Commission on Poverty Summit
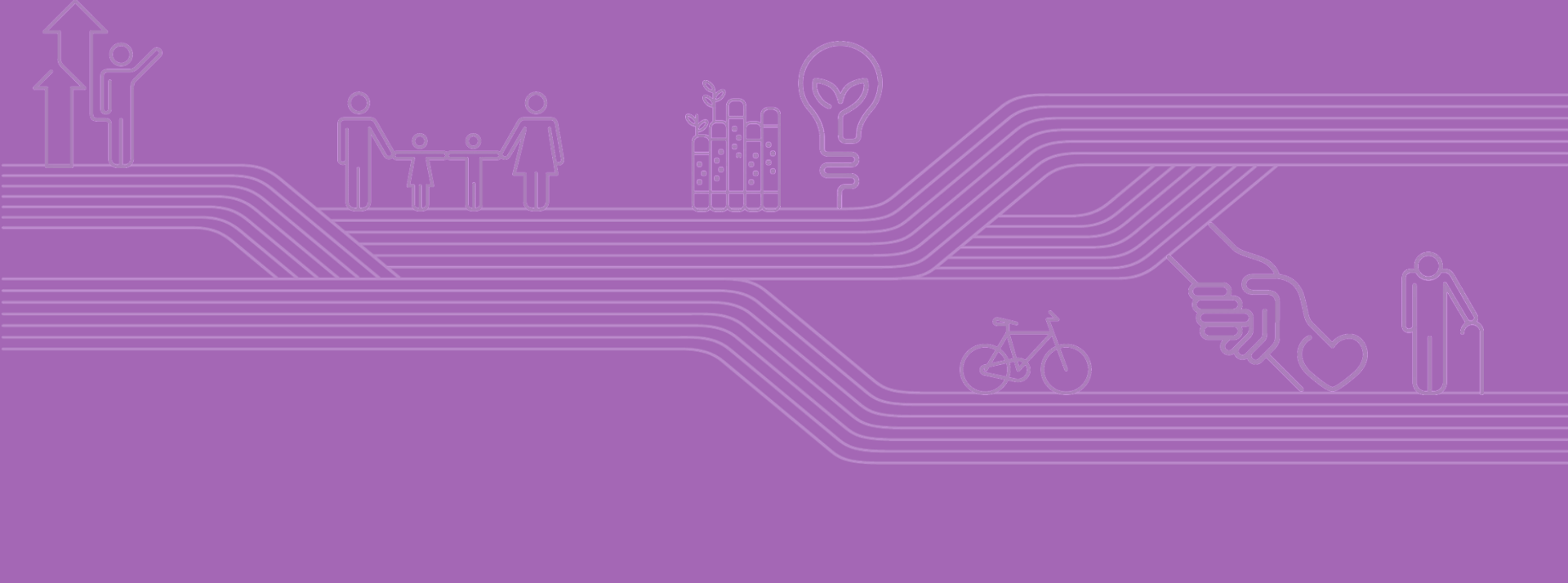
Analysis of the 2015 Poverty Situation

Chief Secretary for Administration and
Chairman of the Commission on Poverty

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15 October 2016

Contents

- Functions of the poverty line

- Analysis of the 2015 poverty situation

- Observations and conclusions

Functions of the poverty line

Poverty line as an effective policy tool

- This is the fourth update of the poverty line since it was set in 2013. The figures cover the situation in the past seven years (2009 – 2015).

- The poverty line analysis helps the Government to keep in view the poverty situation, guide policy formulation and assess policy effectiveness.

- Based on the analytical framework of the poverty line, study reports on the poverty situation of ethnic minorities and people with disabilities were compiled. A study on the earnings mobility of post-secondary graduates from underprivileged backgrounds in different generations was also published.

- Continuous updates of the official poverty line provide a consensus-building platform for public discourse on the problem of poverty, facilitating objective and rational exchanges.

Poverty line as an effective policy tool (continued)

- In this update, the following enhancements have been made in the poverty line analysis:

  - ➢ Analysing the poverty situation by the age of household heads
  - ➢ Decomposing the impact of population ageing and other structural factors on the poverty situation

- Based on the results of the 2014/15 Household Expenditure Survey, we are now analysing the expenditure pattern of low-income households, and will publish a report by end of this year. The analysis is solely for reference. The Commission on Poverty (CoP) has no intention to re-define or revise the existing poverty line.

Limitations of the poverty line

- Adopting the concept of "relative poverty", the poor population as defined by the poverty line is subject to the influence of the economic situation and demographic structure. It is difficult to set specific poverty alleviation target.

- The core analysis of the poverty line only assesses the poverty alleviation impact of the Government's recurrent cash policy intervention. The effectiveness of other policies (such as public rental housing) cannot be fully reflected.

- Only income is measured, but not assets. "Income-poor, asset-rich" would be regarded as poor people. The poverty rate will be overstated.

- The poverty line is not a "poverty alleviation line". Policy efforts should aim at both alleviating and preventing poverty.

Limitations of the poverty line (continued)

- Despite the limitations, the official poverty line has been widely adopted for research purposes in other studies. Specific examples include:

Research reports

➢ 《貧窮焦點2015:金錢以外的貧窮面向》 *(HKCSS,2016)
➢ 《Study on the Basic Cost of Living and the Poverty Line》(Oxfam, 2014)

Commentaries

➢ 《從收入和開支狀況看長者貧窮問題》 *(Prof Paul S.F. YIP，2016)
➢ 《長者貧窮率被高估了》 *(Prof Chou Kee Lee, 2014)
➢ 《貧窮線·貧窮戶所享公屋資助的價值》 * (Prof Richard Y.C. Wong, 2014)
➢ 《What's next? Impact of the poverty line》(The Bauhinia Foundation Research Centre, 2013)

Academic journals

➢ Assessing the impact of population dynamics on poverty measures: a decomposition analysis (Prof Paul S.F. YIP and others, 2016)
➢ Poverty in Hong Kong (Dr Maggie K.W. Lau and others, 2015)

Note: (*) The publications have no English name
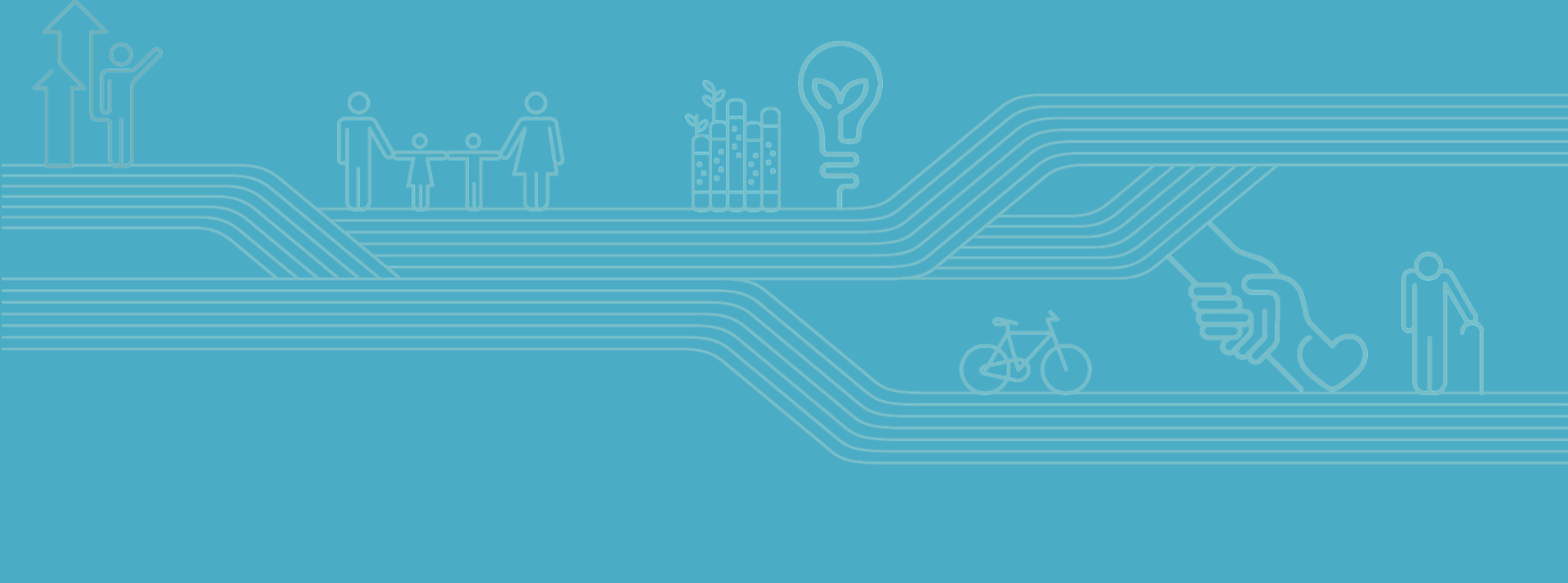
Key analysis of the 2015 poverty situation

Moderate economic growth and full employment in 2015

Stable job market

- Growth in job positions︰31 700
- Total employment hit new high︰3 780 900
- Unemployment rate remained unchanged︰3.3%

Earnings of grassroots workers continued to grow

- With the uprating of statutory minimum wage (SMW) in 2015, grassroots workers enjoyed a higher-than-overall growth rate in employment earnings.
- The average employment earnings of full-time employees in the lowest decile group saw an increase of 5.6% over 2014.

