

# Analysis of the 2016 Poverty Situation

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# Definition and limitations of the poverty line

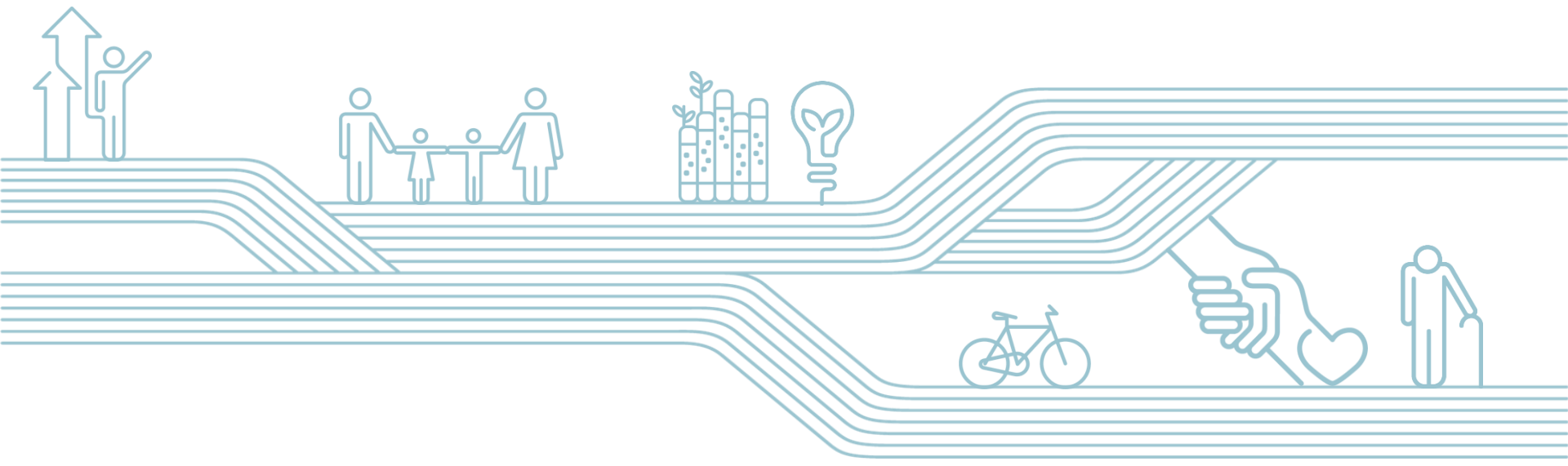
## Definition and functions

- Adopting the concept of “relative poverty”, the poverty line is set at 50% of the median monthly household income before taxation and 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, guide policy formulation and assess policy effectiveness.

## Limitations

- The poverty line only takes into account household income but not assets and liabilities. “Asset-rich, income-poor” persons may be classified as poor and the poverty situation will be overstated.
- The poverty line analysis is subject to numerous external factors at play, including the economic situation and changes in the demographic structure. Hence it is difficult to set a specific poverty alleviation target.
- The core analysis only assesses the poverty alleviation impact of the Government’s recurrent cash policy intervention. The effectiveness of other policies (such as public rental housing (PRH)) cannot be fully reflected.
- The poverty line is not a “poverty alleviation line”. Poverty alleviation policy should aim at both alleviating and preventing poverty.

# Key analysis of the 2016 poverty statistics



# Favourable economic and labour market conditions

## Stable economy and labour market in 2016

Real economic growth:	2%
Job creation*:	13 300
Total employment:	3 787 100 persons
Unemployment rate:	3.4%

## Earnings of grassroots workers continued to grow

Growth in overall wages:	3.7%
Growth in average employment earnings of full-time employees in the lowest decile group:	4.7%

