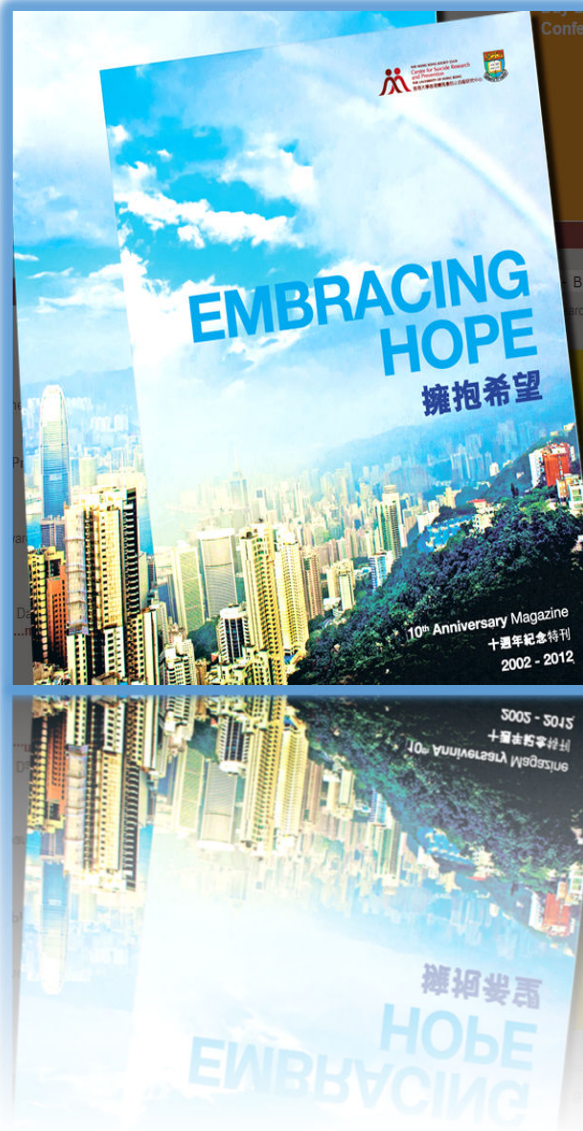# Some reflections of the poverty situation in Hong Kong

Paul Yip

Department of Social Work and Social Administration
The University of Hong Kong
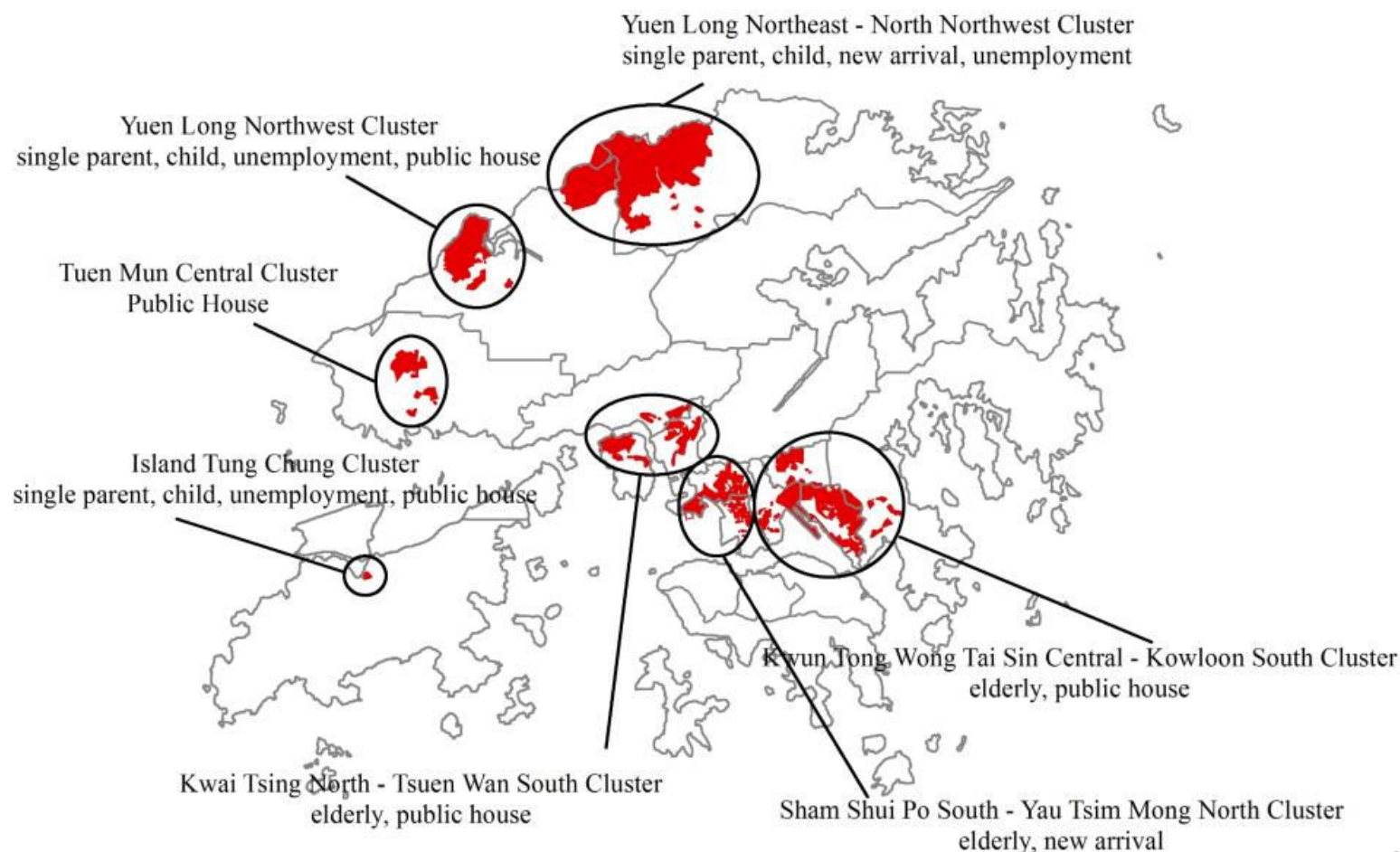
Important issues of mitigating poverty