The Government continues to strengthen its poverty alleviation efforts

Recurrent government expenditure on social welfare, 2012/13 – 2016/17
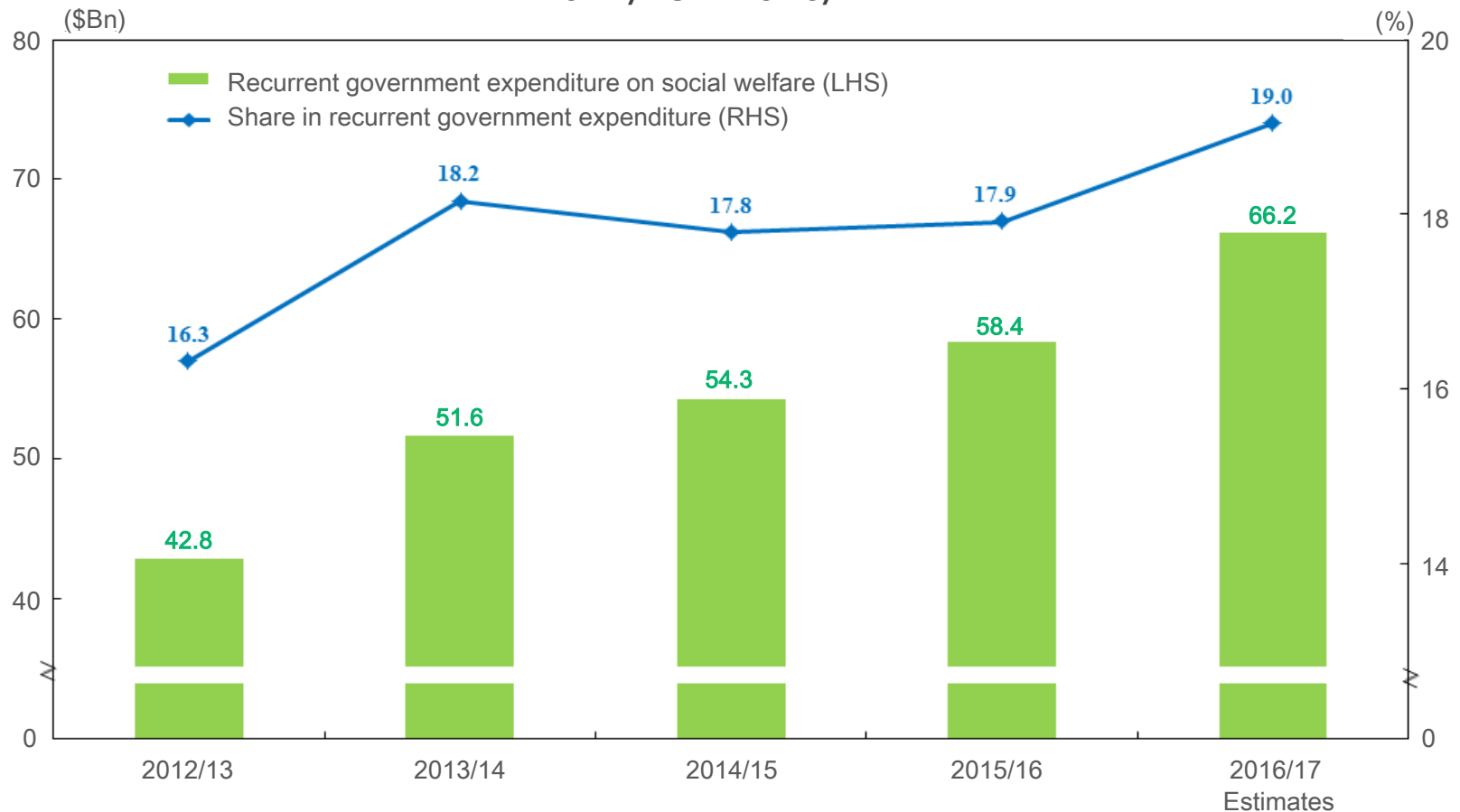
Note: Figures for 2014/15 and before are actual figures, while those for 2015/16 are revised estimates.
         Old Age Living Allowance was implemented in 2013, and Low-income Working Family Allowance was introduced in 2016.

Source: Financial Services and the Treasury Bureau.

Poverty line thresholds shifted upwards with the increase in household income

Poverty lines by household size, 2009-2015
(set at 50% of the median household income before tax and social benefit transfers)
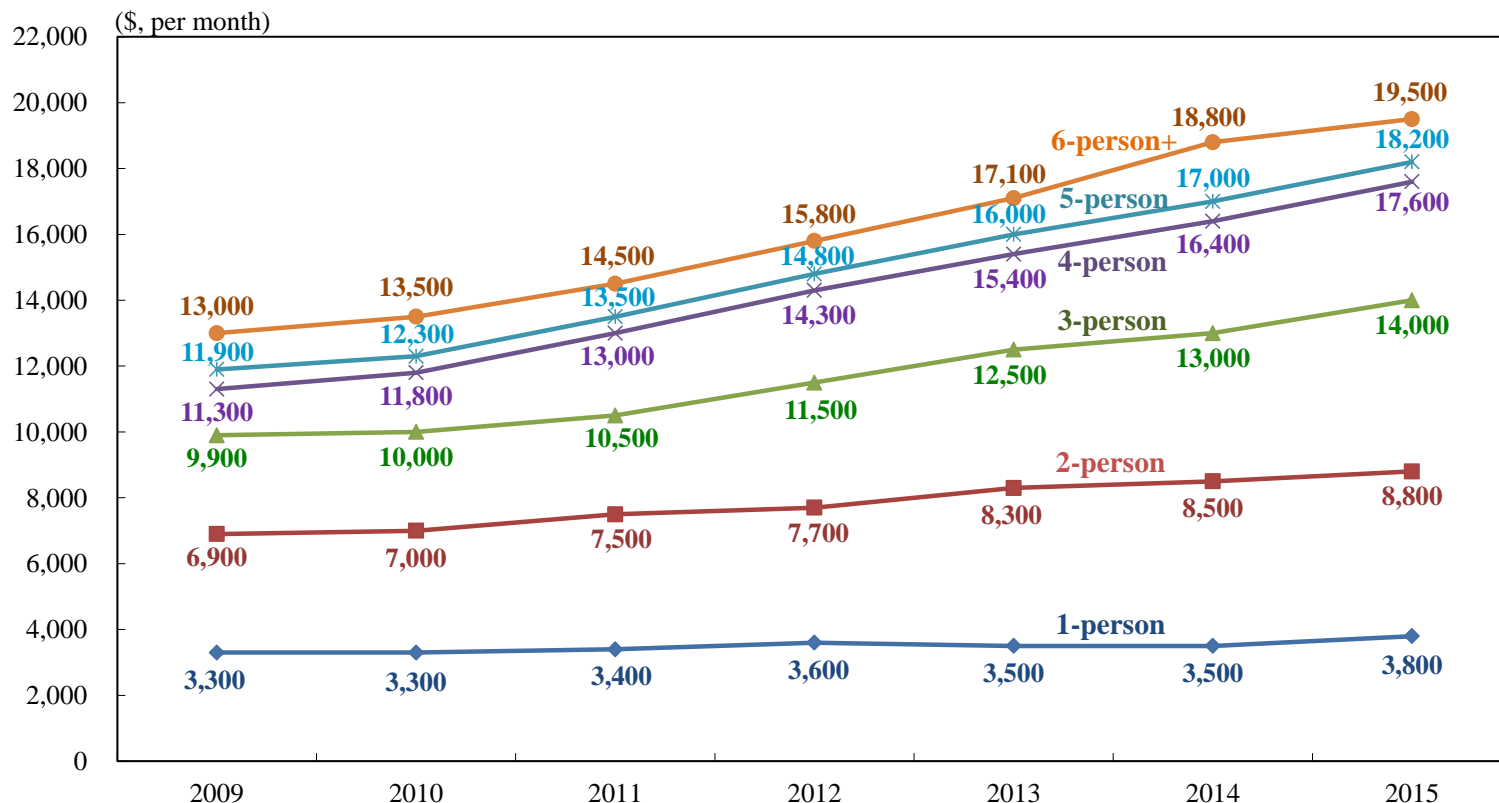
Source: General Household Survey, Census and Statistics Department.

The poverty rate for 2015 remained at 14.3% after recurrent cash intervention. Poor population showed a slight increase to 970 000, staying below one million for the third consecutive year

Poor population and poverty rate after recurrent cash benefits, 2009-2015
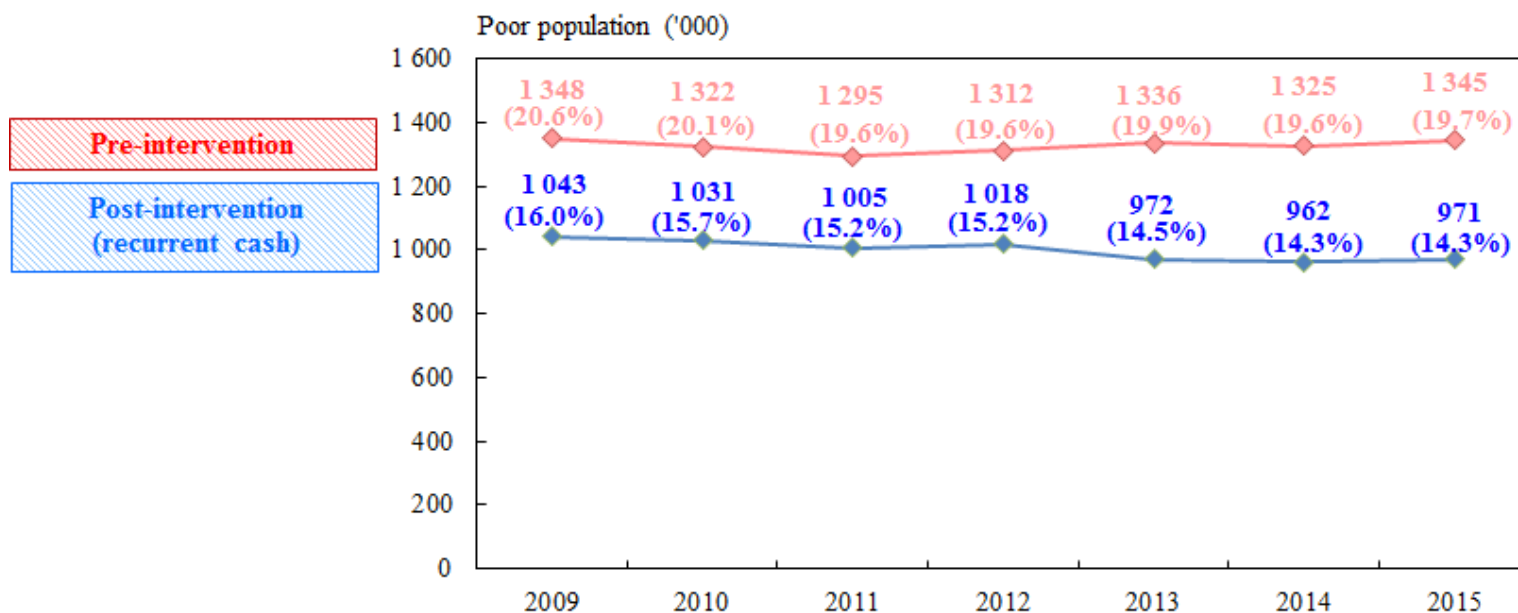
Poor population ('000)

	Pre-intervention	Post-intervention (recurrent cash)
2009	1 348 (20.6%)	1 043 (16.0%)
2010	1 322 (20.1%)	1 031 (15.7%)
2011	1 295 (19.6%)	1 005 (15.2%)
2012	1 312 (19.6%)	1 018 (15.2%)
2013	1 336 (19.9%)	972 (14.5%)
2014	1 325 (19.6%)	962 (14.3%)
2015	1 345 (19.7%)	971 (14.3%)

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

Note: ( ) Figures in parentheses denote the corresponding poverty rates.
Source: General Household Survey, Census and Statistics Department.

