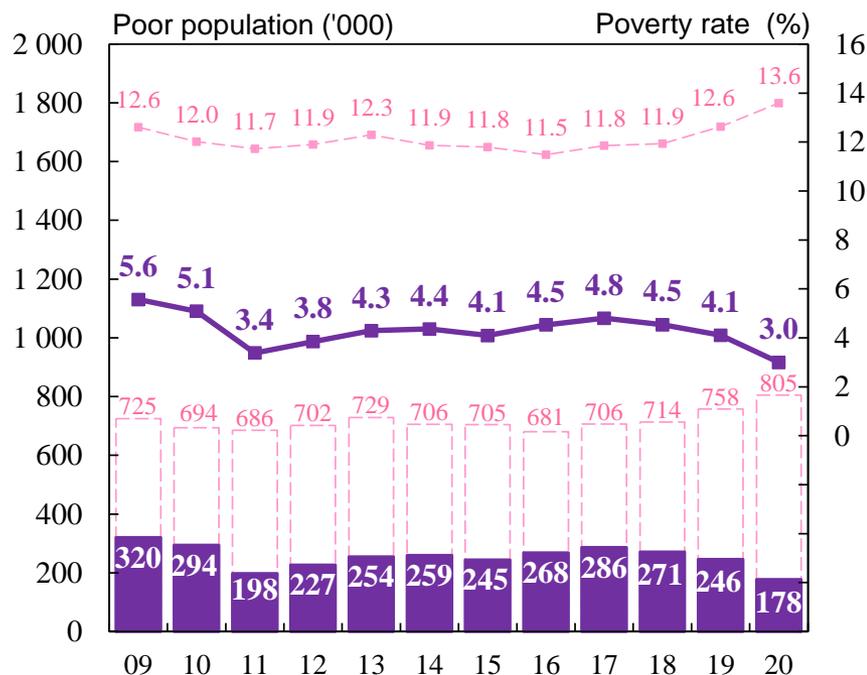
Poor population and poverty rate by economic characteristic of households, 2009-2020

Pre-intervention (purely theoretical assumption) Post-intervention (all selected measures)

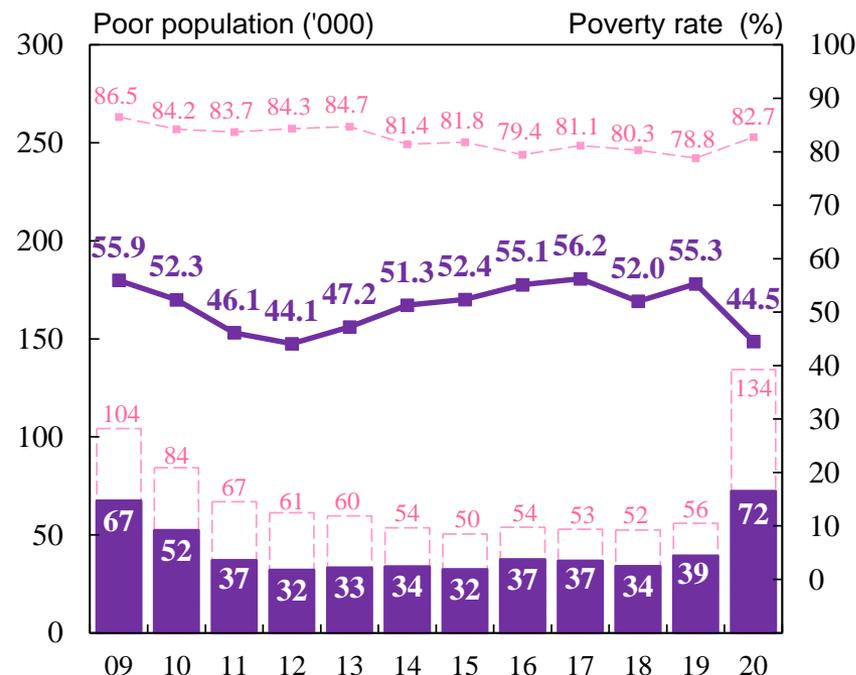
Poor population (LHS)
Poverty rate (RHS)