- Where and Who: geo-spatial analysis

- What: Benefit of public housing

- How: a decompositional analysis

- Some reflections

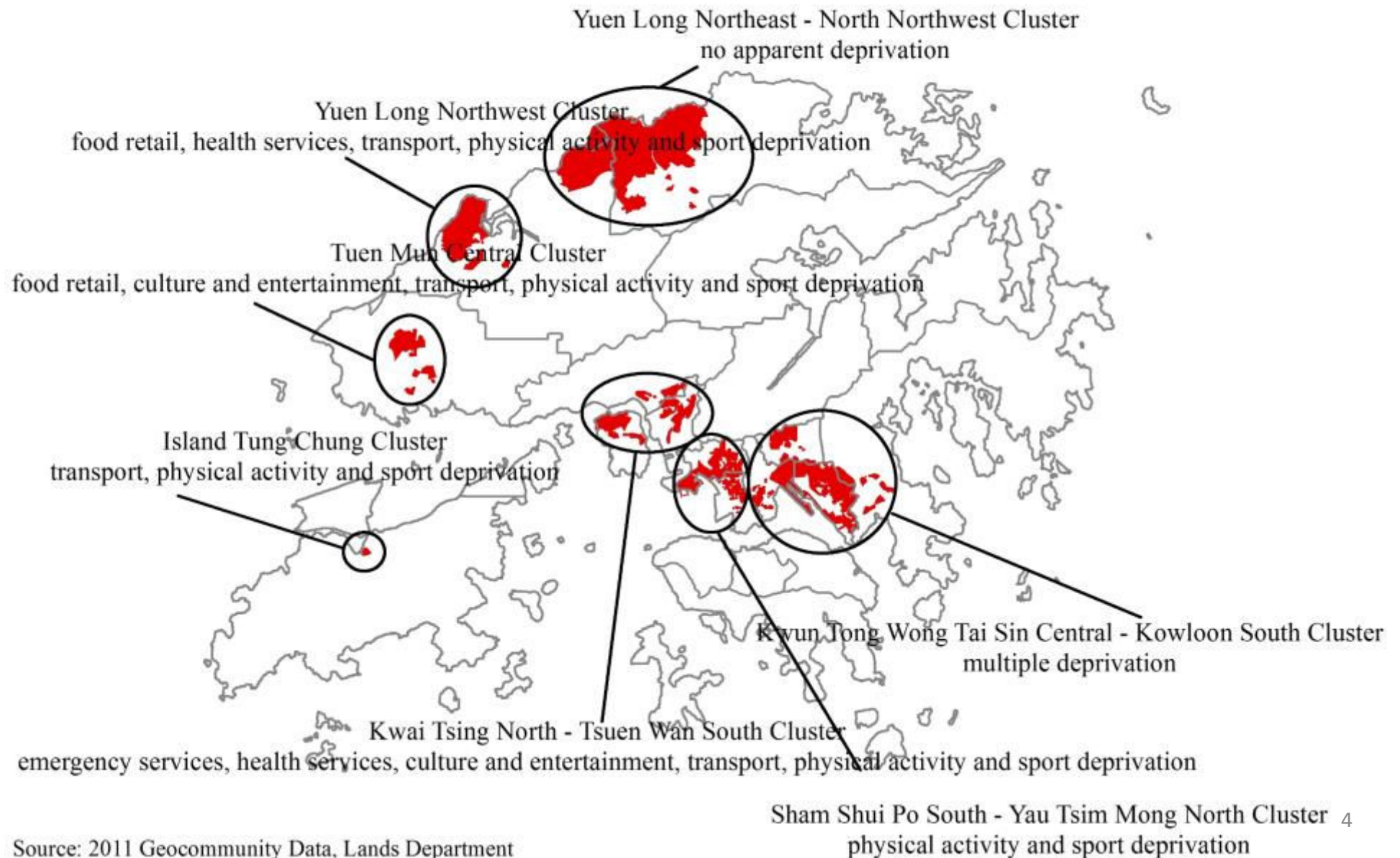# Our earlier work identified Seven "Poverty Clusters"

> e.g., 元朗 and 天水圍 (high concentration of <u>new arrivals</u> and <u>young-ages in poor families</u> and they are relatively <u>deprived</u> in health and cultural and entertainment services)

Social-demographic Characteristics of "Poverty Clusters" in Hong Kong

Yuen Long Northeast - North Northwest Cluster
single parent, child, new arrival, unemployment

Yuen Long Northwest Cluster
single parent, child, unemployment, public house

Tuen Mun Central Cluster
Public House

Island Tung Chung Cluster
single parent, child, unemployment, public house

Kwun Tong Wong Tai Sin Central - Kowloon South Cluster
elderly, public house

Kwai Tsing North - Tsuen Wan South Cluster
elderly, public house

Sham Shui Po South - Yau Tsim Mong North Cluster
elderly, new arrival

Source: 2011 Census Data, Census and Statistics Department

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Service Deprivation Characteristics of "Poverty Clusters" in Hong Kong

Yuen Long Northeast - North Northwest Cluster
no apparent deprivation

Yuen Long Northwest Cluster
food retail, health services, transport, physical activity and sport deprivation

Tuen Mun Central Cluster
food retail, culture and entertainment, transport, physical activity and sport deprivation

Island Tung Chung Cluster
transport, physical activity and sport deprivation

Kwun Tong Wong Tai Sin Central - Kowloon South Cluster
multiple deprivation

Kwai Tsing North - Tsuen Wan South Cluster
emergency services, health services, culture and entertainment, transport, physical activity and sport deprivation

Sham Shui Po South - Yau Tsim Mong North Cluster
physical activity and sport deprivation