Non-recurrent cash benefits were also effective in poverty alleviation

Poor population and poverty rate after non-recurrent cash benefits, 2009-2015
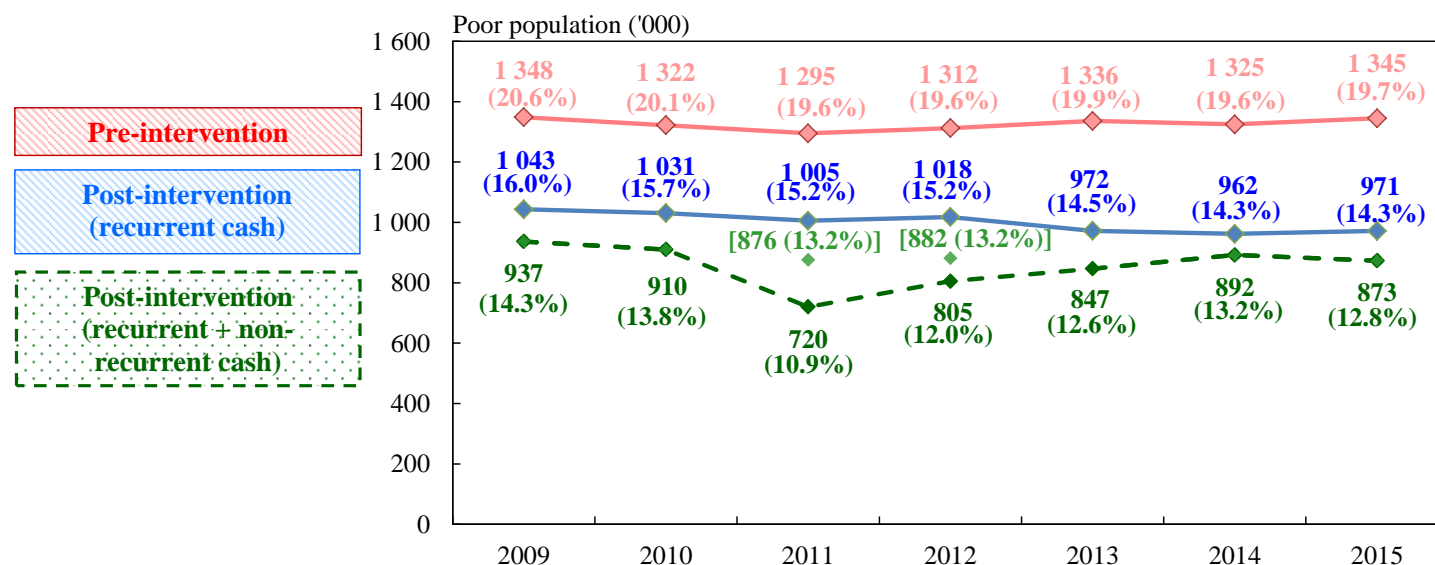
Poor population ('000)

Pre-intervention

Post-intervention (recurrent cash)

Post-intervention (recurrent + non-recurrent cash)

	2009	2010	2011	2012	2013	2014	2015
Pre-intervention	1 348 (20.6%)	1 322 (20.1%)	1 295 (19.6%)	1 312 (19.6%)	1 336 (19.9%)	1 325 (19.6%)	1 345 (19.7%)
Post-intervention (recurrent cash)	1 043 (16.0%)	1 031 (15.7%)	1 005 (15.2%)	1 018 (15.2%)	972 (14.5%)	962 (14.3%)	971 (14.3%)
Post-intervention (recurrent + non-recurrent cash)	937 (14.3%)	910 (13.8%)	720 (10.9%) [876 (13.2%)]	805 (12.0%) [882 (13.2%)]	847 (12.6%)	892 (13.2%)	873 (12.8%)

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

Notes: ( ) Figures in parentheses denote the corresponding poverty rates.
[ ] Figures in square brackets denote the corresponding poverty figures 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 the remaining years.

Source: General Household Survey, Census and Statistics Department

In-kind benefits (mainly public rental housing) had a notable effect in poverty alleviation

Poor population and poverty rate after in-kind benefits, 2009-2015
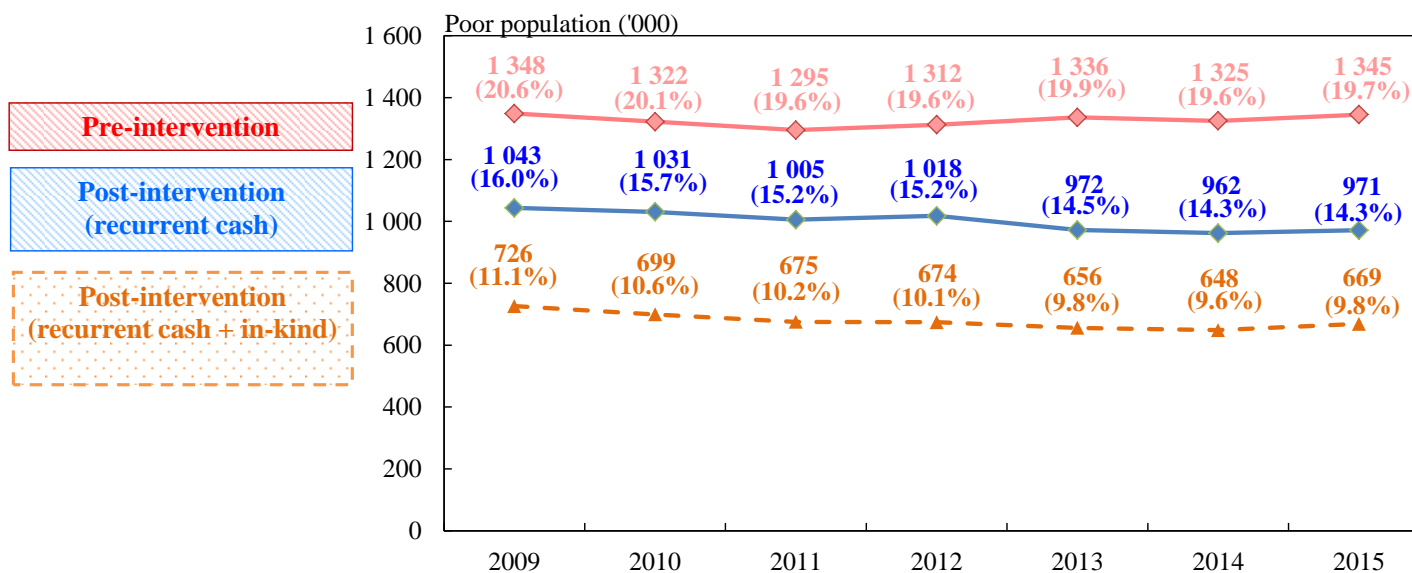
Poor population ('000)

Pre-intervention

Post-intervention (recurrent cash)

Post-intervention (recurrent cash + in-kind)

	2009	2010	2011	2012	2013	2014	2015
Pre-intervention	1 348 (20.6%)	1 322 (20.1%)	1 295 (19.6%)	1 312 (19.6%)	1 336 (19.9%)	1 325 (19.6%)	1 345 (19.7%)
Post-intervention (recurrent cash)	1 043 (16.0%)	1 031 (15.7%)	1 005 (15.2%)	1 018 (15.2%)	972 (14.5%)	962 (14.3%)	971 (14.3%)
Post-intervention (recurrent cash + in-kind)	726 (11.1%)	699 (10.6%)	675 (10.2%)	674 (10.1%)	656 (9.8%)	648 (9.6%)	669 (9.8%)

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

Note: ( )   Figures in parentheses denote the corresponding poverty rates.
Source: General Household Survey, Census and Statistics Department.

Comprehensive Social Security Assistance (CSSA) Scheme, Old Age Living Allowance and public rental housing (PRH) were most effective in poverty alleviation

Effectiveness of selected recurrent cash benefits and PRH in poverty alleviation, 2015

Population ('000) — (Percentage point(s))

- □ Reduction in poor population (LHS)
- ♦ Reduction in poverty rate (RHS)
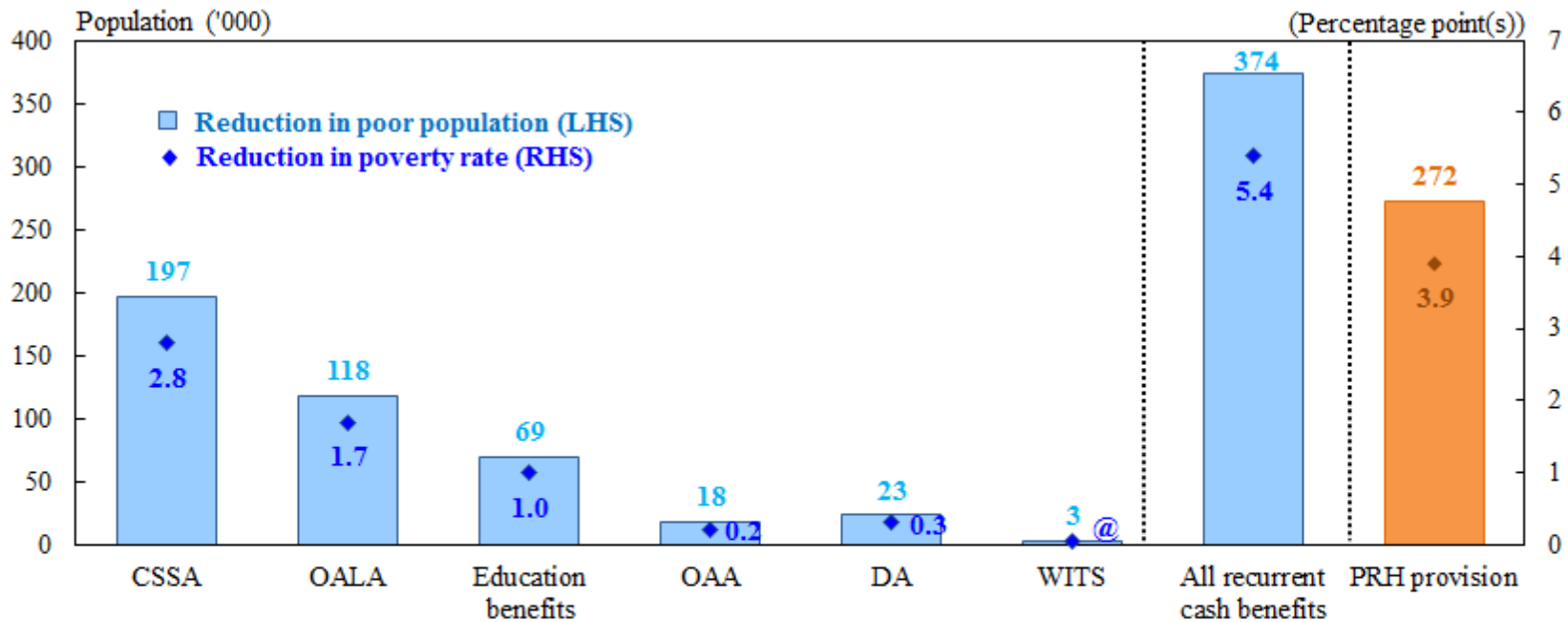
	CSSA	OALA	Education benefits	OAA	DA	WITS	All recurrent cash benefits	PRH provision
Reduction in poor households ('000)	108	54	18	9	8	1	177	102

Note: (@) Less than 0.05 percentage point.

Source: General Household Survey, Census and Statistics Department.

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Overview of the poverty situation in 2015

	Poor household	Poor population	Poverty rate
Pre-intervention	570 000 (560 000)	1 340 000 (1 320 000)	19.7% (19.6%)
Post-intervention (recurrent cash)	390 000 (380 000)	970 000 (960 000)	14.3% (14.3%)
Post-intervention (recurrent cash+ non-recurrent cash)	350 000 (360 000)	870 000 (890 000)	12.8% (13.2%)
Post-intervention (recurrent cash+ in-kind benefits)	280 000 (270 000)	670 000 (650 000)	9.8% (9.6%)

Note: ( ) In parentheses are figures for 2014.
Source: General Household Survey, Census and Statistics Department.