(a) Working households



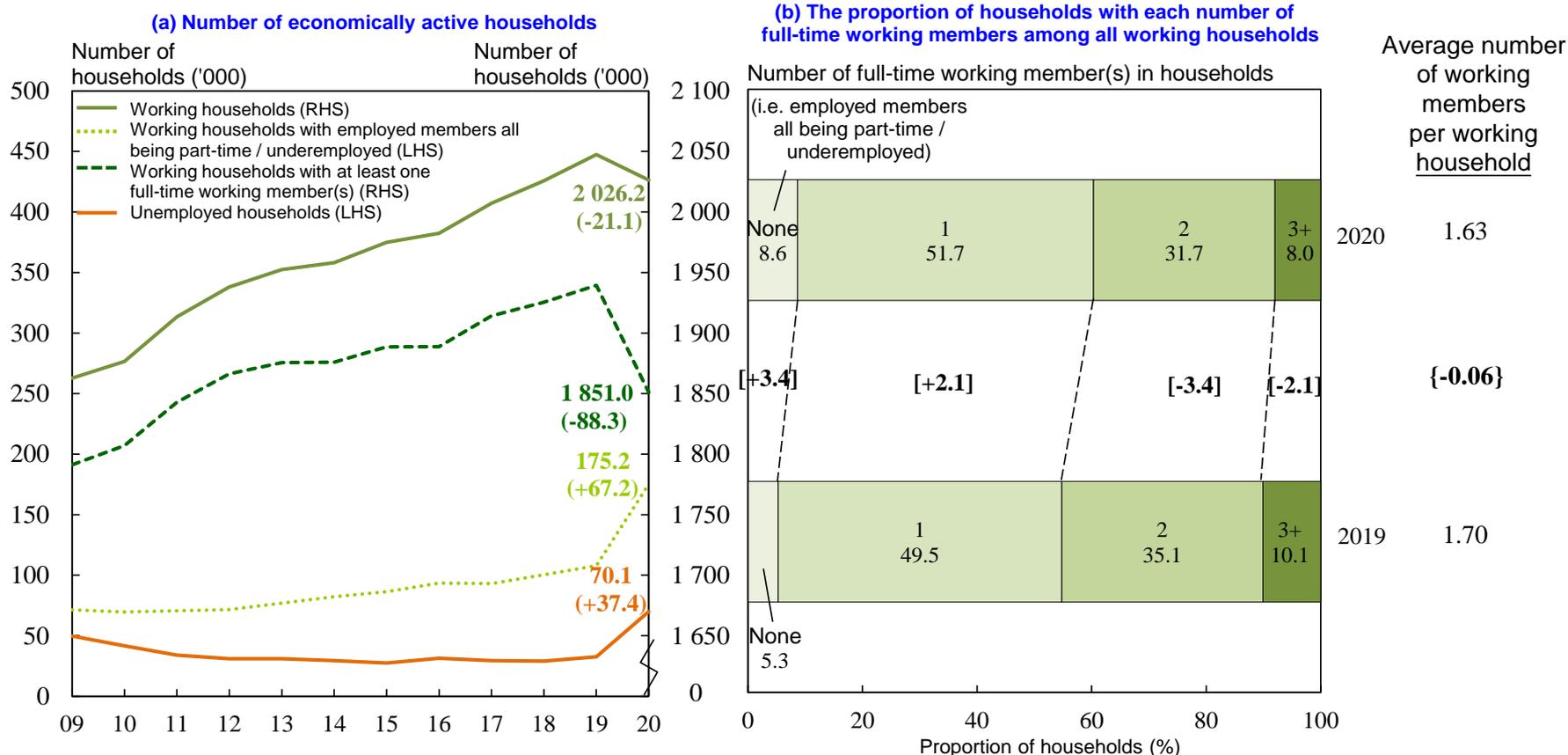
(b) Unemployed households



Source: General Household Survey, Census and Statistics Department.