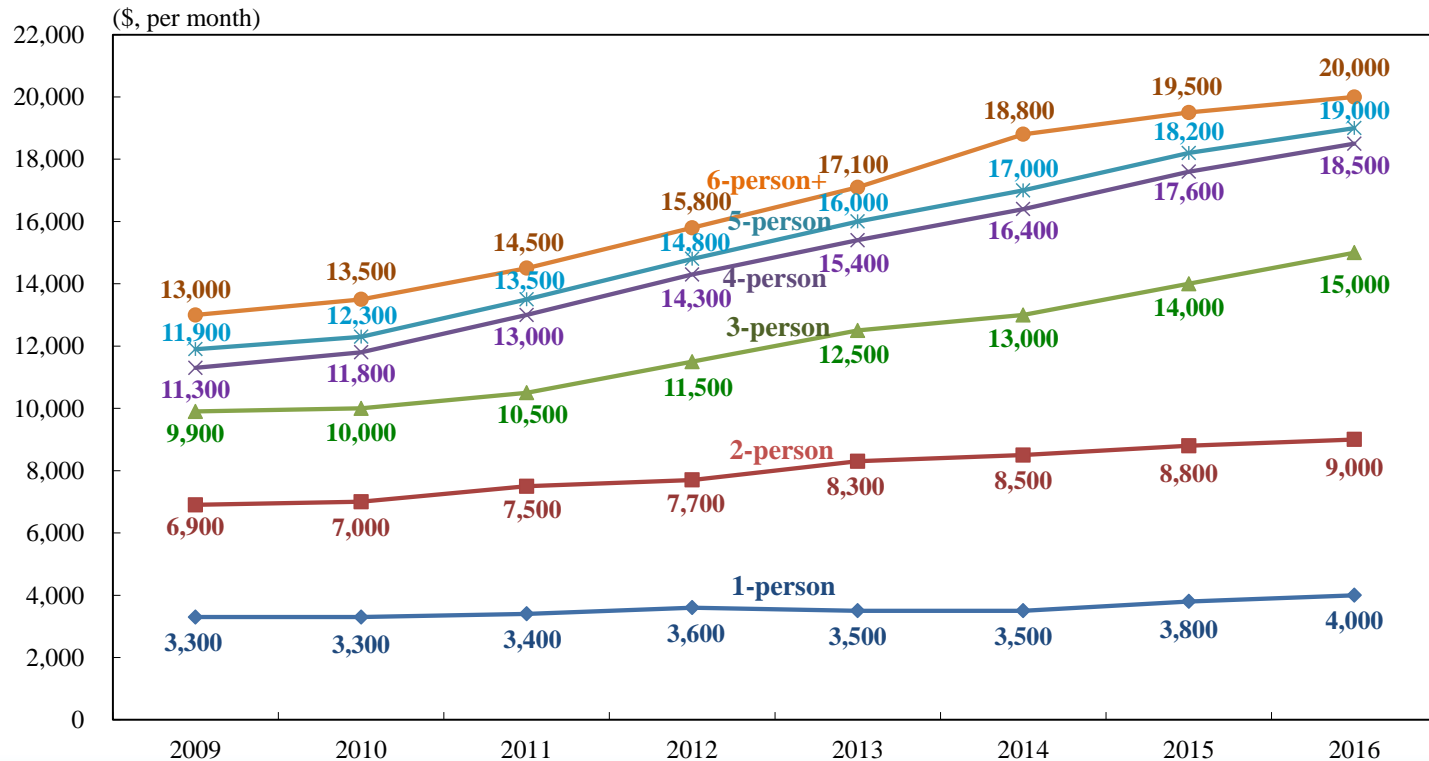
Note: (\*) The figure denotes the growth in employment of 2016 over 2015.

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

# Poverty line thresholds shifted upwards

- The local economy grew moderately and the labour market remained stable in 2016. There were across-the-board increases in the poverty line thresholds along with the improvement in employment earnings.

Poverty lines by household size, 2009-2016

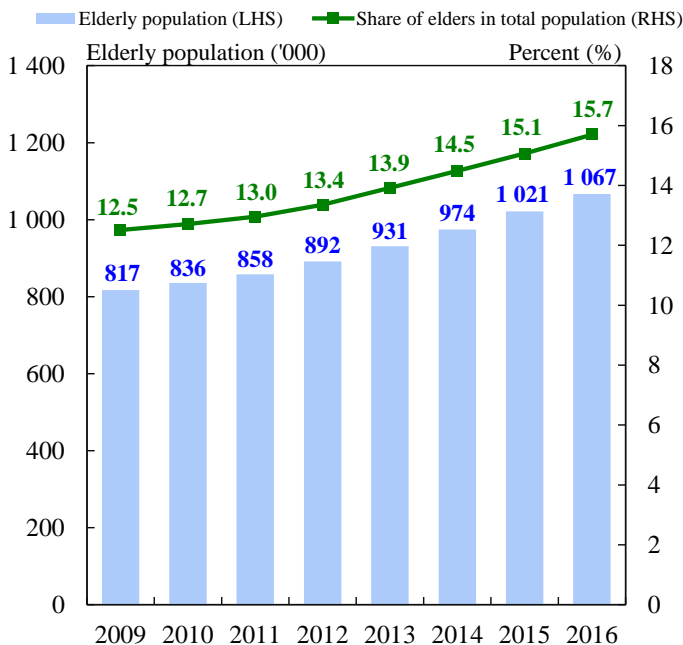


Source: General Household Survey, Census and Statistics Department.