Different social groups have benefited from policy intervention. Their poverty situation improved

Poverty rate and poor population of selected social groups, 2015

Poor population ('000)

- ■ Pre-intervention
- ■ Post-intervention (recurrent cash)

CCSA: Pre 364.4 (96.5%), Post 167.5 (44.4%)
Elderly: Pre 299.1 (71.6%), Post 196.1 (47.0%)
Single-parent: Pre 97.9 (47.3%), Post 74.0 (35.8%)
New-arrival: Pre 86.4 (37.7%), Post 73.0 (31.8%)
With-children: Pre 567.0 (20.9%), Post 433.5 (16.0%)
Youth: Pre 4.2 (5.5%), Post 2.7 (3.6%)
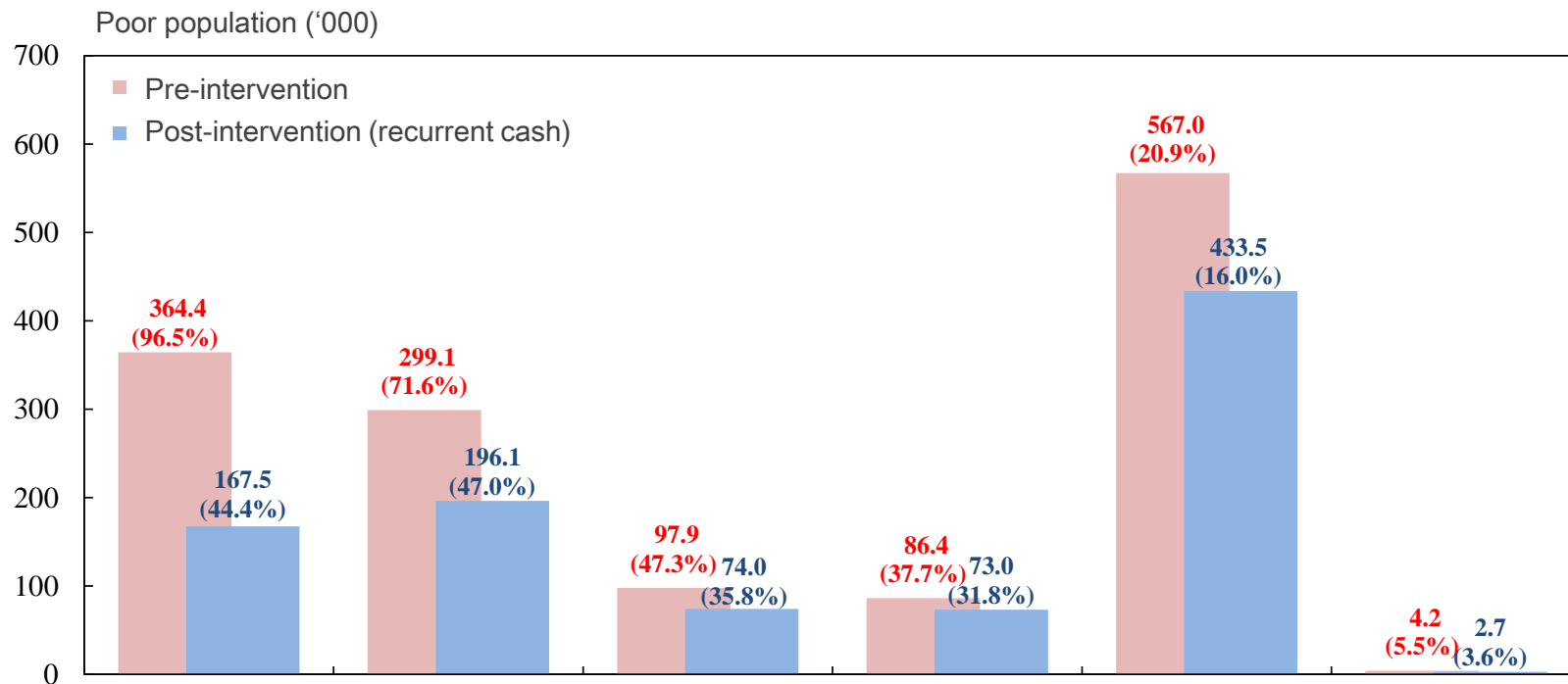
Compared with 2014 (Post-intervention)	CCSA	Elderly	Single-parent	New-arrival	With-children	Youth
Poor population ('000)	-6.1	+13.7	+1.9	-10.9	-4.6	+0.1
Poverty rate (percentage point) @	@	+0.1	-0.6	-0.6	-0.2	-0.2

Note: (@) Changes less than 0.05 percentage point.
Source: General Household Survey, Census and Statistics Department.

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Employment is still the best route out of poverty

Poverty rate and poor population of selected economic groups, 2015

Poor population ('000)

Legend:
- ■ Pre-intervention
- ■ Post-intervention (recurrent cash)

Unemployed
- 50.5 (81.8%)
- 43.2 (69.9%)

Economically inactive
- 589.8 (76.1%)
- 450.8 (58.2%)

Working
- 704.7 (11.8%)
- 477.4 (8.0%)

Overall
- 1 345.0 (19.7%)
- 971.4 (14.3%)

Compared with 2014 (Post-intervention)
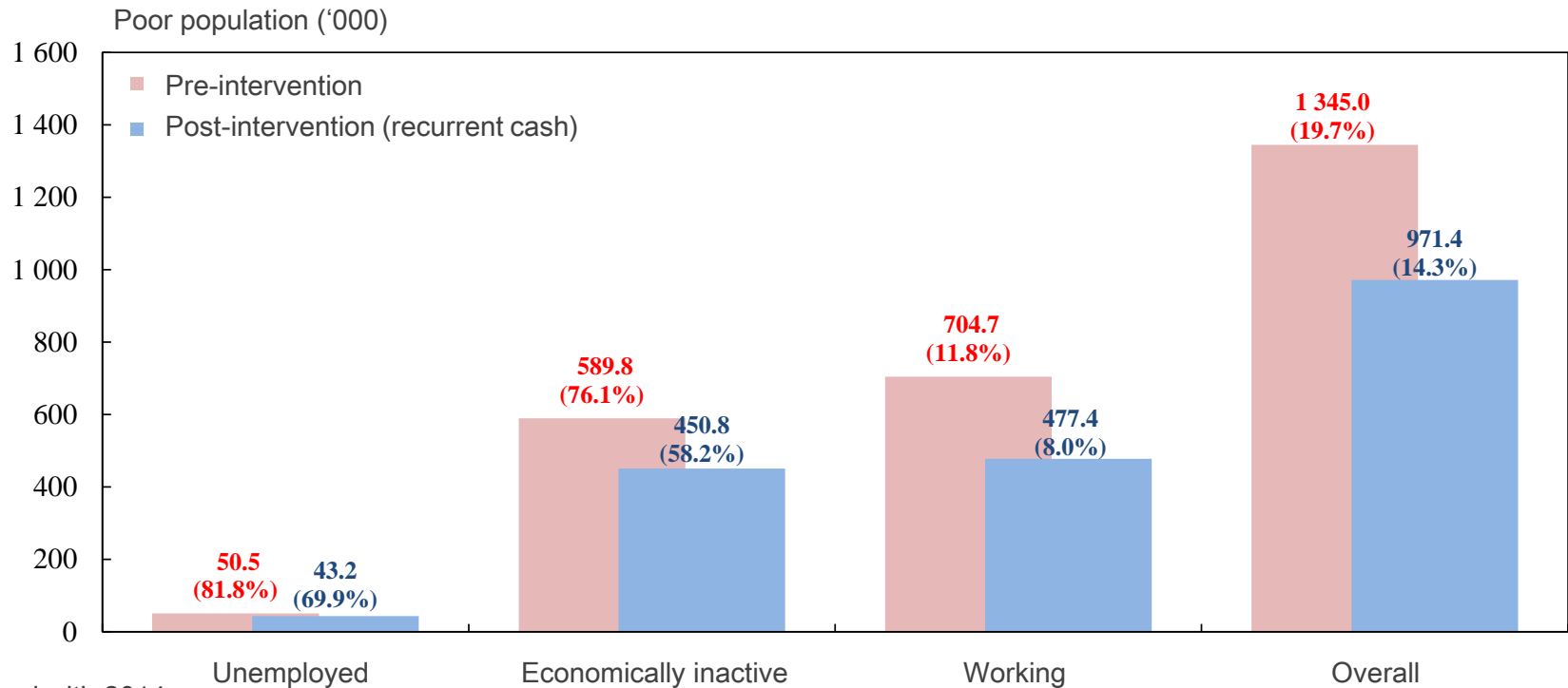
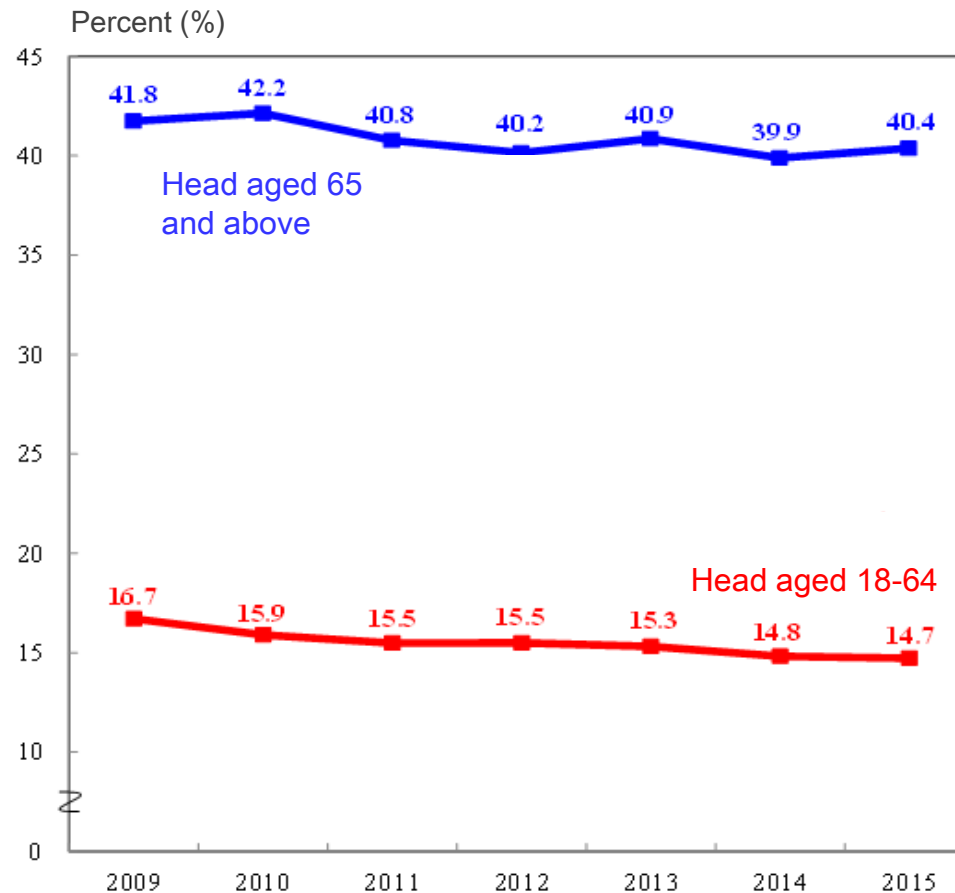|	Unemployed	Economically inactive	Working	Overall
Poor population ('000)	-1.9	+25.5	-14.2	+9.3
Poverty rate (percentage point)	+1.4	+0.6	-0.3	@

Note: (@) Changes less than 0.05 percentage point.
Source: General Household Survey, Census and Statistics Department.