Poverty and physical health:
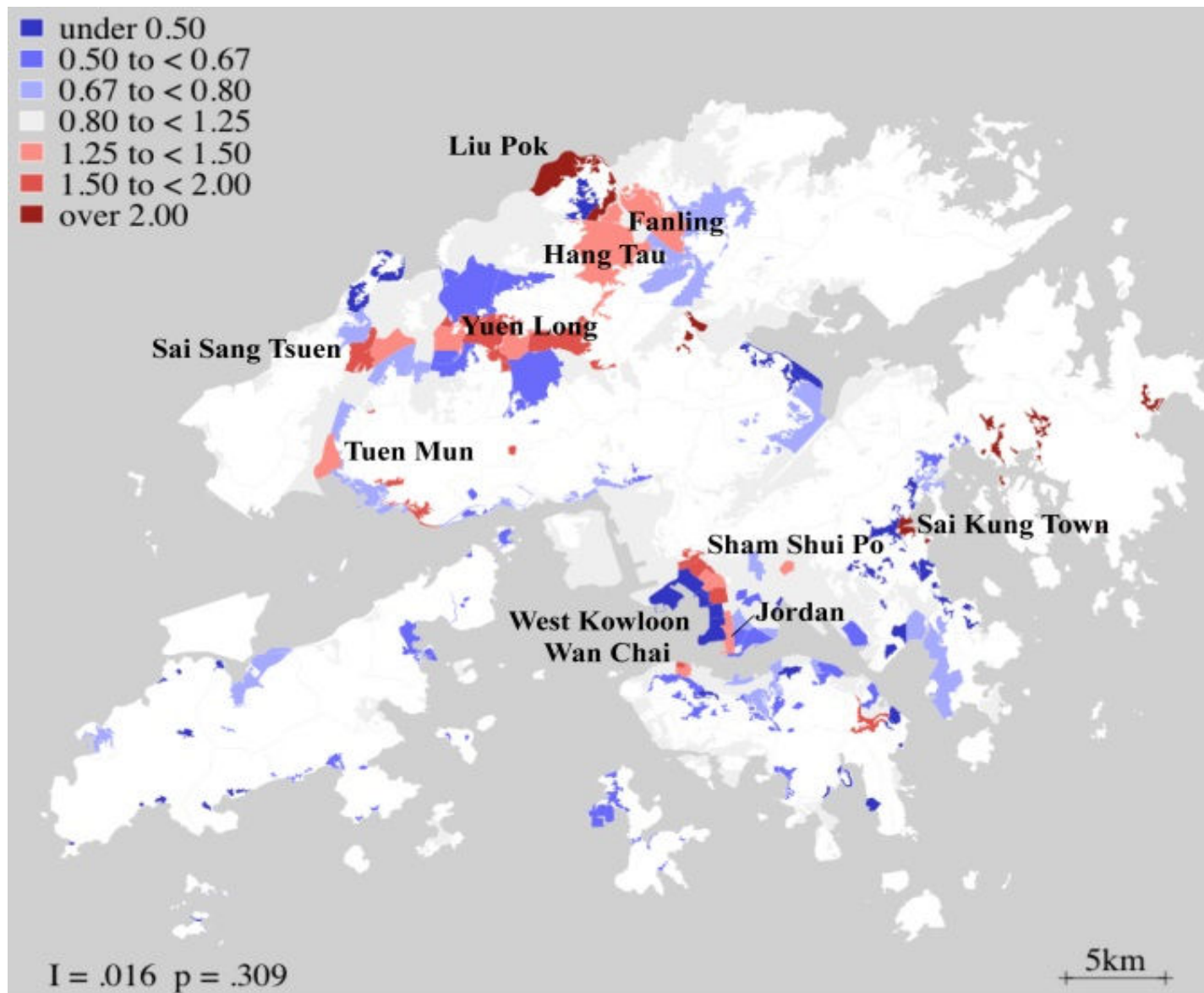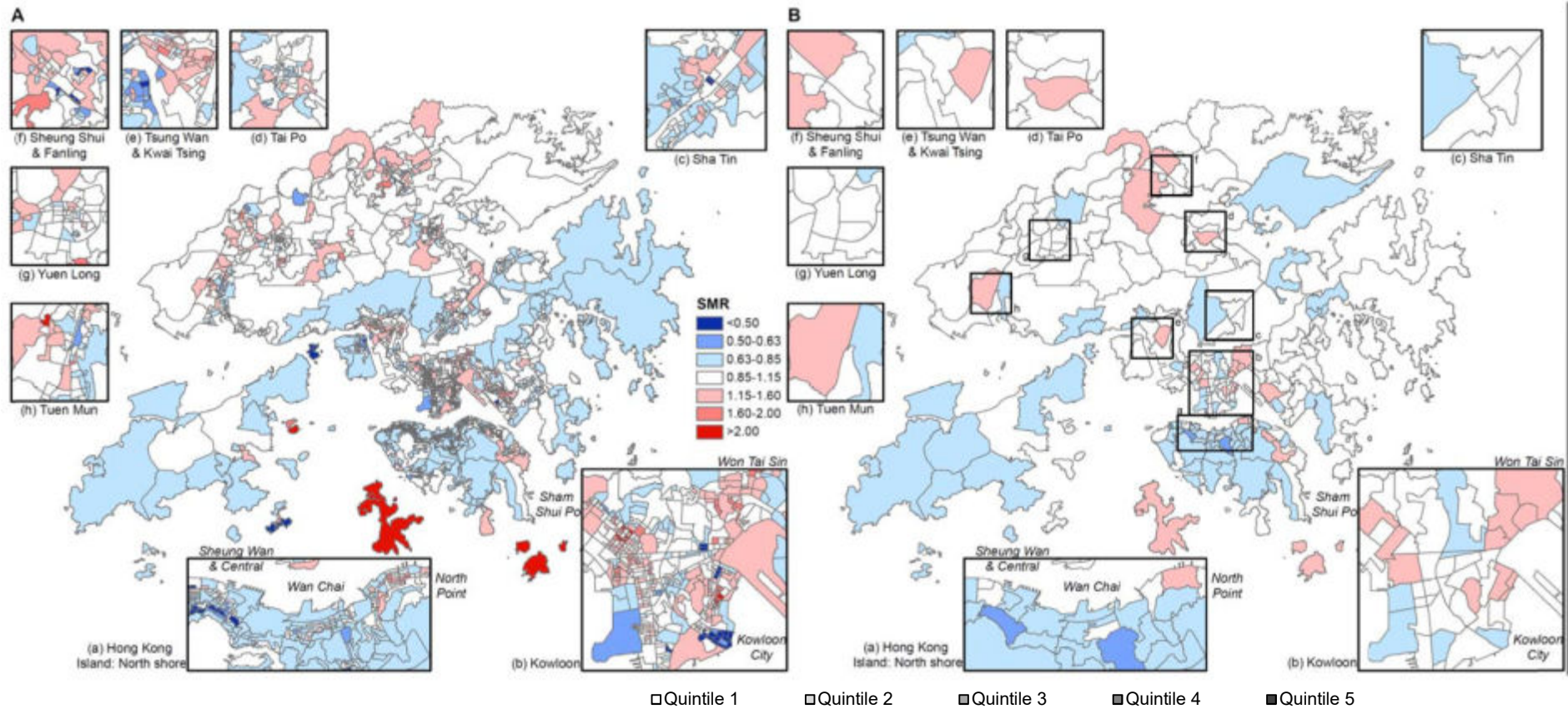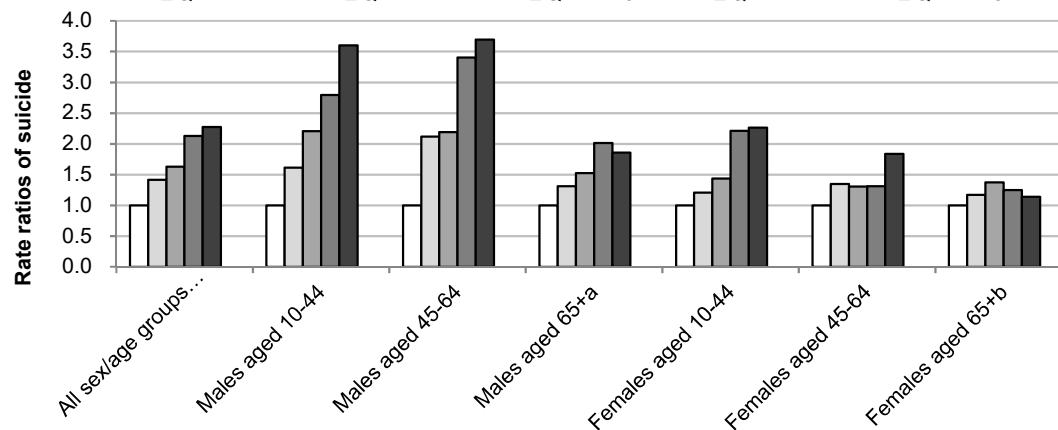## Health disparities by premature mortality

Figure 1. Maps of smoothed standardised mortality ratio (SMR) for suicide in population aged 10+ years across small areas in Hong Kong, 2005-2010, at the level of (A) large street block (n=1693) and (B) small tertiary planning unit group (n=204).