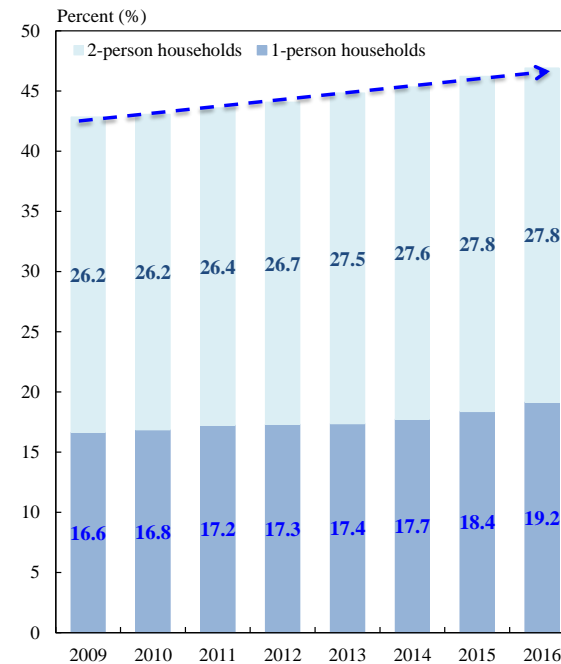
# Impact of population ageing

- Under the prevailing ageing trend, changes in demographic structure and dwindling household size will continue to impose upward pressure on the poverty rate and the size of the poor population.

## Elderly population



## Proportions of 1- and 2-person households



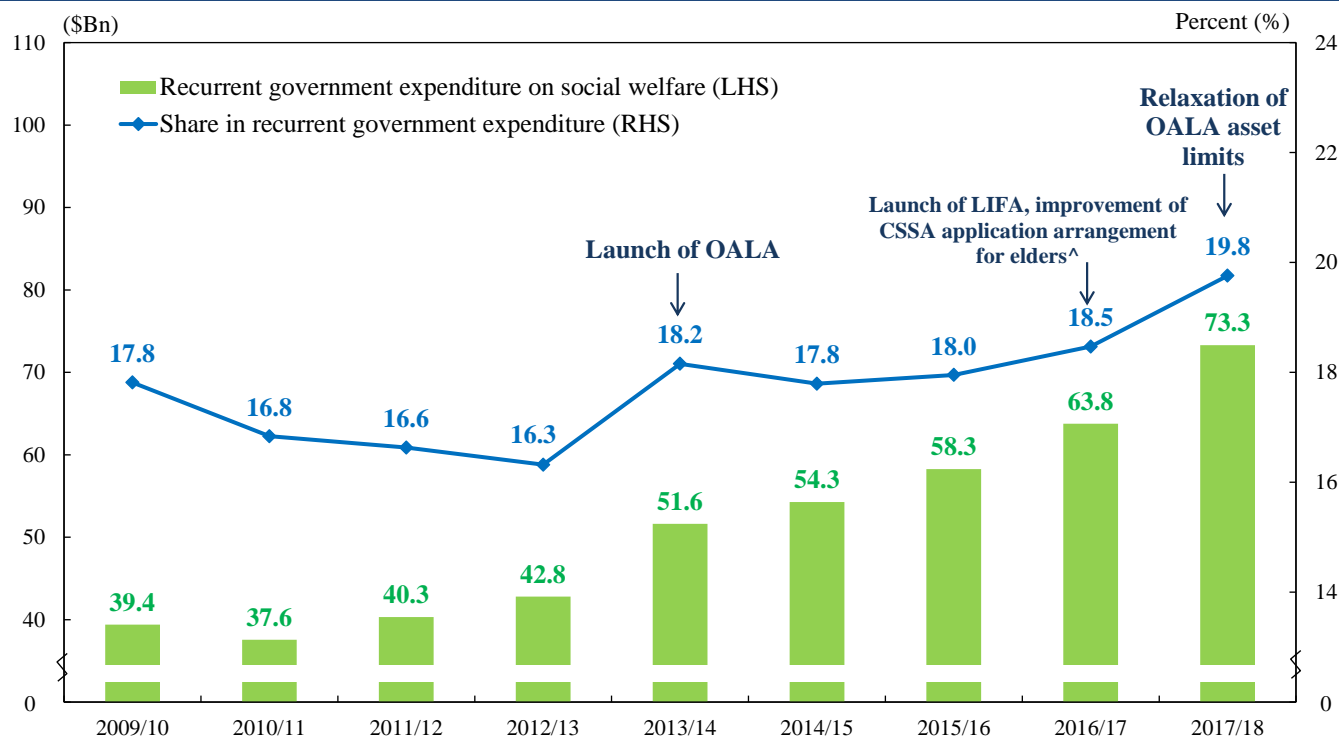
Note: Figures for 2012 - 2015 have been revised to take into account the results of the 2016 Population By-census. Population refers to persons in domestic households, excluding foreign domestic helpers.