The impact of economic growth in preventing poverty can be more clearly shown by looking at the poverty situation of households with household head aged 18 – 64

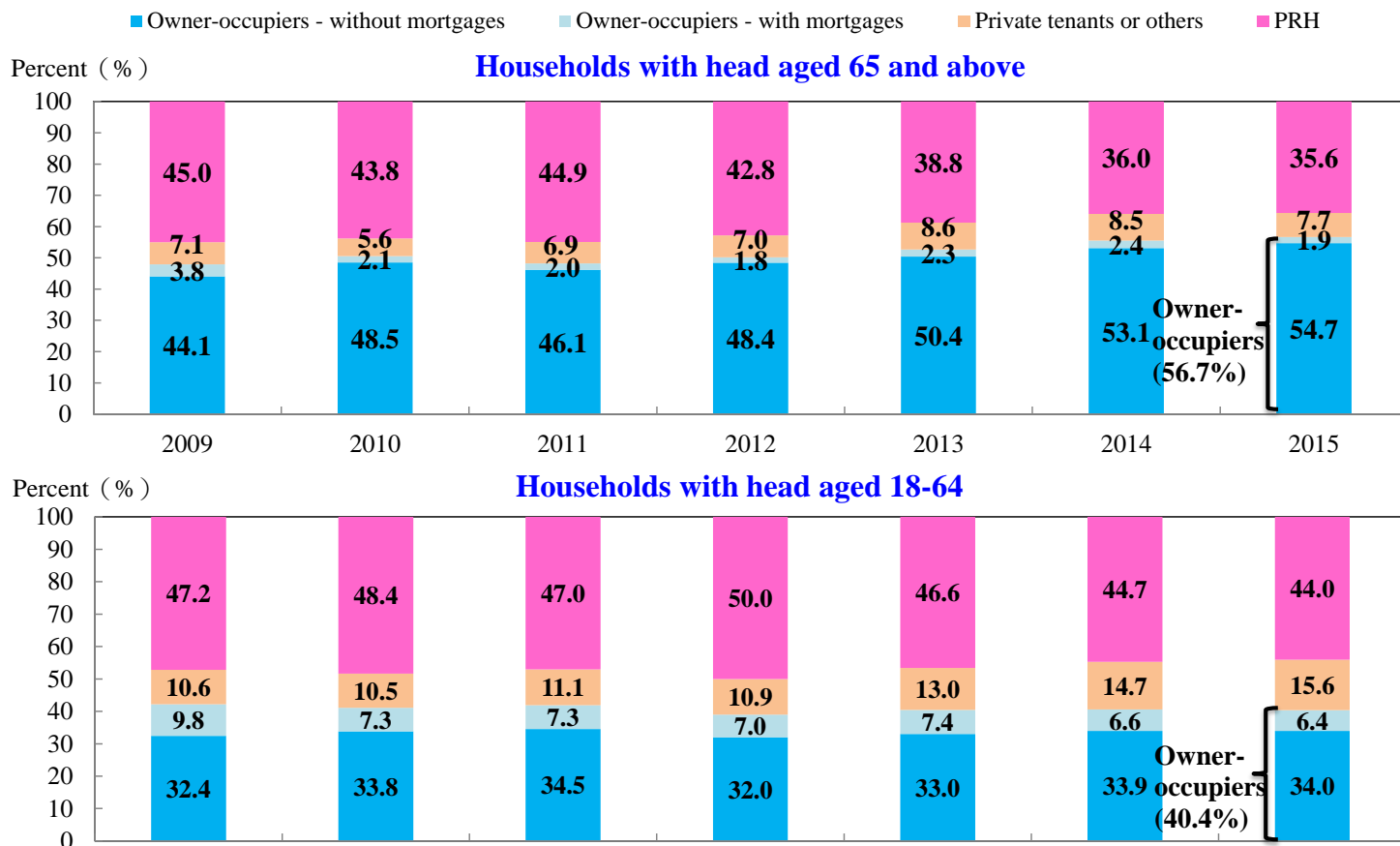**Pre-intervention poverty rate by age of household head, 2009-2015**

Percent (%)

Head aged 65 and above: 41.8, 42.2, 40.8, 40.2, 40.9, 39.9, 40.4

Head aged 18-64: 16.7, 15.9, 15.5, 15.5, 15.3, 14.8, 14.7

Source: General Household Survey, Census and Statistics Department.

Over half of the poor households with elderly as household head resided in owner-occupied housing
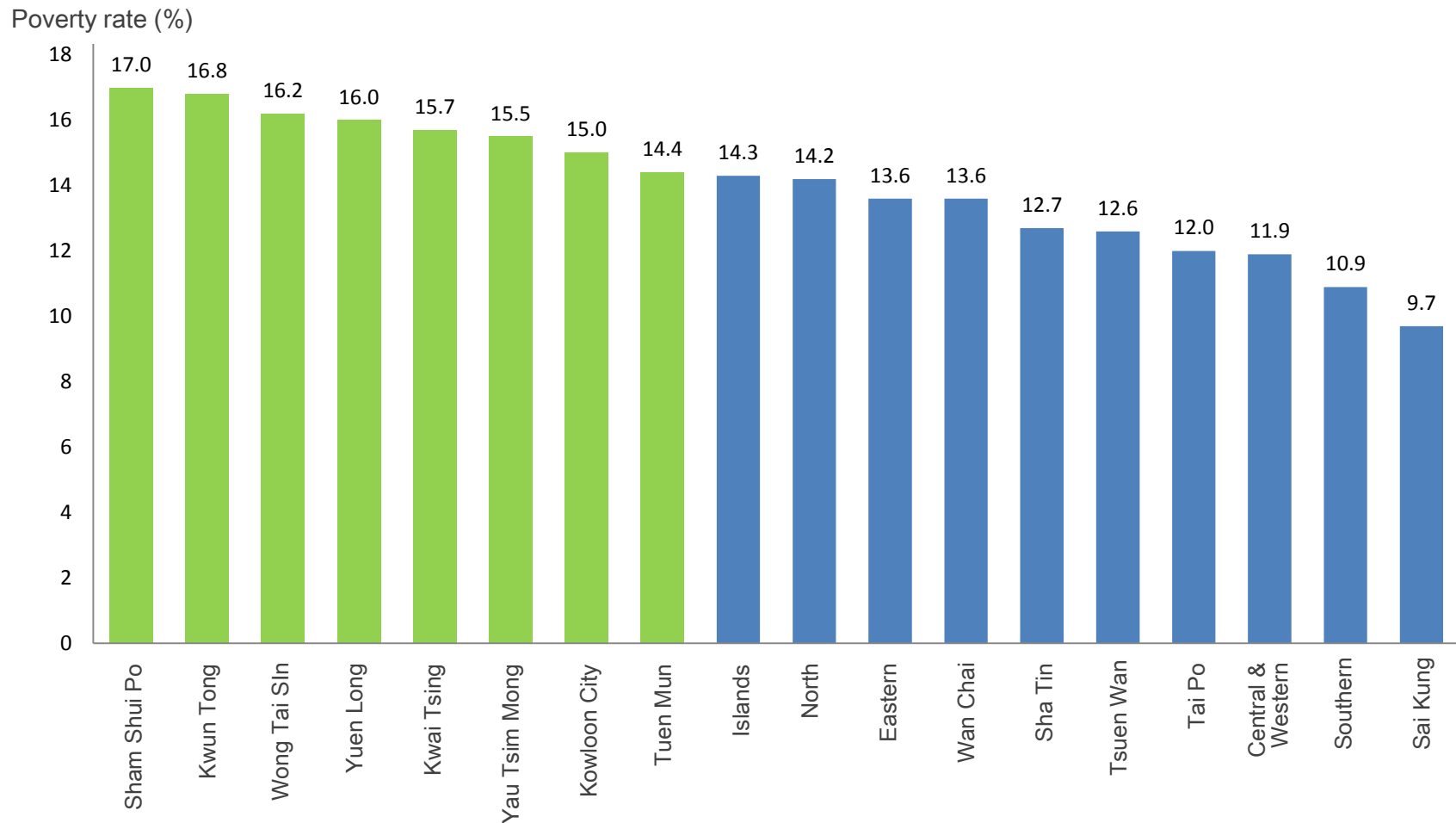
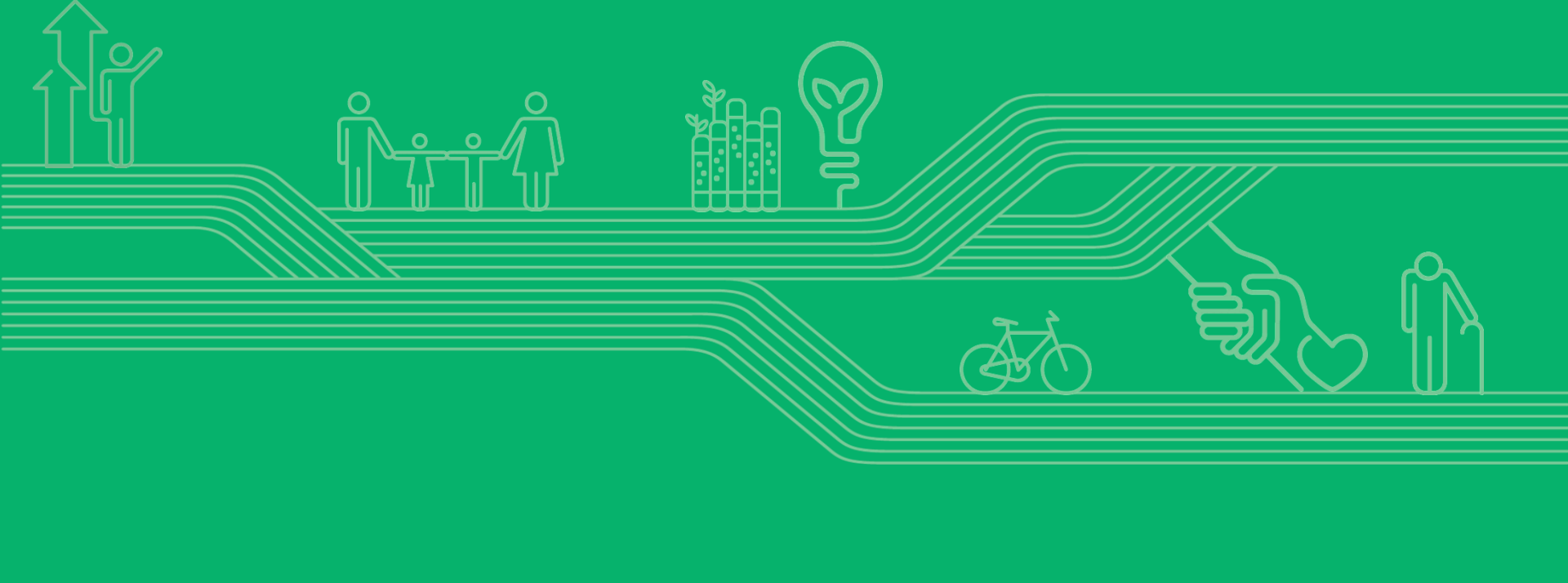## Housing characteristics of poor households by age of household head, 2009-2015

■ Owner-occupiers - without mortgages   ■ Owner-occupiers - with mortgages   ■ Private tenants or others   ■ PRH

Households with head aged 65 and above

Percent（%）

	2009	2010	2011	2012	2013	2014	2015
PRH	45.0	43.8	44.9	42.8	38.8	36.0	35.6
Private tenants or others	7.1	5.6	6.9	7.0	8.6	8.5	7.7
Owner-occupiers - with mortgages	3.8	2.1	2.0	1.8	2.3	2.4	1.9
Owner-occupiers - without mortgages	44.1	48.5	46.1	48.4	50.4	53.1	54.7

Owner-occupiers (56.7%)

Households with head aged 18-64

Percent（%）

	2009	2010	2011	2012	2013	2014	2015
PRH	47.2	48.4	47.0	50.0	46.6	44.7	44.0
Private tenants or others	10.6	10.5	11.1	10.9	13.0	14.7	15.6
Owner-occupiers - with mortgages	9.8	7.3	7.3	7.0	7.4	6.6	6.4
Owner-occupiers - without mortgages	32.4	33.8	34.5	32.0	33.0	33.9	34.0

Owner-occupiers (40.4%)

Note: Based on poverty statistics after recurrent cash intervention.
Source: General Household Survey, Census and Statistics Department.