Poverty and

Mental Health

6

Using the GIS technique, we can further locate the disadvantaged youths from a geographical sense

天瑞邨,天耀邨
天悅邨,天澤邨

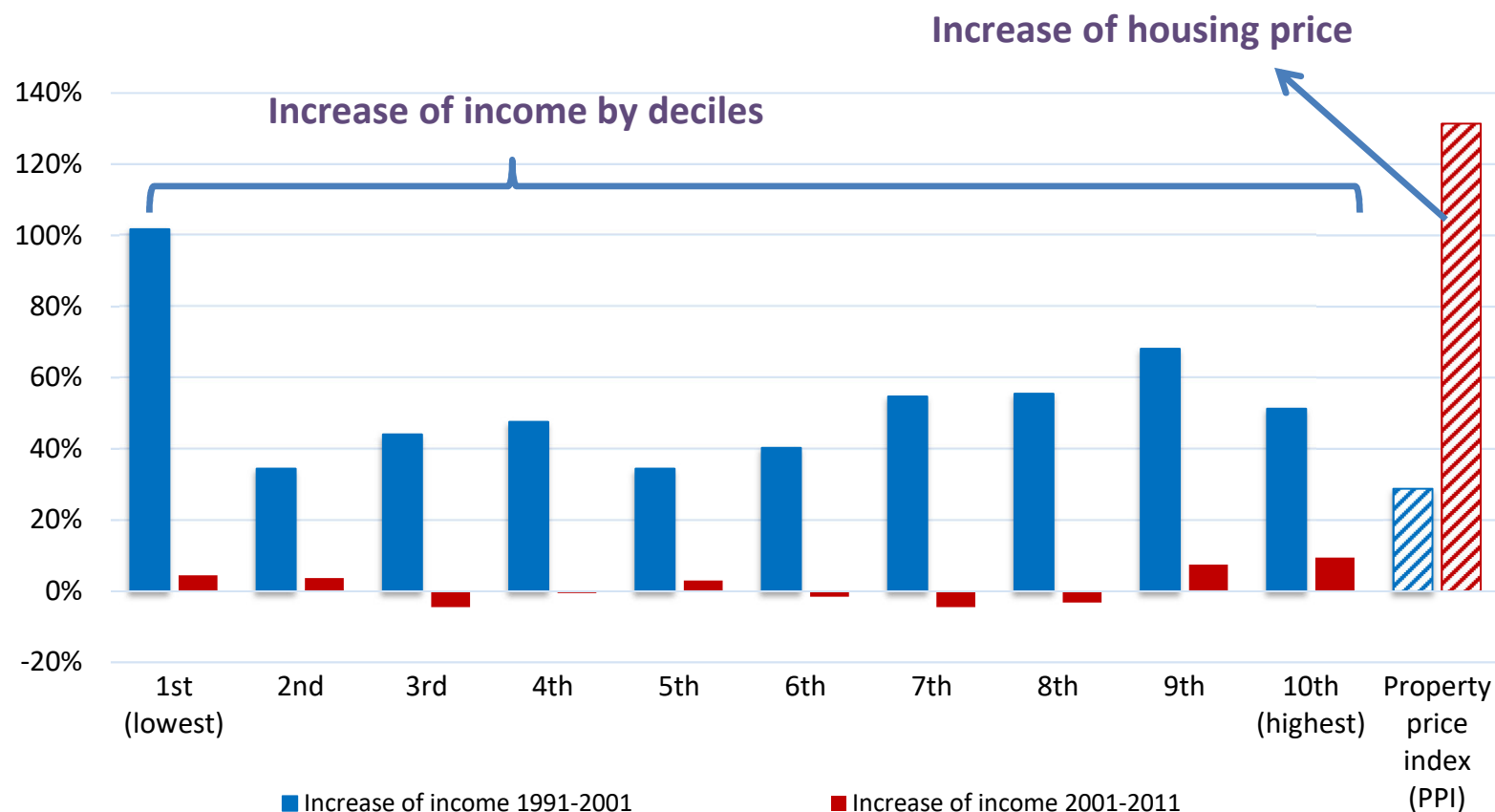山景邨
大興邨

黃大仙邨
竹園邨
彩虹邨
彩雲邨

長青邨
長康邨
麗瑤邨
大窩口邨

High concentration of disadvantaged youths are in 天水圍, 屯門西, 荃灣東, 牛頭角, where large public housing estates are located.

Many of them only have low education attainment (e.g. secondary education)

The Benefits of the Public Rental Housing on Household Savings

Percentage increase of median monthly income from main employment and housing price (property price index, PPI) during 1991-2001 and 2001-2011

Increase of housing price

Increase of income by deciles

Legend: ■ Increase of income 1991-2001   ■ Increase of income 2001-2011

X-axis: 1st (lowest), 2nd, 3rd, 4th, 5th, 6th, 7th, 8th, 9th, 10th (highest), Property price index (PPI)

- The high-speed rise of private housing price and rent in Hong Kong during the past decade was accompanied with a mismatched low-speed increase of household income.

Source: C&SD

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Property Price Index (PPI) and Property Rental Index (PRI) in Hong Kong, 1989-2014 (The base index for both PPI and PRI (in 1999) is 100.)
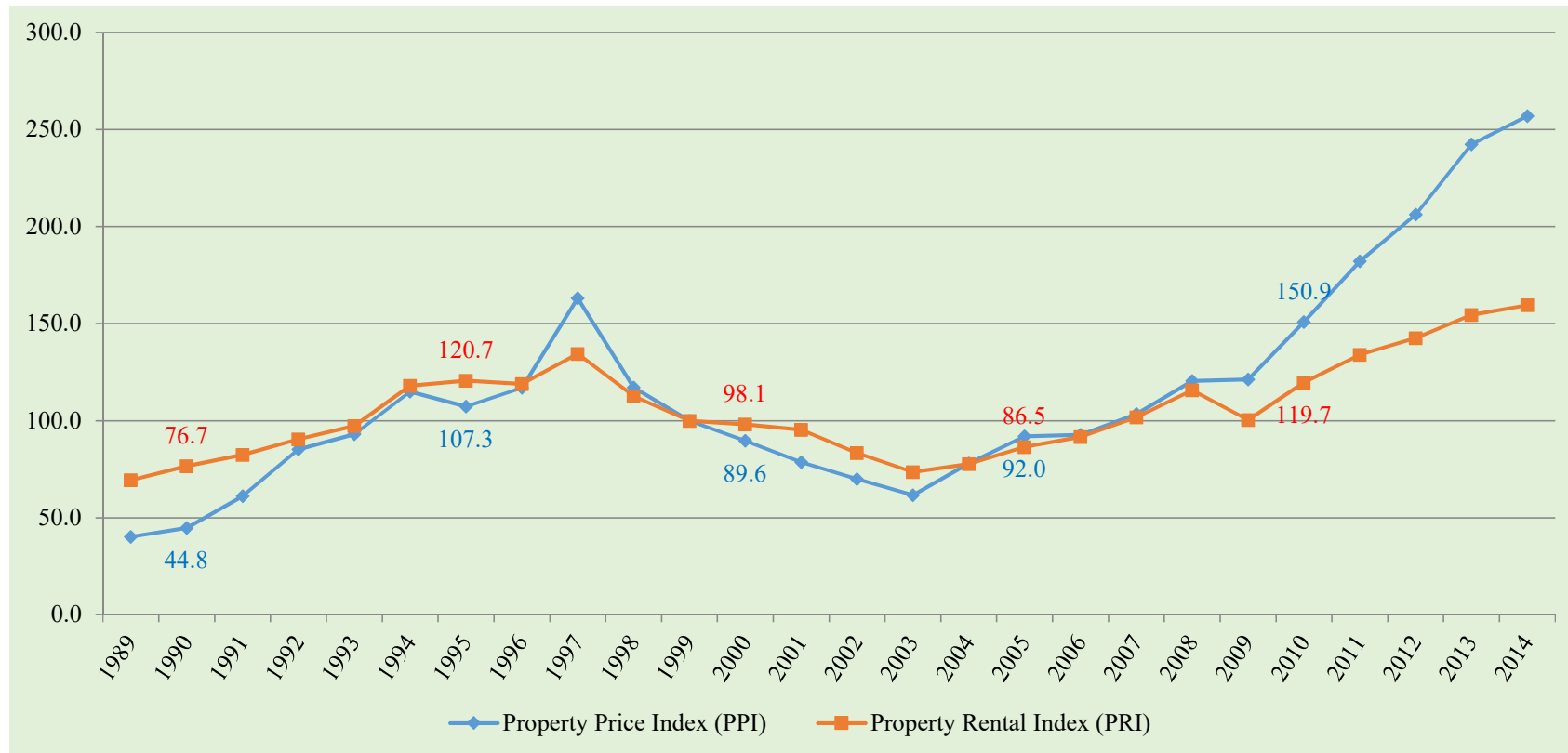
Median monthly income (at constant (2011) price) from main employment by decile group