As the employment situation deteriorated notably, the numbers of unemployed households and working households with all employed members being part-timers or underemployed both increased significantly: the number and proportion of working households with two and above full-time working members declined visibly. The income of working households was severely hard-hit

Number of overall economically active households and proportion of working households by number of full-time working members

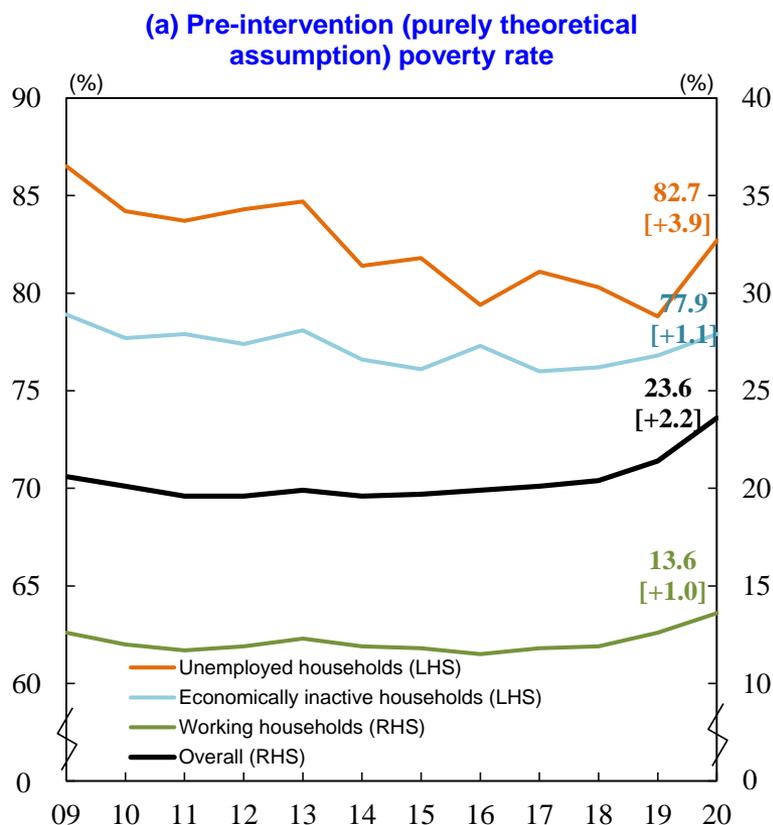


Notes: () Figures in parentheses denote the annual change of number of households, calculated using unrounded figures.
 [] Figures in square brackets denote the annual change in proportion of households in percentage point(s), calculated using unrounded figures.
 { } Figures in curly brackets denote annual change of average number of working members per household, calculated using unrounded figures.

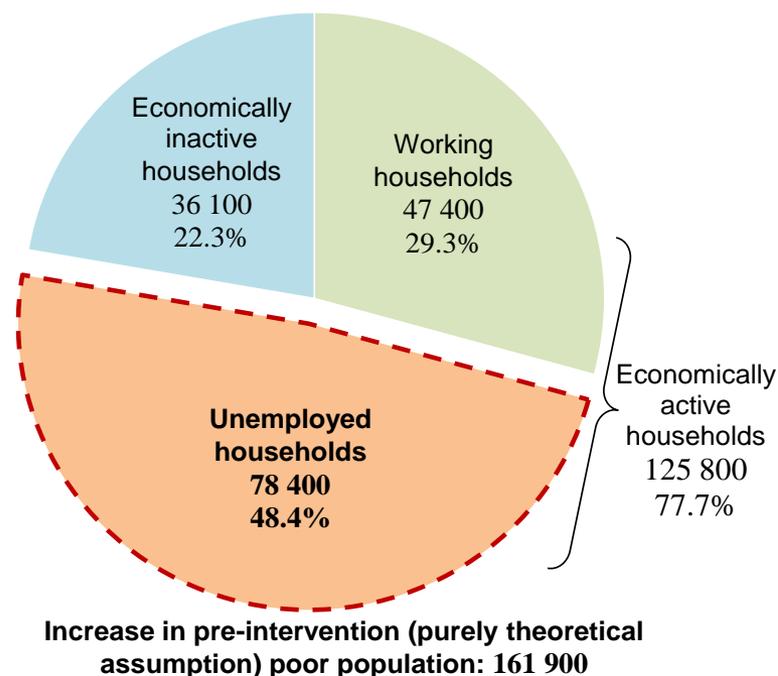
Source: General Household Survey, Census and Statistics Department.