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District-based poverty situation was mainly affected by the proportion of elderly population and employment situation in the district

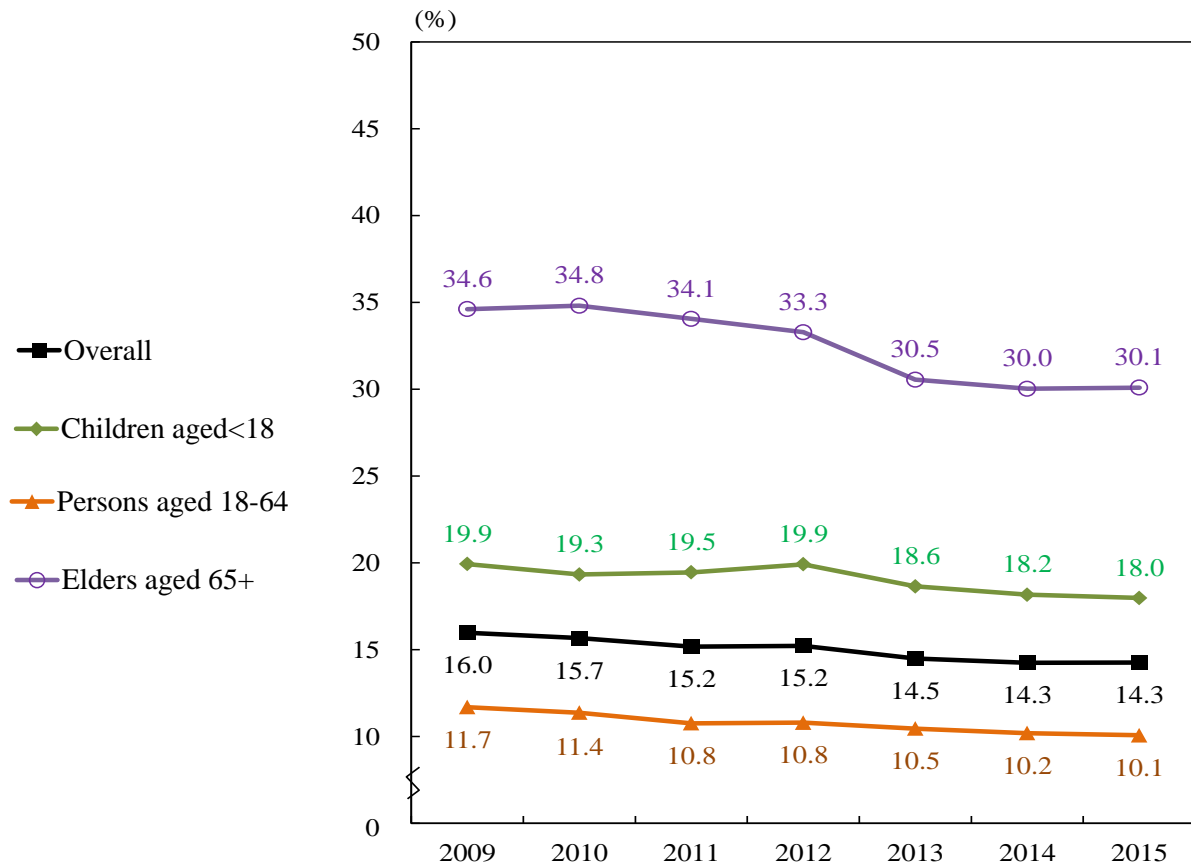## Post-intervention poverty rate by District Council district, 2015

Poverty rate (%)

District	Poverty rate (%)
Sham Shui Po	17.0
Kwun Tong	16.8
Wong Tai Sin	16.2
Yuen Long	16.0
Kwai Tsing	15.7
Yau Tsim Mong	15.5
Kowloon City	15.0
Tuen Mun	14.4
Islands	14.3
North	14.2
Eastern	13.6
Wan Chai	13.6
Sha Tin	12.7
Tsuen Wan	12.6
Tai Po	12.0
Central & Western	11.9
Southern	10.9
Sai Kung	9.7

Source: General Household Survey, Census and Statistics Department.

Observations and conclusions

Observation 1
Against a fast ageing trend, more difficult for poverty rate to decline continuously

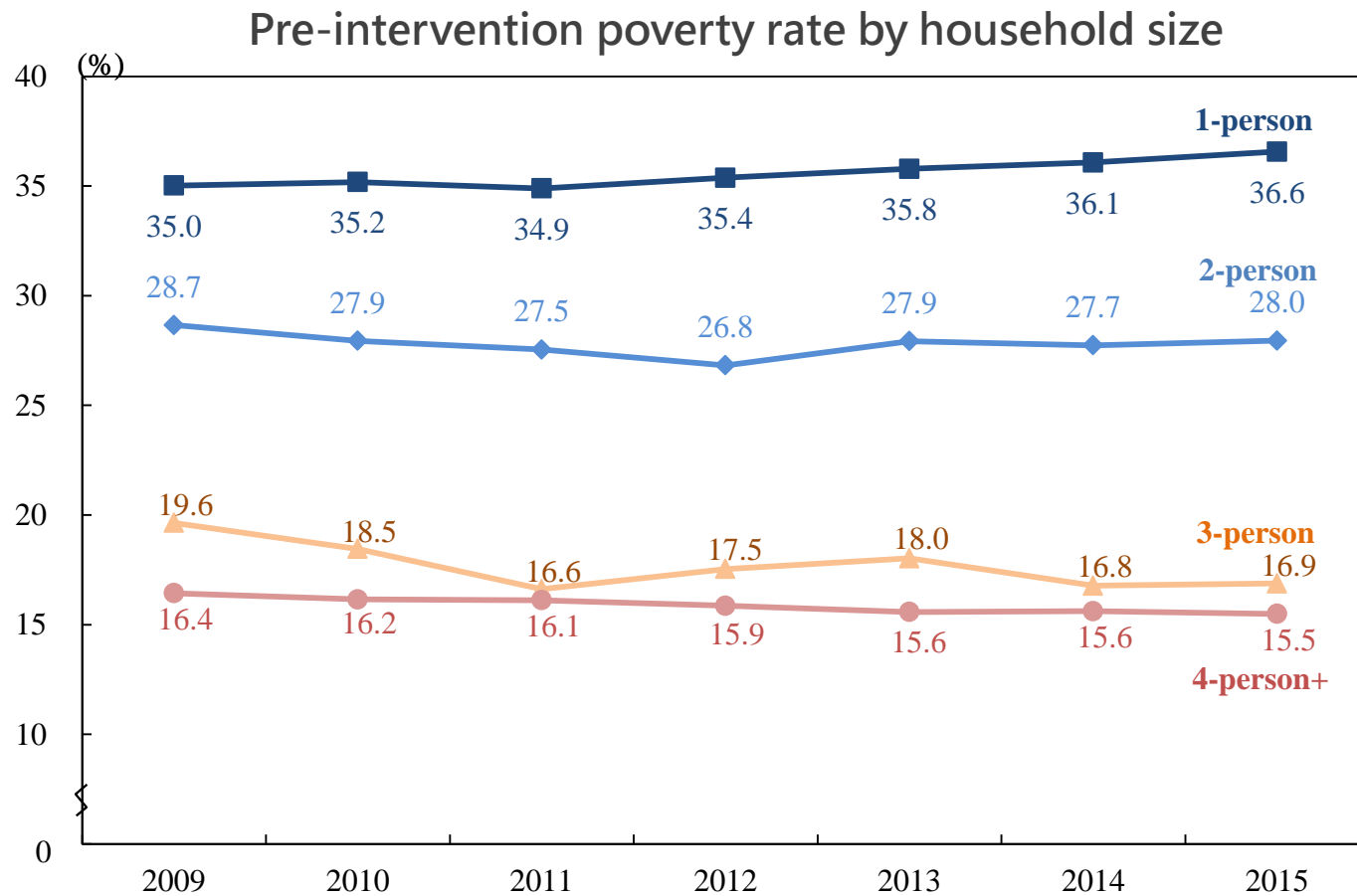1. The poverty rate of the elderly was notably higher than those of other age groups

Post-intervention poverty rate by age group

Legend:
- Overall
- Children aged<18
- Persons aged 18-64
- Elders aged 65+

Elders aged 65+: 34.6 (2009), 34.8 (2010), 34.1 (2011), 33.3 (2012), 30.5 (2013), 30.0 (2014), 30.1 (2015)

Children aged<18: 19.9 (2009), 19.3 (2010), 19.5 (2011), 19.9 (2012), 18.6 (2013), 18.2 (2014), 18.0 (2015)

Overall: 16.0 (2009), 15.7 (2010), 15.2 (2011), 15.2 (2012), 14.5 (2013), 14.3 (2014), 14.3 (2015)

Persons aged 18-64: 11.7 (2009), 11.4 (2010), 10.8 (2011), 10.8 (2012), 10.5 (2013), 10.2 (2014), 10.1 (2015)

Source: General Household Survey, Census and Statistics Department.

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2. The poverty rates of 1-person and 2-person households were substantially higher than those of larger households