Decile group	1991	1996	2001	2006	2011
1st (lowest)	1,661	3,316	3,351	3,457	3,500
2nd	4,984	6,079	6,702	6,337	6,944
3rd	5,815	7,737	8,377	8,065	8,000
4th	6,812	8,843	10,053	9,217	10,000
5th	8,307	9,948	11,170	11,522	11,500
6th	9,553	11,053	13,404	12,856	13,195
7th	10,833	13,816	16,754	16,130	16,000
8th	13,292	16,580	20,664	19,967	20,000
9th	16,614	22,106	27,924	27,364	30,000
10th (highest)	33,229	44,213	50,263	51,848	55,000

Increase of median monthly income from main employment by decile group

Decile group	1991-2001	2001-2011
1st (lowest)	102%	4%
2nd	34%	4%
3rd	44%	-5%
4th	48%	-1%
5th	34%	3%
6th	40%	-2%
7th	55%	-5%
8th	55%	-3%
9th	68%	7%
10th (highest)	51%	9%

Only working population (excluding domestic helpers) from domestic households were included.

Average household savings by income deciles and type and tenure of accommodation (at 2010 constant price)

Income Decile	1999/2000			2004/2005			2009/2010		
	PRH tenants	Non-PRH tenants	Owners	PRH tenants	Non-PRH tenants	Owners	PRH tenants	Non-PRH tenants	Owners
1st (lowest)	***	-519	-1282	***	-2521	-1310	***	-3474	-757
2nd	991	807	1323	452	-887	1075	1451	-2086	-663
3rd	2605	409	2584	2736	662	1227	2792	-500	2451
4th	3742	98	4496	4063	2650	5494	4671	-257	4609
5th	6532	3773	5279	6077	4919	7019	6810	2497	7718
6th	9203	1545	8284	8475	5989	8416	10253	4554	9494
7th	11239	6577	11223	11153	6156	12930	13414	4561	13235
8th	17123	11672	16776	17739	7579	15732	19544	11844	19349
9th	23805	17616	26420	21573	19608	25354	29099	21267	28890
10th (highest)	***	39477	51557	***	42668	55019	***	37800	57261

A decompositional study of the poverty indicators to find out WHO and WHAT

Number of poor population in 2009 and 2013

	Pre-intervention	Post-intervention	Effect
Poor population in 2009	1 348 600	1 043 500	- 305 100
Poor population in 2013	1 336 100	971 700	- 364 400
Change in poor population between 2009 and 2013	- 12 500	- 71 800	

Source: C&SD. General Household Survey (GHS)

Three factors to be considered

- Ageing effect (increase of older adults)
- Household size effect (singleton and divorce)
- Population size effect (6.9 to 7.1 million)
- Poverty rate (this is the bull eye!)

Decomposition of Poverty Rate (2009-2013)

Poverty rate in 2009 and 2013		
	Pre-intervention	**Post-intervention**
Poverty rate in 2009	20.64%	15.97%
Poverty rate in 2013	19.93%	14.49%
Change in poverty rate between 2009 and 2013	- 0.71%	- 1.48%

Pre-intervention: This income type only includes household members' employment earnings, investment income and non-social transfer cash income. In other words, the income is pre-tax income with all cash benefits excluded.

Post-intervention (recurrent cash): It refers to the household income after **tax**, including **recurrent cash benefits** received.

Taxation includes salaries tax, property tax, rates, and government rents.

Recurrent cash benefits refers to cash-based benefits / cash-equivalent supplements recurrently provided by the Government, such as social security benefits and education allowance in cash.

Source: C&SD. General Household Survey (GHS)

Decomposition of Number of Poor Population (2009-2013)

Ageing and smaller household size increased poor population in 2009-2013. (The decrease in poor population between 2009 and 2013 would be larger if the population structure remained the same as of 2009 in 2013.)	Pre-intervention	Post-intervention
Change in poor population between 2009 and 2013	- 12 500	- 71 800
1. Age effect	29 660	21 237
Percentage contribution of Age structure changes	- 237.3%	- 29.6%
2. Household size effect	17 255	14 941
Percentage contribution of household size changes	- 138.0%	- 20.8%
3. Population size effect	34 672	26 067
Percentage contribution of increase of overall population	- 277.4%	- 36.3%
4. Poverty rate effect	- 94 086	- 134 045
Percentage contribution of changes in poverty rate	752.7%	186.7%

Source: C&SD

Decomposition of Poverty Rate (2009-2013)

Ageing and smaller household size increased poverty rate in 2009-2013.
(The drop of poverty rate between 2009 and 2013 would be larger if the population structure remained the same as of 2009 in 2013.)

	Pre-intervention	Post-intervention
Change in poverty rate between 2009 and 2013	- 0.71%	- 1.48%
1. Age effect (aging leads to higher poverty rate)	0.45%	0.32%
Percentage contribution of Age structure changes	- 62.9%	- 21.7%
2. Household size effect (smaller household size leads to higher poverty rate)	0.26%	0.23%
Percentage contribution of household size changes	- 36.6%	- 15.3%
3. Poverty rate effect (poverty rate within every subgroup generally decreased)	- 1.42%	- 2.02%
Percentage contribution of changes in poverty rate	199.5%	137.0%

Source: C&SD. General Household Survey (GHS)