Further analysing the negative impacts of macroeconomic conditions on the poverty situation in 2020 based on the **pre-intervention (purely theoretical assumption)** situation: the visible increase in the overall **poverty rate** was found to be driven mainly by a surge in the number of unemployed households and a distinct rise in their poverty risk; nearly half of the increase in **poor population** were from unemployed households

Pre-intervention (purely theoretical assumption) poverty rate and increase in poor population by economic characteristic of households, 2020



(b) Increase in pre-intervention (purely theoretical assumption) poor population by economic characteristic of households



Notes: Poverty statistics refer to statistics before policy intervention (purely theoretical assumption).

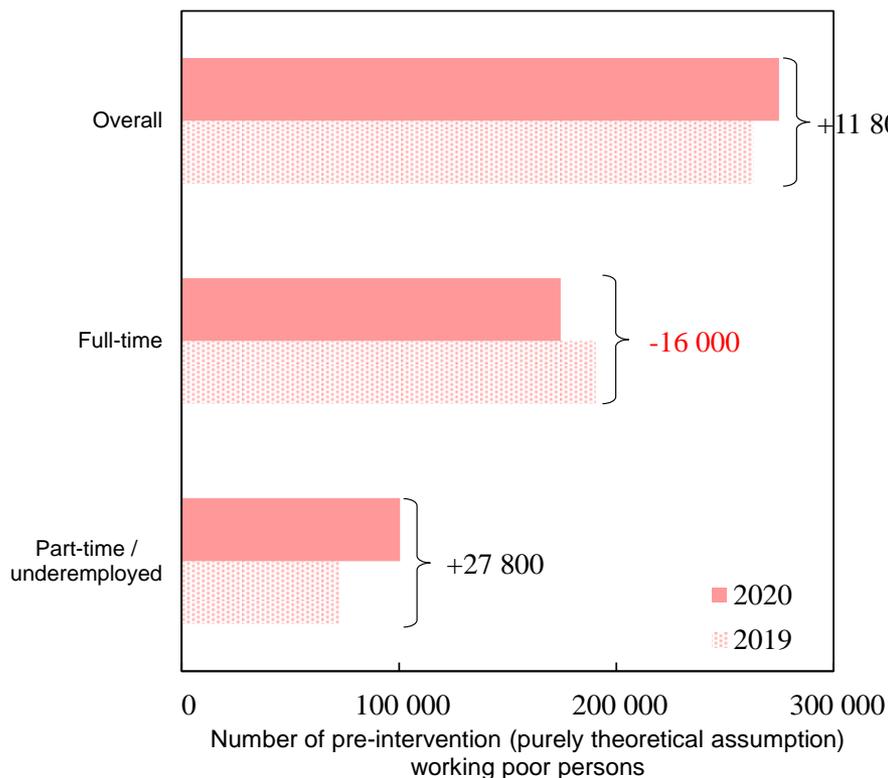
[] Figures in square brackets denote the annual change of poverty rate in percentage point(s), calculated using rounded figures.