Source: General Household Survey, Census and Statistics Department.

# Government's efforts in poverty alleviation (1)

- Government spending on social welfare continued to grow. The Old Age Living Allowance (OALA), the Low-income Working Family Allowance (LIFA) and various enhancement measures have been introduced in recent years.

Recurrent government expenditure on social welfare, 2009/10 – 2017/18\*



Notes: (\*) Figures for 2015/16 and before are actual figures. Those for 2016/17 and 2017/18 are revised estimates and estimates respectively.

(^) Starting from February 2017, the Social Welfare Department has abolished the arrangement for the relatives to make a declaration on whether they provide financial support to the elderly persons who apply for CSSA on their own (e.g. an elderly person who does not live with his/her children) (the so-called “bad son statement”). At present, only the elderly applicants are required to submit the information.

Source: Financial Services and the Treasury Bureau.

# Government's efforts in poverty alleviation (2)

## Low-income Working Family Allowance

- Since the introduction of LIFA in May 2016, as at the end of September 2017, LIFA has benefitted over 36 000 families with about 130 000 persons (including around 57 000 children or youths). The total amount of allowance disbursed was about \$930 million. The poverty alleviation impact of LIFA in 2016 has been reflected in this poverty line analysis.

## Enhancement of Old Age Living Allowance

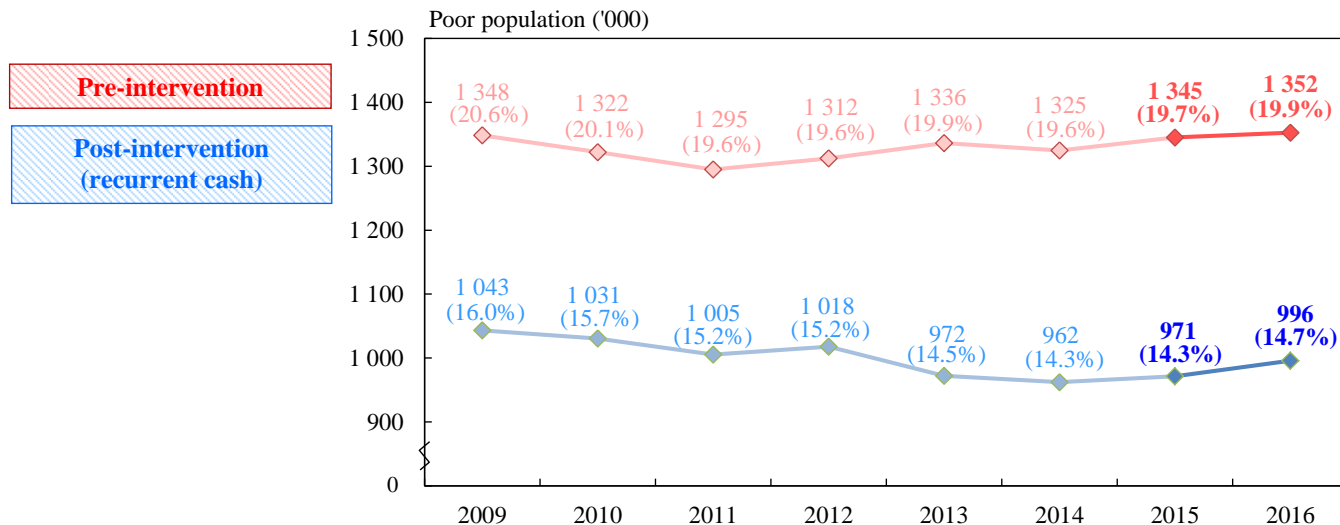
- Starting from 1 May 2017, the asset limits for the existing OALA have been relaxed to benefit more elderly persons with financial needs. A higher tier of assistance will also be introduced in mid-2018 at the earliest. The poverty alleviation impact of these enhancement measures will be reflected in subsequent poverty line analyses.