Only looking at overall effect could be "misleading"…

Actual rise in poor population (Post-intervention)	Household size						
	1p	**2p**	3p	4p	5p	6p+	Total
Age group 0-14	#	-1 700	-7 000	-5 800	-3 600	-3 300	-21 400
15-24	-300	200	-1 600	-7 700	-4 000	-4 000	-17 400
25-34	-400	-2 200	-300	0	900	-1 200	-3 200
35-44	-800	-3 500	-5 500	-1 900	-1 400	-100	-13 200
45-54	-2 000	-6 600	-7 300	-11 400	-4 100	-2 500	-33 900
55-64	2 400	**1 000**	7 000	3 700	1 300	-500	**14 900**
65-74	-2 400	**400**	-1 100	-1 300	400	-400	-4 400
75+	-1 100	**9 900**	-600	-200	-500	-700	**6 800**
Total	-4 600	-2 500	-16 400	-24 600	-11 000	-12 700	-71 800

Specific poverty effect (Post-intervention)	Household size						
	1p	**2p**	3p	4p	5p	6p+	Total
Age group 0-14	#	-74	-3 512	55	-1 078	-2 837	-7 445
15-24	-255	-1 161	-5 696	-6 600	-1 990	-2 437	-18 140
25-34	-121	-1 834	-2 035	-1 214	866	-1 108	-5 446
35-44	-280	-2 066	-4 353	34	-820	-598	-8 085
45-54	-2 703	-10 052	-10 223	-6 915	-1 816	-1 727	-33 436
55-64	-1 151	**-12 491**	-2 805	-104	372	-667	**-16 846**
65-74	-4 201	**-11 990**	-4 785	-1 429	503	-614	-22 517
75+	-7 615	**-8 442**	-4 261	-573	-748	-493	**-22 131**
Total	-16 326	-48 110	-37 670	-16 745	-4 712	-10 481	-134 045

#: Not released by C&SD owing to large sampling error. Treated as 0 for calculation.

Poverty rate effect: change in poor population by age group and household size (2009-2013)

Pre-intervention		Household size							
		1p	2p	3p	4p	5p	6p+	Total	Column %
Age group	0-14	#	-345	-4 677	-1 954	-418	-3 014	-10 408	11%
	15-24	-238	-1 113	-7 539	-3 329	-1 941	-2 230	-16 390	17%
	25-34	-606	-646	-2 447	-2 731	1 056	-873	-6 247	7%
	35-44	-92	-2 426	-2 881	932	379	73	-4 015	4%
	45-54	-2 974	-8 599	-9 668	-4 525	-1 590	-1 843	-29 199	31%
	55-64	-1 315	-13 559	-3 366	1 589	344	-839	-17 145	18%
	65-74	-2 481	-4 271	-931	-976	1 350	-220	-7 528	8%
	75+	-1 822	-1 135	-724	268	234	26	-3 154	3%
	Total	-9 528	-32 094	-32 233	-10 725	-586	-8 920	-94 086	100%
	Row %	10%	34%	34%	11%	1%	9%	100%	

Post-intervention		Household size							Column %
		1p	2p	3p	4p	5p	6p+	Total	
Age group	0-14	#	-74	-3 512	55	-1 078	-2 837	-7 445	6%
	15-24	-255	-1 161	-5 696	-6 600	-1 990	-2 437	-18 140	14%
	25-34	-121	-1 834	-2 035	-1 214	866	-1 108	-5 446	4%
	35-44	-280	-2 066	-4 353	34	-820	-598	-8 085	6%
	45-54	-2 703	-10 052	-10 223	-6 915	-1 816	-1 727	-33 436	25%
	55-64	-1 151	-12 491	-2 805	-104	372	-667	-16 846	13%
	65-74	-4 201	-11 990	-4 785	-1 429	503	-614	-22 517	17%
	75+	-7 615	-8 442	-4 261	-573	-748	-493	-22 131	17%
	Total	-16 326	-48 110	-37 670	-16 745	-4 712	-10 481	-134 045	100%
	Row %	12%	36%	28%	12%	4%	8%	100%	