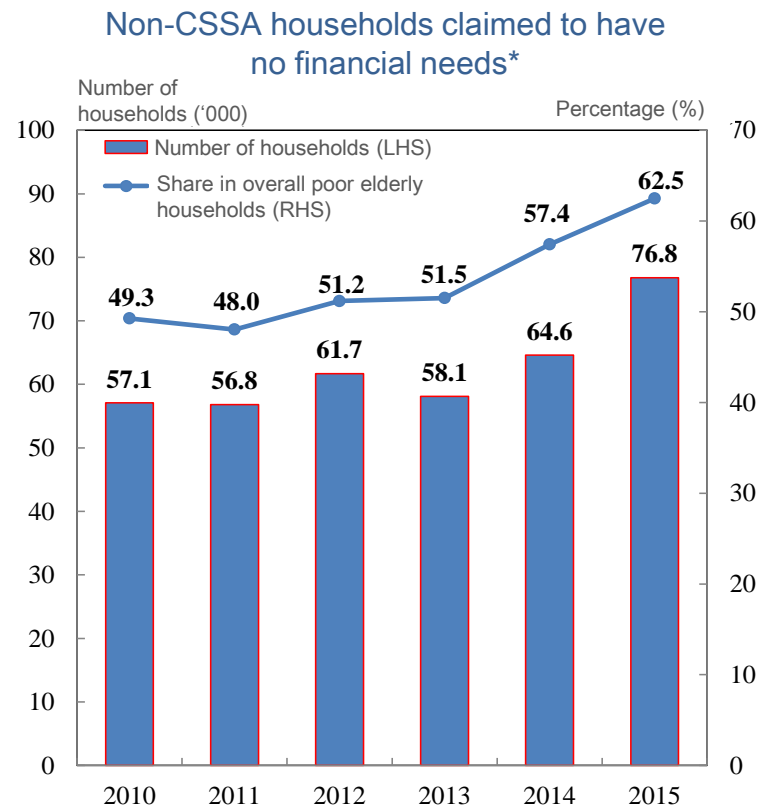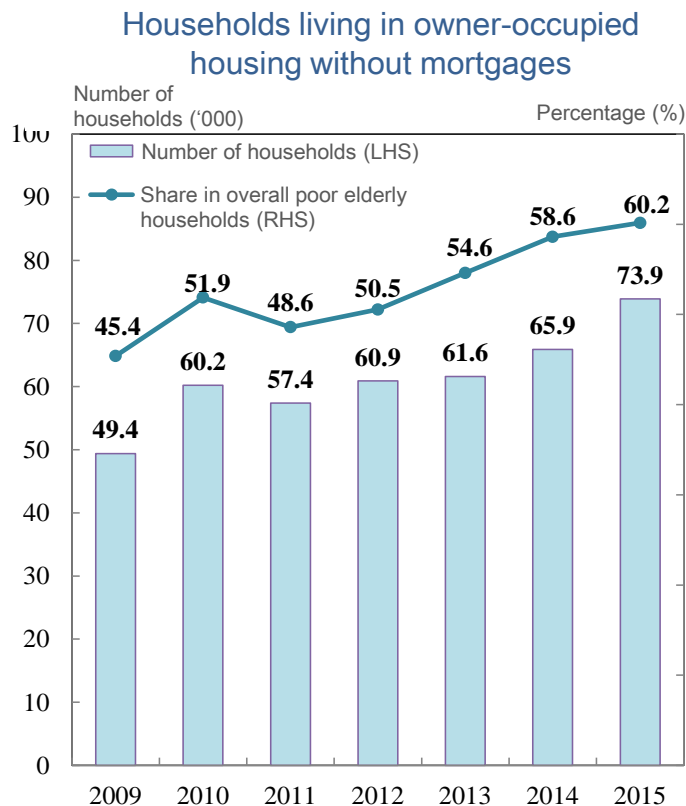**Pre-intervention poverty rate by household size**

Source: General Household Survey, Census and Statistics Department.

3. Some elderly households are "income-poor, asset-rich". This would push up the poverty rate when poverty is defined by the sole indicator of household income.

Post-intervention poor elderly households

Households living in owner-occupied housing without mortgages

Number of households ('000) — Percentage (%)

- Number of households (LHS)
- Share in overall poor elderly households (RHS)

Year	Number of households ('000)	Share (%)
2009	49.4	45.4
2010	60.2	51.9
2011	57.4	48.6
2012	60.9	50.5
2013	61.6	54.6
2014	65.9	58.6
2015	73.9	60.2

Non-CSSA households claimed to have no financial needs*

Number of households ('000) — Percentage (%)

- Number of households (LHS)
- Share in overall poor elderly households (RHS)

Year	Number of households ('000)	Share (%)
2010	57.1	49.3
2011	56.8	48.0
2012	61.7	51.2
2013	58.1	51.5
2014	64.6	57.4
2015	76.8	62.5

Note: (*) Figures available from 2010 onward.
Source: General Household Survey, Census and Statistics Department.

Observation 1
Against a fast ageing trend, more difficult for poverty rate to decline continuously (continued)

4. Therefore, demographic changes would inevitably weaken or nullify the poverty alleviation effect brought by economic growth and the Government's poverty alleviation efforts.

Post-recurrent cash intervention poverty rate in 2009	**16.0%**
Decomposition of changes in the poverty rate between 2009 and 2015	
1. Age structure effect *(Ageing → overall poverty rate↑)*	+ 0.51 percentage points
2. Household size *(Smaller household size↑ → overall poverty rate↑)*	+ 0.29 percentage points
3. Other factors including economic performance and the Government's poverty alleviation efforts	- 2.51 percentage points
Post-recurrent cash intervention poverty rate in 2015	**14.3%**

5. Against a rapidly ageing population in Hong Kong, the above situation will become more noticeable
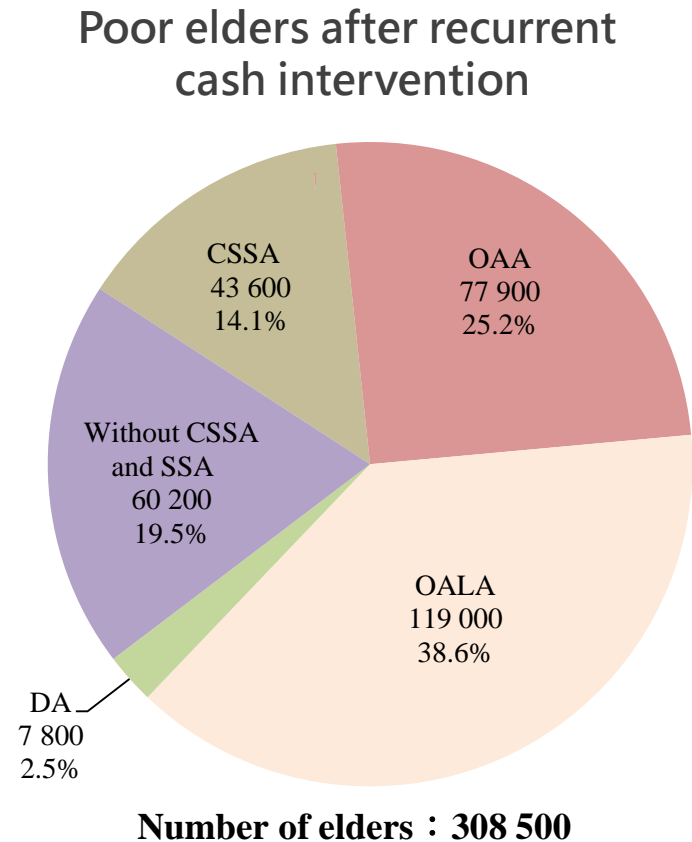
Elderly population projection
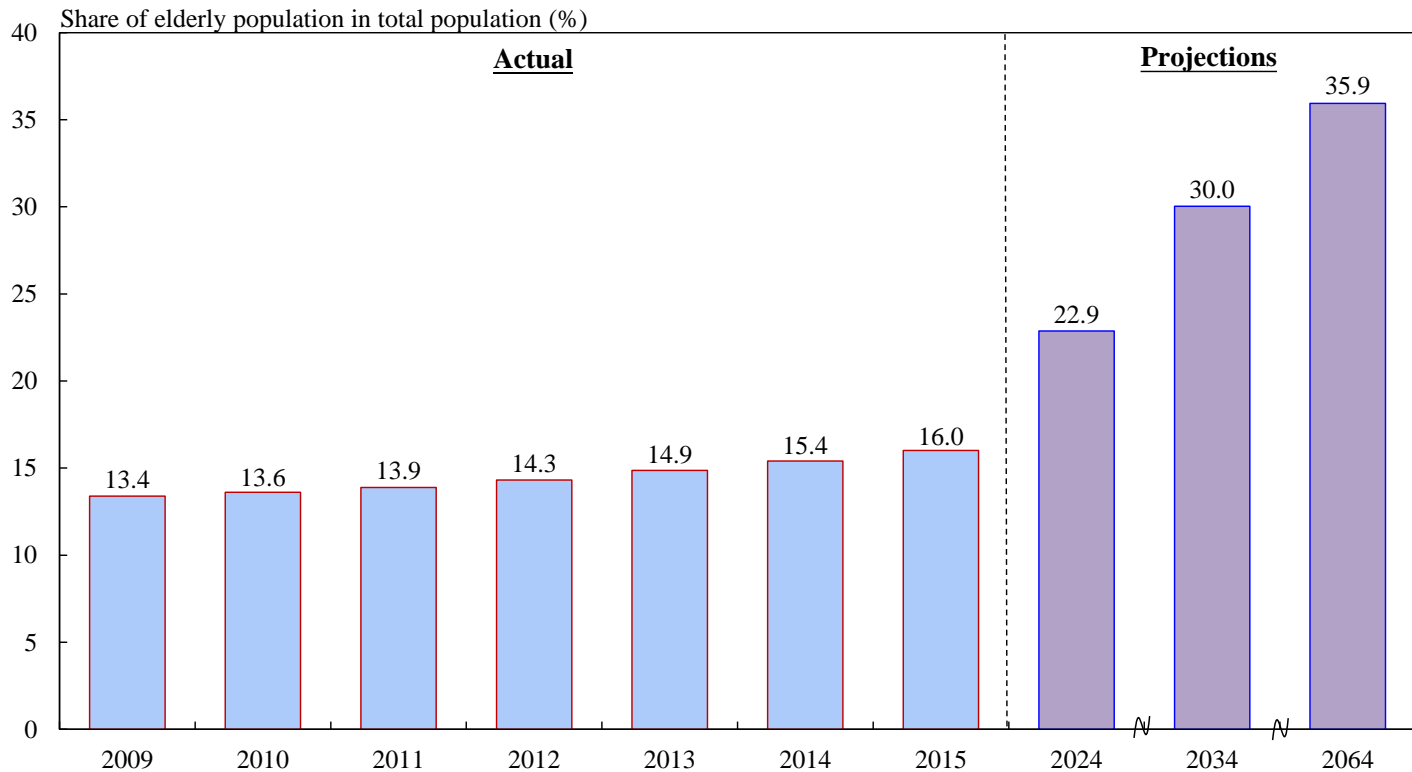
Note: Population figures refer to resident population, excluding FDHs.
Source: Demographic Statistics Branch, Census and Statistics Department.

Observation 2
Multi-faceted analysis on elderly poverty is necessary to identify those in need

- Measuring poverty based on household income solely will inevitably overstate the poverty situation of the elderly. Therefore, more thorough analysis is required.

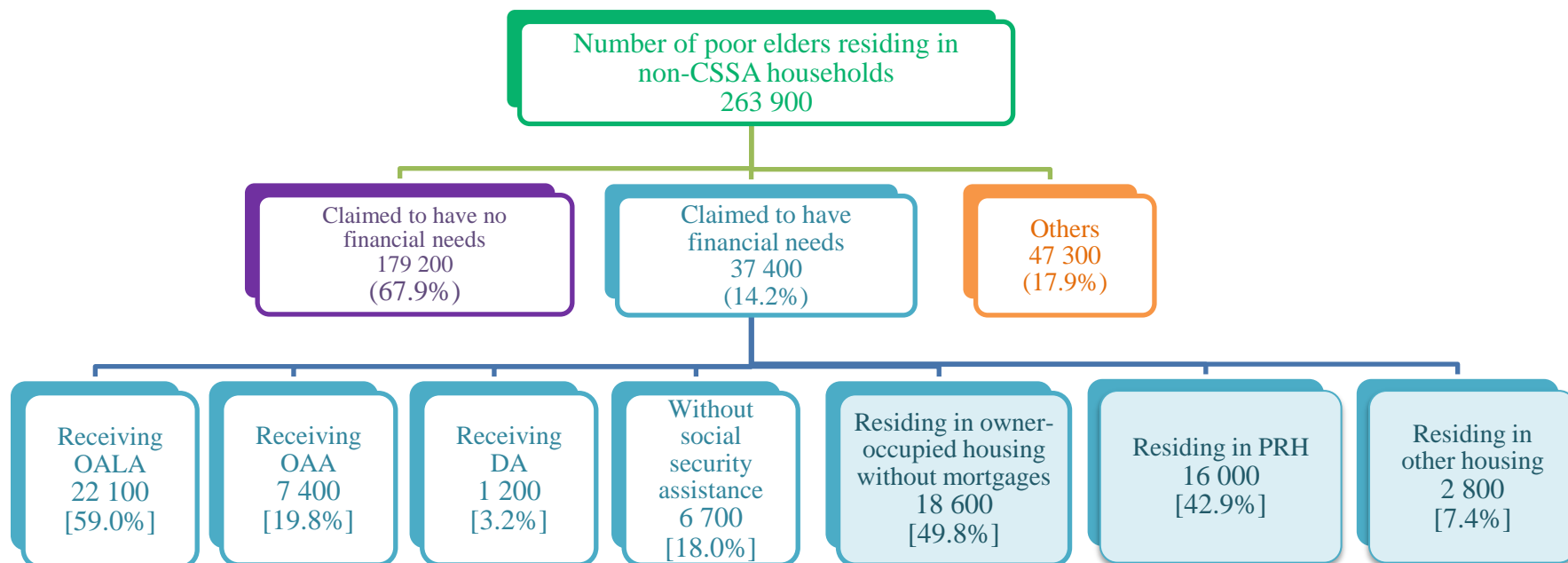- At present, 80% of the poor elders are covered by various social security schemes.