Source: General Household Survey, Census and Statistics Department.

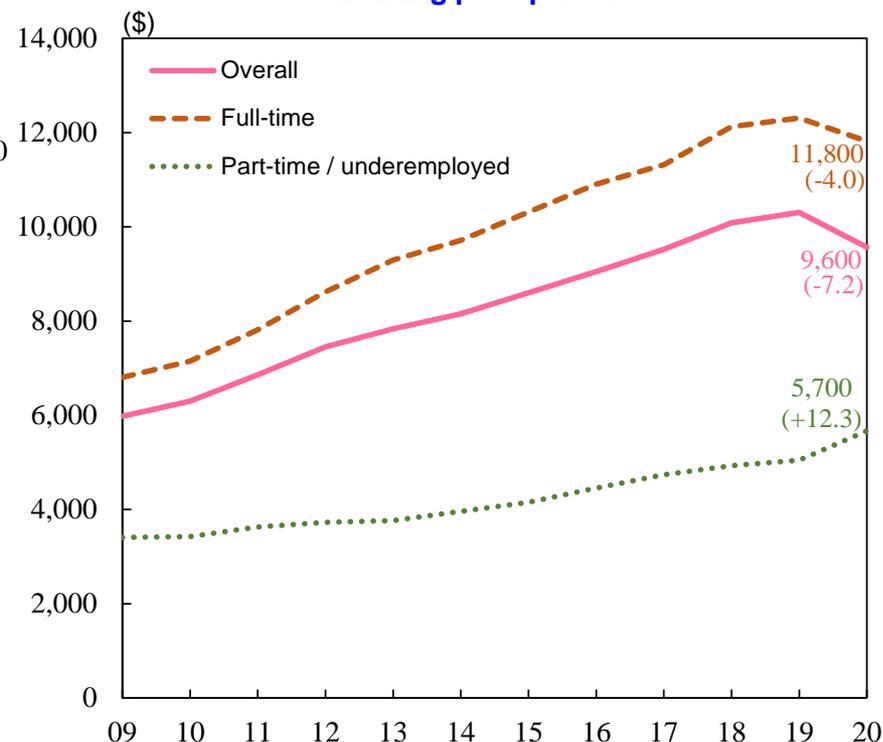
The number of pre-intervention (purely theoretical assumption) working poor persons also increased by 11 800: it is evident that unemployment led to a decline in the average number of working members per households. Besides, many of the family members, while still in employment, had to face working hour cuts or even became underemployed. This also put pressures on their employment earnings in consequence

Changes in the number of pre-intervention (purely theoretical assumption) working poor persons and their employment earnings, 2020