# Key poverty statistics for 2016

- Before policy intervention, the poverty rate was 19.9% with a poor population of 1 352 000 for 2016.
- After recurrent cash intervention, the poverty rate was 14.7% with a poor population of 996 000 for 2016, staying below the one million mark for the fourth consecutive year.

## Poor population and poverty rate after recurrent cash benefits, 2009-2016



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

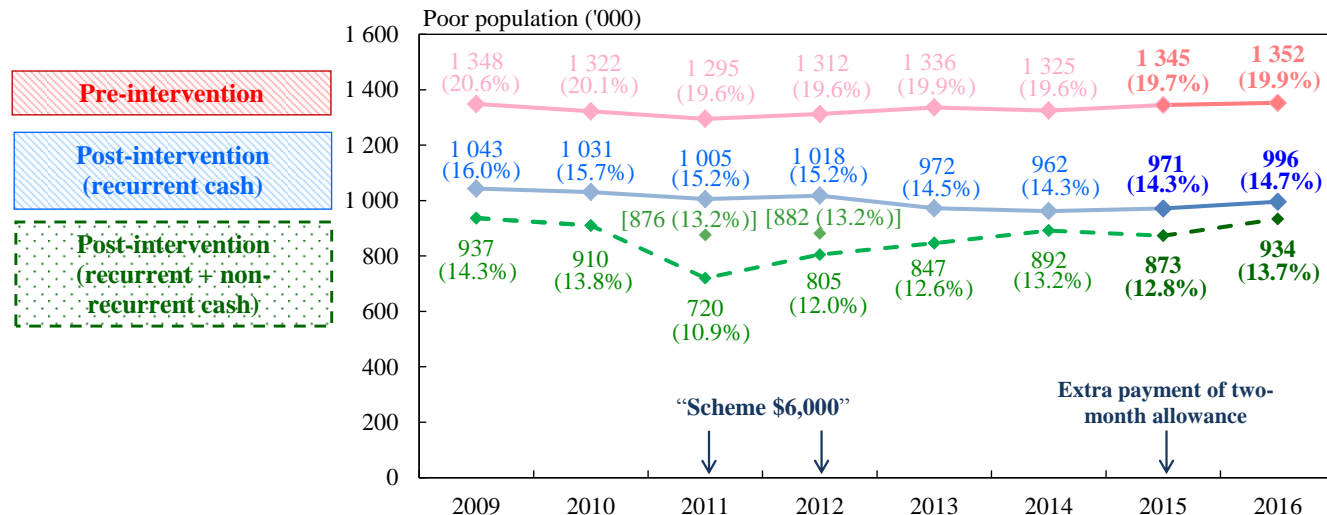
Note: ( ) Figures in parentheses denote the corresponding poverty rates.

Source: General Household Survey, Census and Statistics Department.

# Key poverty statistics for 2016 (non-recurrent cash benefits)

- The poverty alleviation impact of non-recurrent cash benefits in 2016 was lower than that in 2015. This is mainly due to the reduction of the amount of extra payment of Comprehensive Social Security Assistance (CSSA) / Social Security Allowances from two-month equivalent to one-month.