Poor elders after recurrent cash intervention

CSSA
43 600
14.1%

OAA
77 900
25.2%

Without CSSA
and SSA
60 200
19.5%

OALA
119 000
38.6%

DA
7 800
2.5%

Number of elders：308 500

Source: General Household Survey, Census and Statistics Department.

Observation 2
Multi-faceted analysis on elderly poverty is necessary to identify those in need (continued)

- Among the over 260 000 poor elders living in non-CSSA households:
  - (1) almost 180 000 (over two-thirds) claimed to have no financial needs;
  - (2) for the around 37 000 elders who claimed to have financial needs, almost half of them lived in owner-occupied housing without mortgages and over 40% lived in PRH.

Number of poor elders residing in non-CSSA households 263 900		
Claimed to have no financial needs 179 200 (67.9%)	Claimed to have financial needs 37 400 (14.2%)	Others 47 300 (17.9%)

| Receiving OALA
22 100
[59.0%] | Receiving OAA
7 400
[19.8%] | Receiving DA
1 200
[3.2%] | Without social security assistance
6 700
[18.0%] | Residing in owner-occupied housing without mortgages
18 600
[49.8%] | Residing in PRH
16 000
[42.9%] | Residing in other housing
2 800
[7.4%] |

Source: General Household Survey, Census and Statistics Department.

Observation 3
Employment is the best route out of poverty. Hong Kong people still embrace self-reliance as a core value

- The stable development of Hong Kong's economy and job market, as well as the implementation and uprating of SMW, are conducive to encouraging more grassroots people who are able to work to join or re-enter the job market and become self-reliant.

- Comparing the figures for 2009 and 2015, there was a decline in poor population in the working, unemployed and CSSA households before intervention.
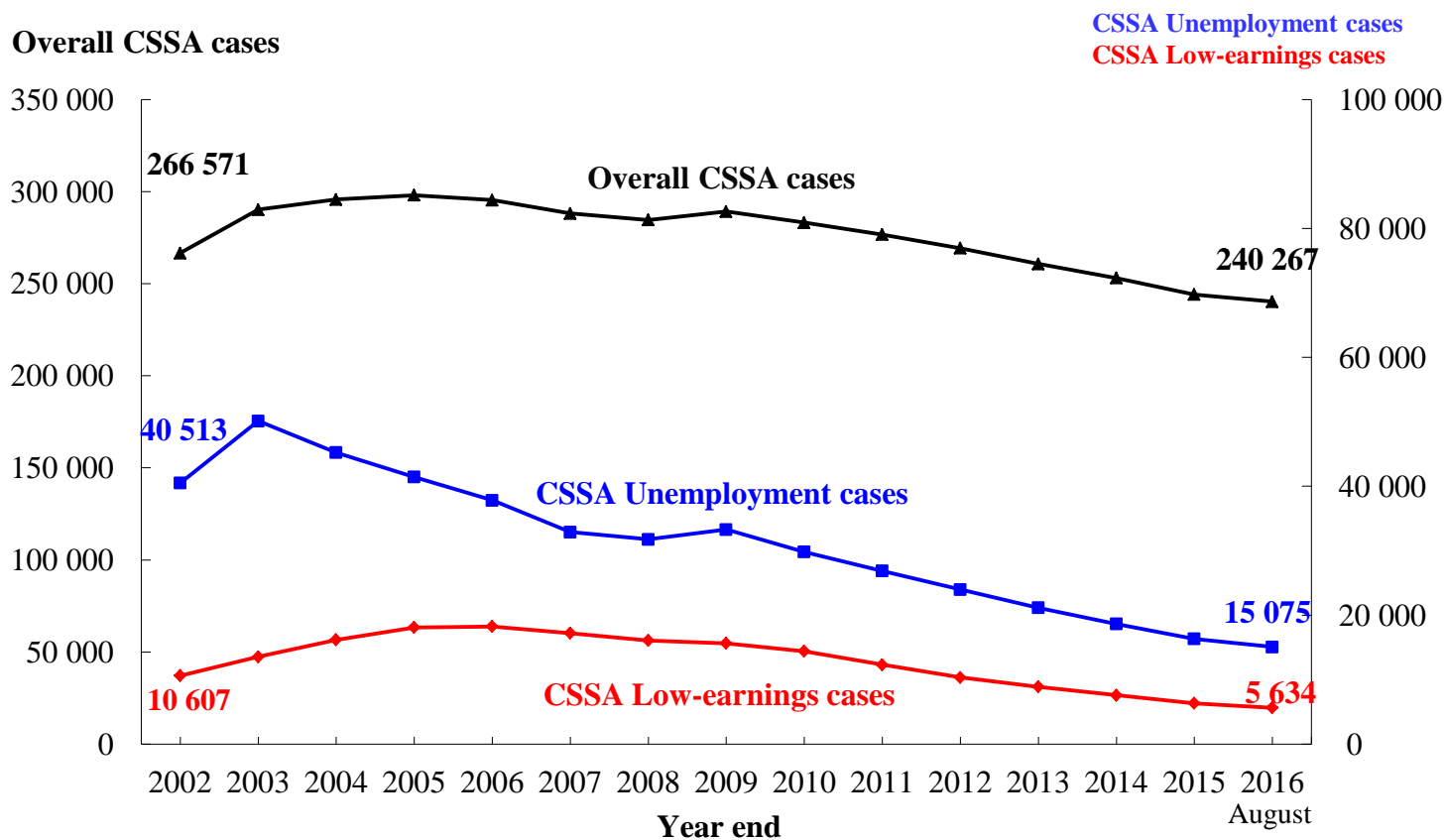
Pre-intervention poor population

	2009	2014	2015
Working households	725 200	705 500	704 700
Unemployed households	104 200	53 600	50 500
CSSA households	471 300	377 800	364 400

- For the economically-active households, their poverty rates, both pre- and post-interventions, were the lowest in the past seven years.

Employment is the best route out of poverty. Hong Kong people still embrace self-reliance as a core value (continued)

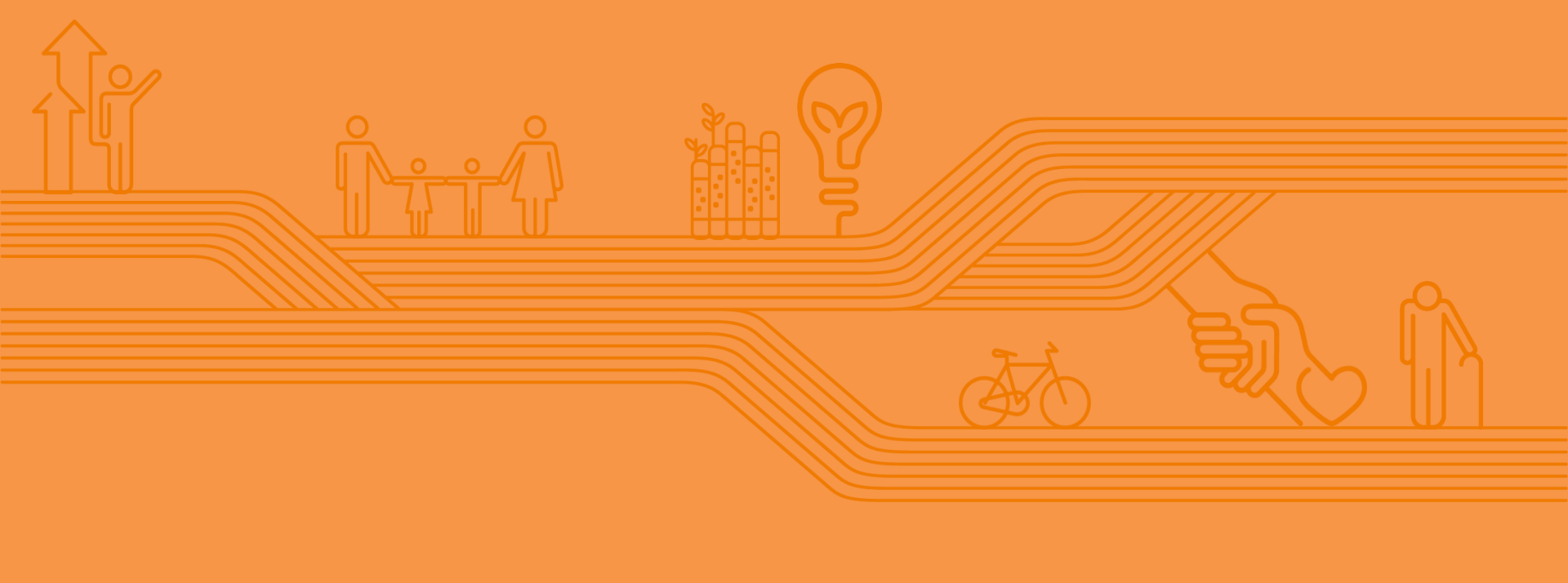- Persistent decrease in CSSA unemployment and low-earnings cases

Overall CSSA cases

CSSA Unemployment cases
CSSA Low-earnings cases

266 571

Overall CSSA cases

240 267

40 513

CSSA Unemployment cases

15 075

CSSA Low-earnings cases

10 607

5 634

2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

Year end   August

Source: Social Welfare Department.

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Conclusions

- Through strenuous poverty alleviation efforts by the Government, the poverty situation in 2015 remained stable. The Government's poverty alleviation policy maintained effective. The post-intervention poverty rate was at a seven-year low of 14.3%. The poor population stayed below one million for the third consecutive year.

- The Government will strive to foster economic development and create more quality employment opportunities to encourage self-reliance and enhance social mobility.

- Amidst the ageing trend, the room for substantial improvement in poverty figures will be increasingly limited.

- Our policy should be able to identify the elderly in need effectively, with appropriate measures targeting towards intended beneficiaries to ensure proper use of public resources.

- PRH had the greatest poverty alleviation impact among all policy interventions. The community should work together to increase the supply of public housing.

Conclusions (continued)

- As a major policy platform, the CoP will continue to monitor the poverty situation and deliberate on appropriate measures to support the disadvantaged groups.

- Formulating the policy direction for the future development of retirement protection.

- Launching more Community Care Fund assistance programmes.

- Encouraging social innovations to support people in need.

Thank you