(a) Annual change in number of working poor persons



(b) Average monthly employment earnings of working poor persons

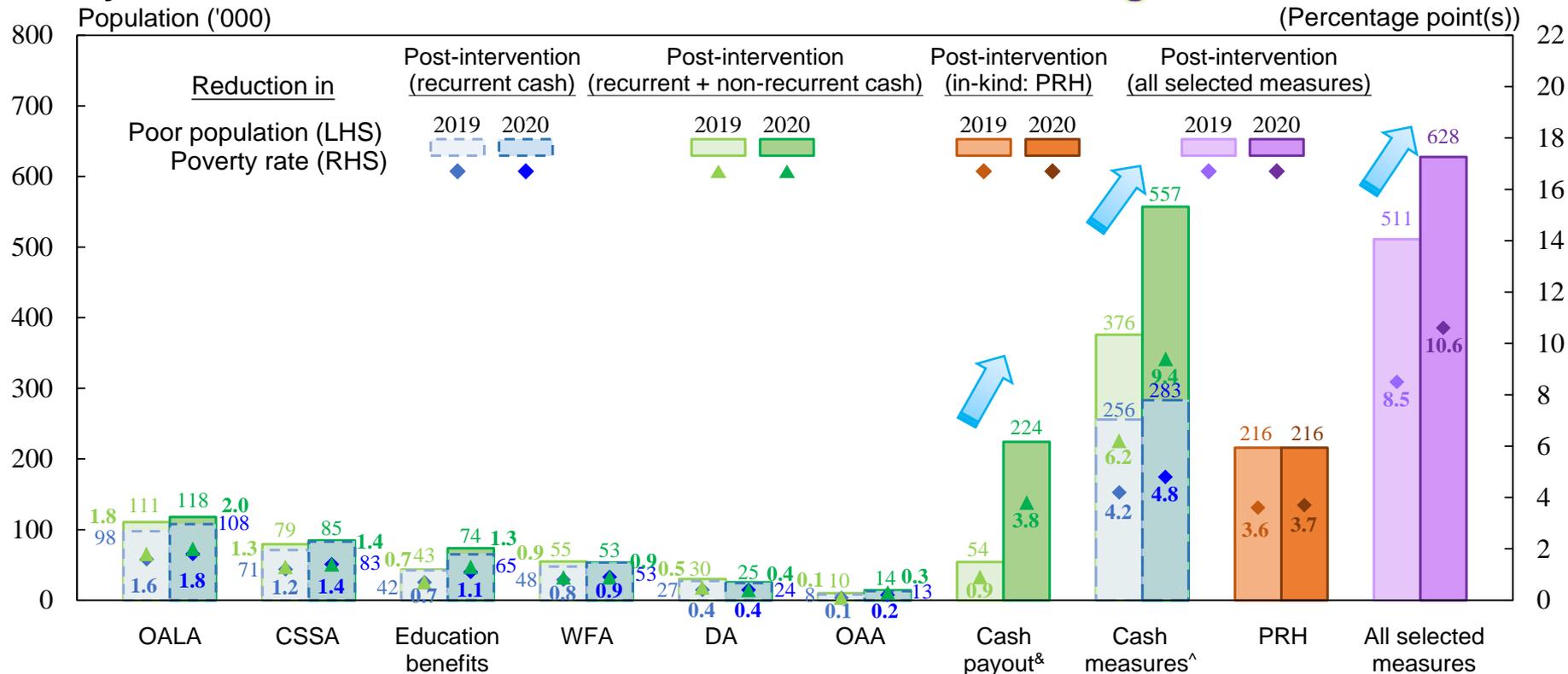


Notes: () Figures in parentheses denote the annual change (%) of average monthly employment earnings, calculated using unrounded figures. Poverty statistics refer to statistics before policy intervention (purely theoretical assumption).

Source: General Household Survey, Census and Statistics Department.