## Poor population and poverty rate after non-recurrent cash benefits, 2009-2016



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

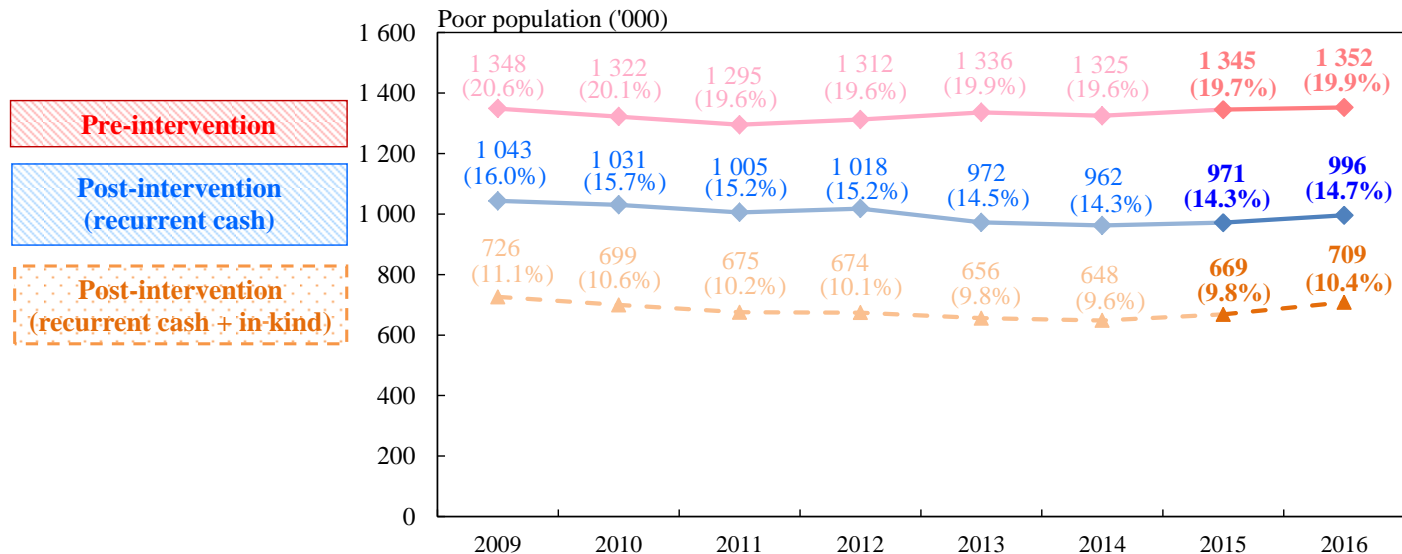
- Notes: ( ) Figures in parentheses denote the corresponding poverty rates.  
 [ ] Figures in square brackets denote the corresponding poverty figures, taking into account non-recurrent cash benefits, with the effect of "Scheme \$6,000" excluded. As "Scheme \$6,000" was covered in 2011 and 2012 only,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

Source: General Household Survey, Census and Statistics Department.

# Key poverty statistics for 2016 (in-kind benefits)

- In-kind benefits (mainly PRH) continued to have a notable impact on poverty alleviation. However, the imputed market rent of PRH units decreased in 2016 along with an approximately 3% drop of residential rentals over the year, resulting in a smaller poverty alleviation impact of PRH as compared with that in 2015.

## Poor population and poverty rate after in-kind benefits, 2009-2016



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

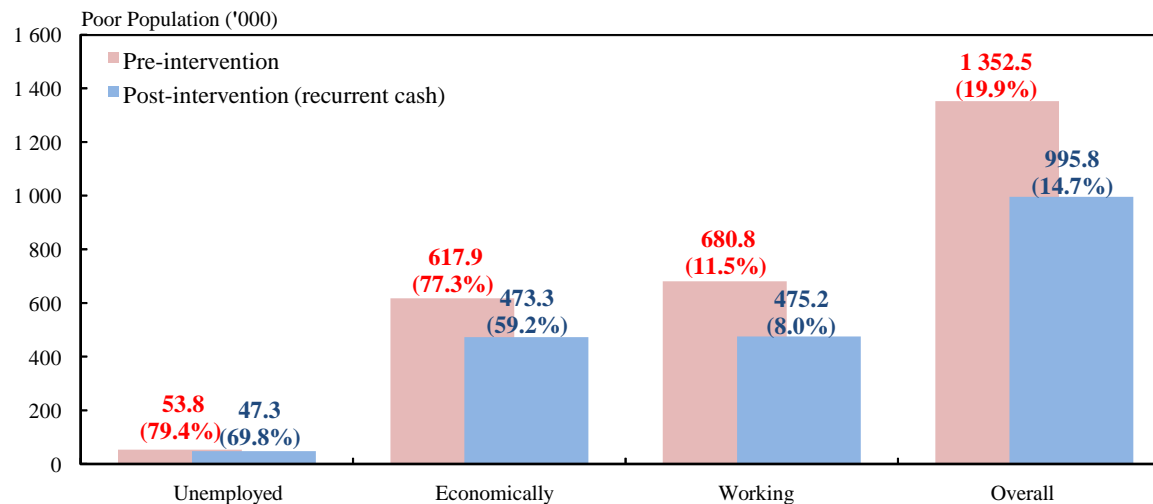
Note: ( ) Figures in parentheses denote the corresponding poverty rates.