#: Not released by C&SD owing to large sampling error. Treated as 0 for calculation.
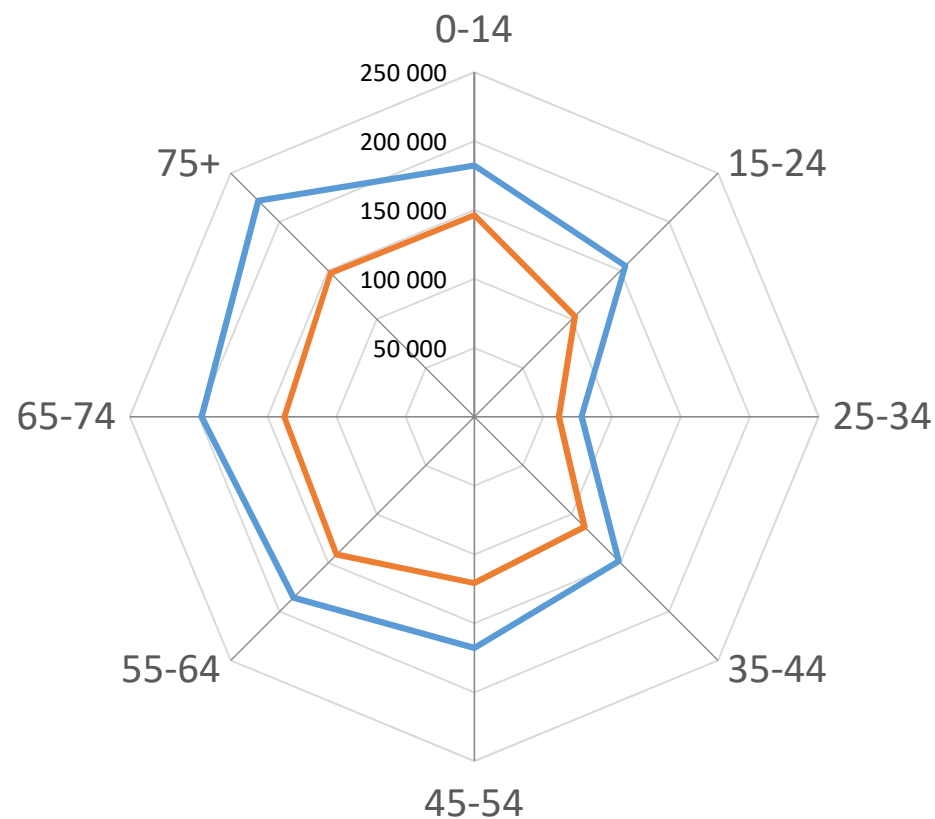
Poor Population by age group, 2009
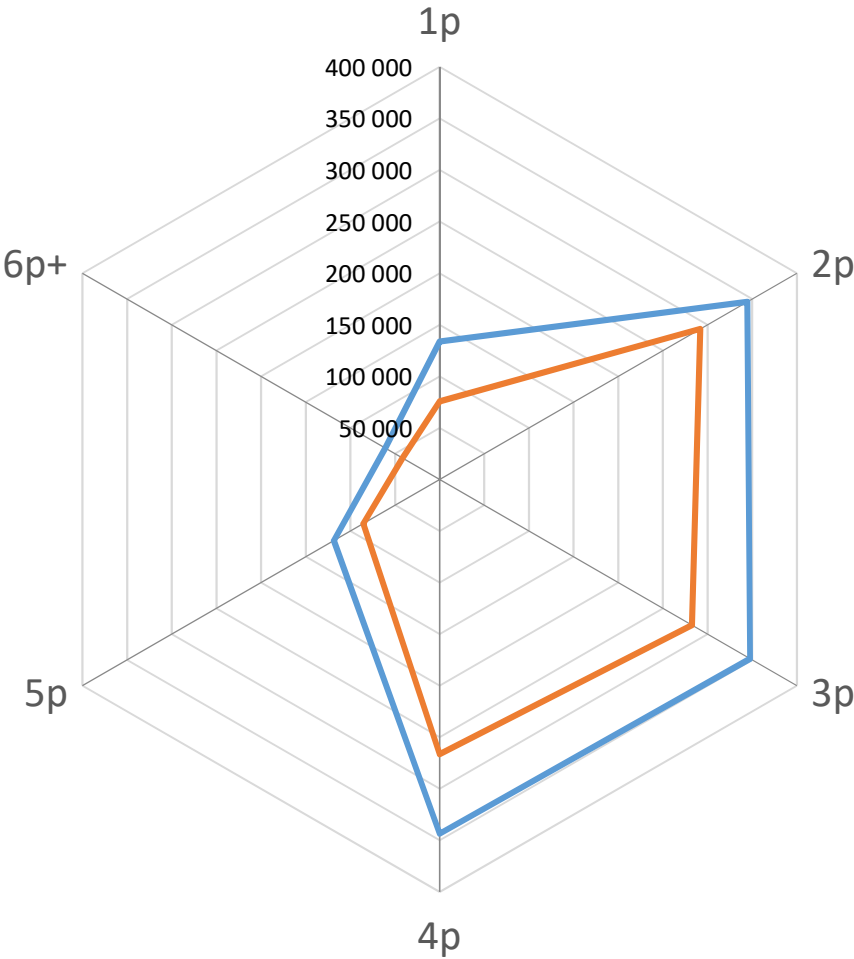(Total reduced poor population = 305 100)
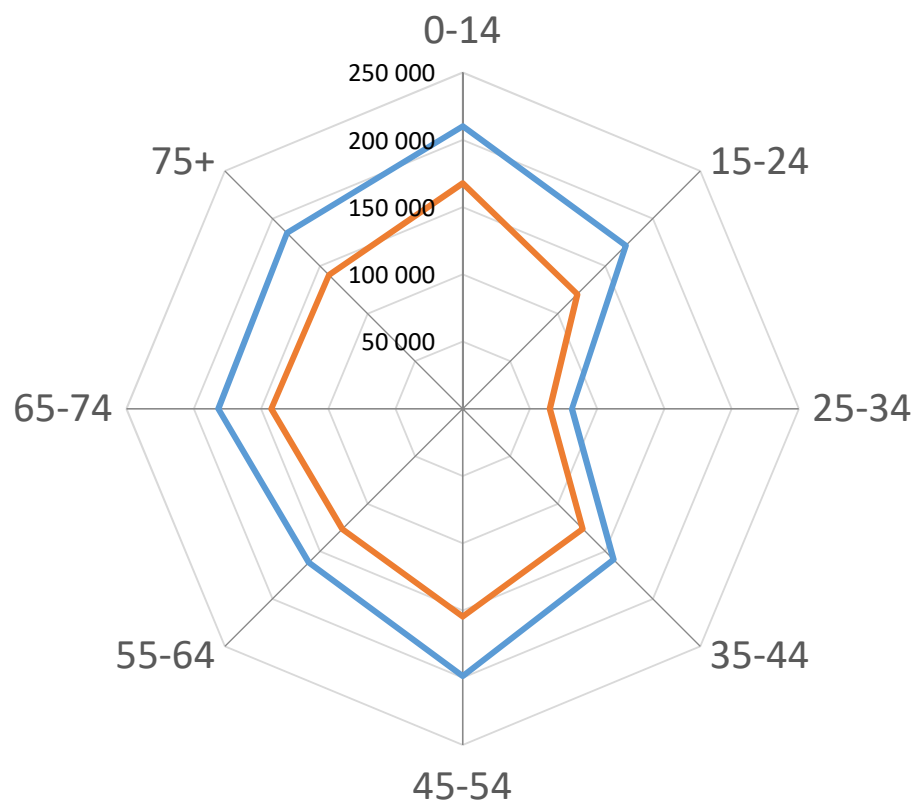
Poor Population by age group, 2013
(Total reduced poor population = 364 400)

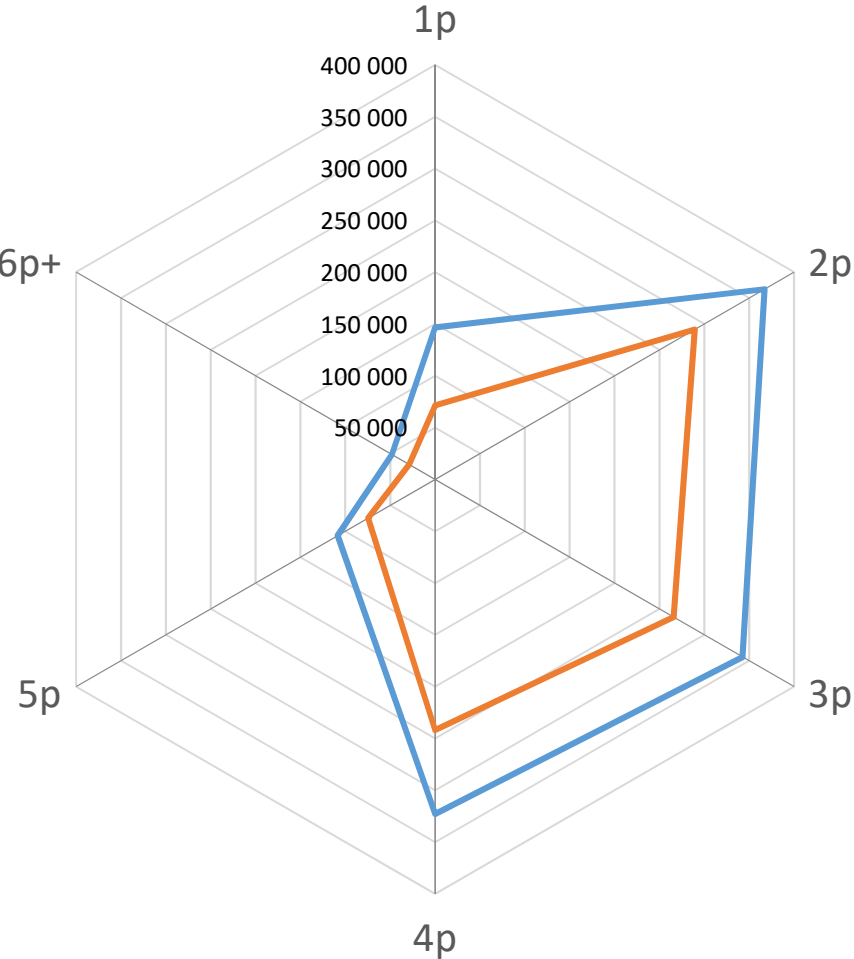Poor Population by household size, 2009
(Total reduced poor population = 305 100)
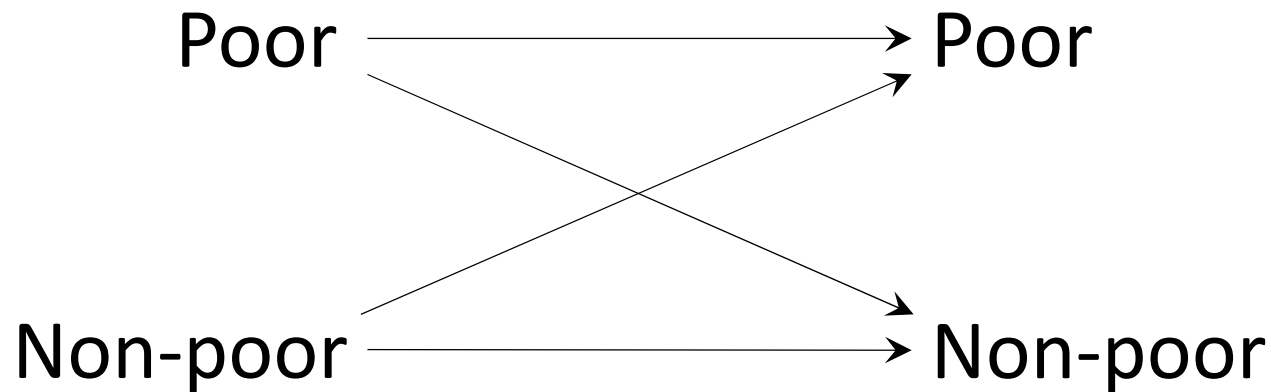
Poor Population by household size, 2013
(Total reduced poor population = 364 400)