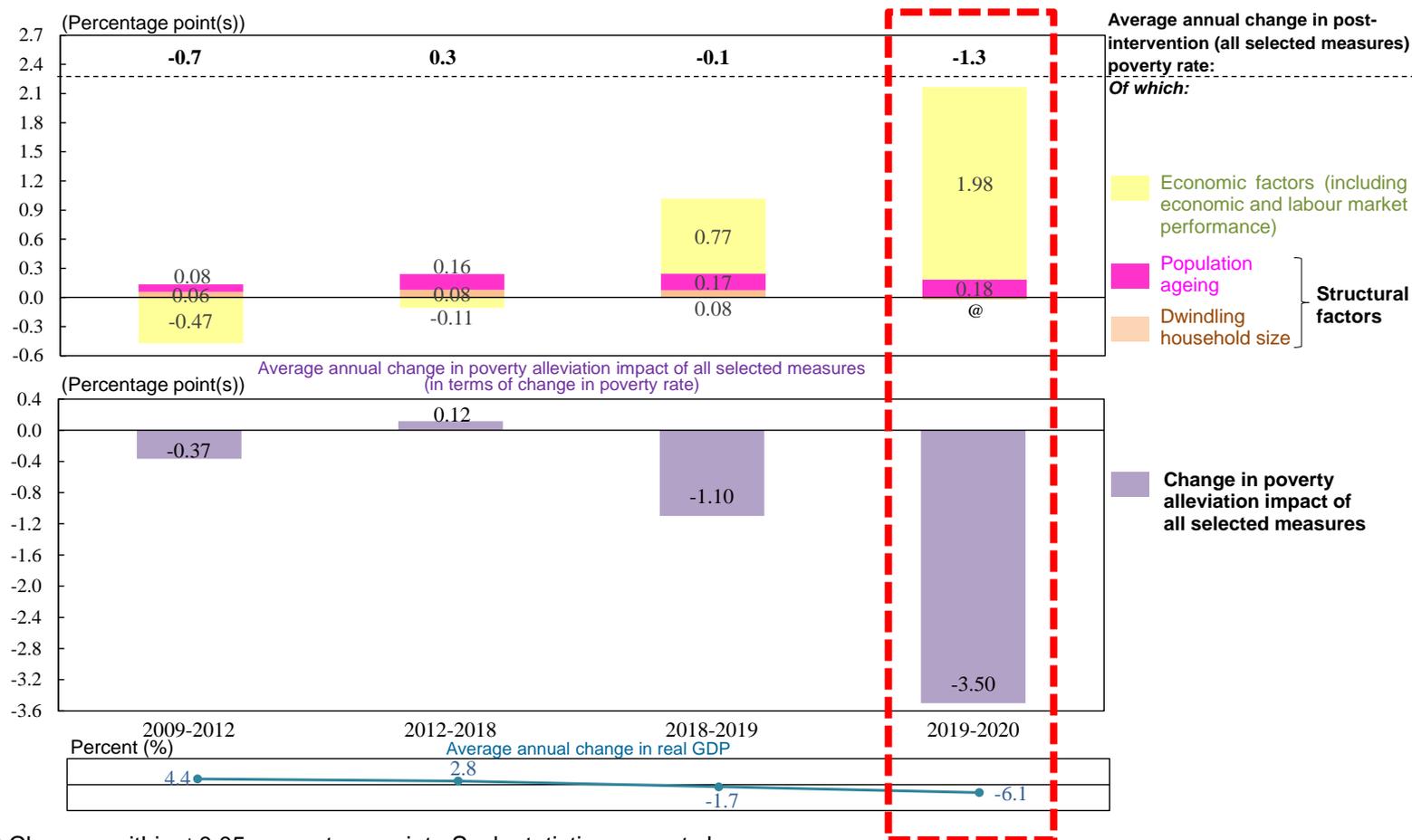
In face of the difficult employment conditions, the Government's policy intervention measures played a pivotal role in relieving the burden of working households. Taking into account policy intervention of all selected measures, the poverty alleviation impact on working households increased to 10.6 percentage points. As such, the post-intervention (all selected measures) poverty rate of working households showed a decline to 3.0% instead of an increase

Poverty alleviation effectiveness of selected measures on working households, 2019-2020



- Notes: (&) Figures for 2019 included Caring and Sharing Scheme. Those for 2020 included Cash Payout Scheme and "One-off Allowance for New Arrivals from Low-income Families" Programme.
- ([^]) Apart from the major recurrent / non-recurrent cash measures listed in the chart, cash measures also included Public Transport Fare Subsidy Scheme, measures under AEF and other relief measures rolled out in light of the pandemic that can be imputed in the framework (e.g. Special allowance for eligible WFA and SFA households), cash items under CCF, etc.
- Source: General Household Survey, Census and Statistics Department.

It is broadly estimated that the macroeconomic factors pushed the **pre-intervention (purely theoretical assumption)** poverty rate up by nearly 2.0 percentage points, far higher than that from the structural factors (around 0.2 percentage point). Yet, the Government rolled out a huge package of counter-cyclical measures (poverty alleviation impact strengthened by 3.5 percentage points), more than offsetting the negative impacts from the previous two factors



Notes: (@) Changes within ± 0.05 percentage point. Such statistics are not shown.

Average annual changes in the poverty rate were computed based on rounded figures, while those for individual factors in the decomposition of the poverty rate were computed based on unrounded figures. The sum of the latter may thus differ slightly from the total.

The change in pre-intervention (purely theoretical assumption) poverty rate (annual average) is decomposed into “economic factors” and “structural factors”. These factors, together with the estimated change in the poverty alleviation impact of Government’s policy intervention during the period, add up to the change in post-intervention (all selected measures) poverty rate.

Sources: General Household Survey and Quarterly Report on Gross Domestic Product, Census and Statistics Department.

III. Key observations

1. **Being affected by the global COVID-19 pandemic, the Hong Kong economy experienced a severe recession in 2020. Should there be no timely policy intervention by the Government, it would be inevitable to see a distinct deterioration in the poverty situation. In response to this major challenge, the Government rolled out a huge package of non-recurrent measures last year to stabilise the economy and relieve the pressure on the grassroots' livelihood.**
 - **After policy intervention of all selected policies**, the overall poverty rate and the size of the poor population fell markedly in 2020 over the preceding year. Annual decreases in the poverty rates were observed in different age groups, genders, and most of the groups classified by household characteristic, illustrating the widespread impact of the non-recurrent measures that could largely benefit various groups.
 - **The poverty alleviation impact of all selected measures** strengthened substantially by 3.5 percentage points over 2019 to 15.7 percentage points, mainly as a result of the non-recurrent measures launched, such as the cash payout of \$10,000 and the relevant measures under AEF (individual effectiveness were 3.8 and 1.1 percentage points respectively). These relieved the burden of the grassroots and effectively suppressed the surge in poverty rate that would have come about during the economic downturn. Moreover, the recurrent cash (6.3 percentage points) and in-kind measures (such as PRH: 3.8 percentage points) continued to play a role in alleviating poverty and helping the disadvantaged.
2. **The macroeconomic conditions could have significant impact on the local poverty situation**
 - An analysis based on the pre-intervention (purely theoretical assumptions) situation reveals that as the labour market deteriorated sharply in 2020, the number of unemployed households surged, and their poverty risk rose distinctly. These would have been the main factors behind the noticeable deterioration in the overall poverty situation (had there been no timely policy intervention by the Government). Significant job losses together with reductions in working hours and underemployment also exacerbated the situation of working poor during the year. All these illustrate that macroeconomic downturn could have a significant impact on the local poverty situation.

III. Outlook

- **Looking ahead, the poverty situation outlook hinges on the development of the pandemic across the globe and the pace of economic recovery in Hong Kong**
 - If the Hong Kong community can provide widespread support to the implementation of the vaccination programme and anti-epidemic measures, it would lay a solid foundation for the economy to swiftly return to the right track, and for the labour market to recover further. This would help bring relief to the local poverty situation as well, in particular the working poverty situation. But it should be noted that the performance of post-intervention (all selected measures) poverty indicators might be affected by the scaling down of one-off measures after economic recovery.
- **The Chief Executive's 2021 Policy Address delivered in October stated clearly that it is necessary to continuously improve people's livelihood**
 - The Government's poverty alleviation strategies will focus on four areas in future:
 - Continue to lift needy elderly out of poverty by providing cash welfare (including merging the Normal and Higher OALA in the second half of 2022, so that the more lenient asset limits of the Normal OALA will be adopted across-the-board, and eligible applicants will receive payment at the Higher OALA rate);
 - Continue to develop our economy, provide training and retraining, encourage employment, and provide financial support for working households with lower incomes (particularly those with children) through the WFA Scheme;
 - Vigorously speed up PRH construction, build more transitional housing and provide cash allowances to eligible households who have been waiting for PRH for more than three years; and
 - Strengthen the MPF retirement protection under the principle of shared responsibility.