On-going: **A panel household survey on psycho-socio-demographic determinants of poverty**

To determine the factors relating to the change:

A "Latte Index" –

A reflection of income disparity and
social mobility

Rank	(selected) Cities, Countries	Minimum Wage (HK$)	Latte price (HK$)	MW per latte
1	Zurich, Switzerland	199	56	
2	Sydney, Australia	107	38	
3	Brussels, Belgium	93	44	
4	Paris, France	87	40	
11	Tokyo, Japan	59	35	
17	Seoul, S. Korea	40	35	
21	Hong Kong SAR, China	32.5	30	
24	New Delhi, India	7	22	

In total, 26 countries included.

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INSIGHT

Out of reach

Paul Yip says either living costs must come down or the minimum wage must go up if we are to avoid further discontent towards the government among Hong Kong workers

The world's most liveable city, Melbourne, is known as the capital of latte. The consumption of the drink is high and you can find it everywhere. How much does it cost? A regular-sized latte costs around A$4 and the hourly minimum wage in Australia is about A$17.

In Hong Kong, a latte costs around HK$30 and the corresponding minimum hourly wage is HK$32. If we create a "latte index" that measures how many lattes can be bought by an hour of minimum wage work, we'd find Australians get four cups to Hong Kong's one.

What does this tell us? The purchasing power of the ordinary Australian worker is much higher than that of their Hong Kong counterpart.

Despite high living costs in the major cities of Australia, Australian workers still have more disposable income than Hong Kong workers. According to the latest Demographia survey, Hong Kong's median housing price is 17 times the median household income. This is the worst affordability ratio the survey has ever recorded.

Usually a ratio of 3.0 and below is treated as affordable. Australia's affordability ratio is 6.4, and is already seen to be a worry. Comparatively speaking, the quality of life in Hong Kong is being greatly eroded by high rents and low wages.

Hong Kong is known to have the widest income inequality among the high-income countries. The Gini coefficient measures the disparity of wealth. It ranges from 0 to 1, where 0 corresponds to perfect equality, meaning that everyone in the community has the same income, while 1 corresponds to perfect inequality, where all the income goes to one person. In 2013, Hong Kong had a Gini coefficient of 0.537. This is similar to some of the poorest countries in Africa.

The government has introduced various benefits to help the poor – for example, free education, accessible health care and cheap public housing. After adjusting for these benefits, the Gini coefficient is reduced to 0.48, a sizeable reduction. These measures have indeed helped vulnerable members of the community to cope with daily necessities. But, unfortunately, quality of life among the Hong Kong population has not been further improved and living space has not been increased in the last 30 years.

The size of half of our flats is less than 500 square feet. While the city has outperformed many Western economies in terms of gross domestic product growth, its median household income has only increased by less than 12 per cent over the past decade. The price of a flat, meanwhile, has gone up by more than 200 per cent, which has put it beyond the reach of many.

Hong Kong has a simple and low tax regime with a narrow tax base. Among the working population, only 40 per cent pay salaries tax, and 60 per cent of the revenue comes from the top 5 per cent of the payers

The minimum wage in Hong Kong is way too low for workers to achieve a reasonable living standard

of salaries tax. As for profits tax, only 10 per cent of registered companies pay it, and over 80 per cent of the revenue comes from the top 5 per cent of the payers of profits tax. Therefore, it is important for the government to stabilise and broaden the revenue base.

However, ordinary workers are simply not being paid fairly for the work or services they provide. Actually, income disparity is one of the key components of the United Nations' sustainable development goals intended to guide development over the next 15 years. The goals champion policies that promote greater equality of opportunities, labour rights, strong labour market institutions and minimum wage policies that can address the fall in the share of labour in the primary incomes in most rich countries. There will also be calls for policies targeting secondary distribution, such as progressive tax policies and social policies with redistributive impact, in particular social security.

The latte index suggests that the minimum wage in Hong Kong is way too low for workers to achieve a reasonable living standard. Certainly, the responsibility should not be on employers only. The overall cost structure is very much affected by high rental costs.

Some of the low-income members of society have been provided with public housing. If not, many lives could be quite miserable and difficult. It is not uncommon to find many people in private-sector accommodation paying more than 50 per cent of their income towards rental. Despite economic development and opportunities on the mainland, Hong Kong workers are not sharing the economic benefits. The high cost of rent for private housing and commercial property

has widened income disparity, setting up barriers for all sorts of creative pursuits and deepening discontent among citizens towards the government.

The government should aim to remedy the imbalance suffered by low-income workers who have been quietly contributing to the progress of Hong Kong's development. Their contribution is not sufficiently recognised or appreciated by the community.

In order to improve the latte index for Hong Kong workers, either the cost of a latte has to come down, or the minimum wage has to increase, or both.

Corporate social responsibility has become more and more trendy and popular among Hong Kong companies. However, if they are to really live up to their responsibilities, it is important that they keep their prices down and increase basic salary levels so that Hong Kong can become a happier place for everyone to live and work in.

With a high level of income disparity, residents (whether poor or rich) will not be very happy. We should be more reflective and empathetic, do our fair share and make a difference to society in our own way.

Paul Yip is professor of social work and social administration at the University of Hong Kong

Take home messages

- Targeting the high risk groups and areas

- Outsourcing could be a cause of poverty

- Investing in education, skills and training for the youth is best insurance cover for the future

- A society with less inequality is a happier society

- "We all can make a difference!"

Community based participation and involvement

Acknowledgements

- Hong Kong Jockey Club Charities Trust
- Labour and Welfare Bureau
- Census and Statistics Department
- Lands Department for GIS
- Supported by the CE Community Project

Enjoy your latte!