Source: General Household Survey, Census and Statistics Department.

# Poverty statistics by economic characteristic

- In tandem with the economic growth in 2016, the poverty rate of working households was far lower than the overall figure and remained at a record-low level. As for the economically inactive households, nearly 60% of the population was elderly persons and the corresponding poverty rate was four times of the overall figure. The number of post-intervention poor persons was up by 22 500, mainly due to the increase in the number of poor elderly persons.

Poor population and poverty rate by selected economic group, 2016



**Post-intervention:  
Compared with 2015**

Poor population ('000)	+4.1	+22.5	-2.2	+24.4
Poverty rate (percentage point(s))	-0.1	+1.0	@	+0.4

**Compared with 2009**

Poor population ('000)	-43.6	+64.1	-68.1	-47.5
Poverty rate (percentage point(s))	-5.7	-3.0	-1.4	-1.3

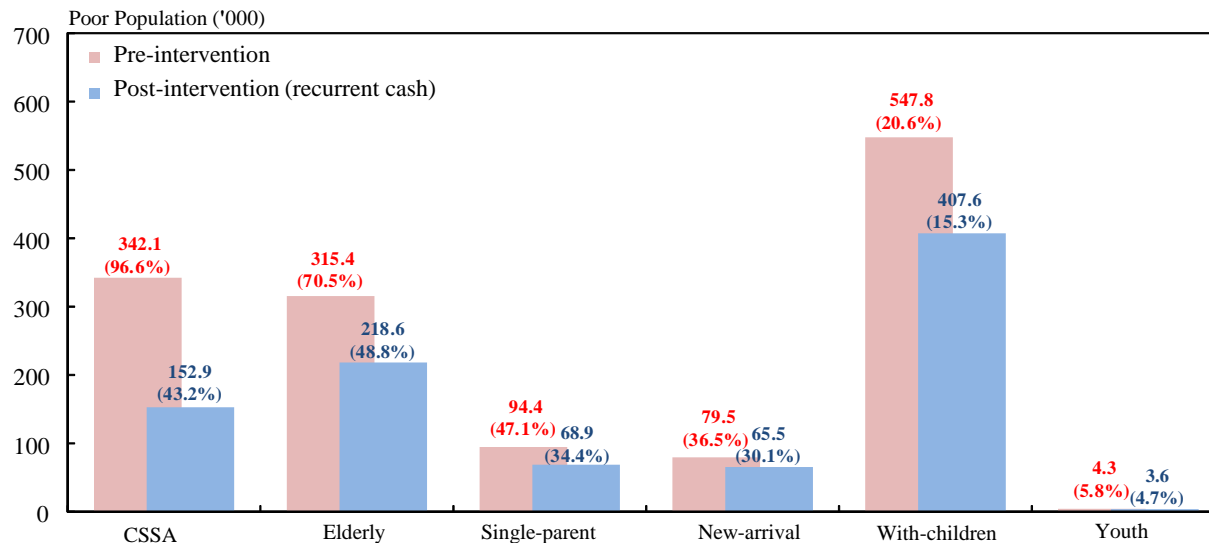
Notes: ( ) Figures in parentheses denote the corresponding poverty rates. (@) Changes less than 0.05 percentage point.

Source: General Household Survey, Census and Statistics Department.

# Poverty statistics by social characteristic

- The poverty figures of CSSA, single-parent, new-arrival and with-children households showed improvements. Benefitted from LIFA, the sizes of the poor population and the poverty rates of the with-children and single-parent households fell to record lows. The poverty rate of the new-arrival households also showed notable improvement.

Poor population and poverty rate by social characteristic, 2016



**Post-intervention:**

**Compared with 2015**

Poor population ('000)	-14.5	+22.5	-5.2	-7.5	-26.0	+0.8
Poverty rate (percentage point(s))	-1.2	+1.8	-1.4	-1.7	-0.7	+1.1

**Compared with 2009**

Poor population ('000)	-86.1	+49.8	-13.0	-59.5	-114.1	+0.3
Poverty rate (percentage point(s))	-5.8	-7.1	-1.1	-8.4	-2.3	+0.5

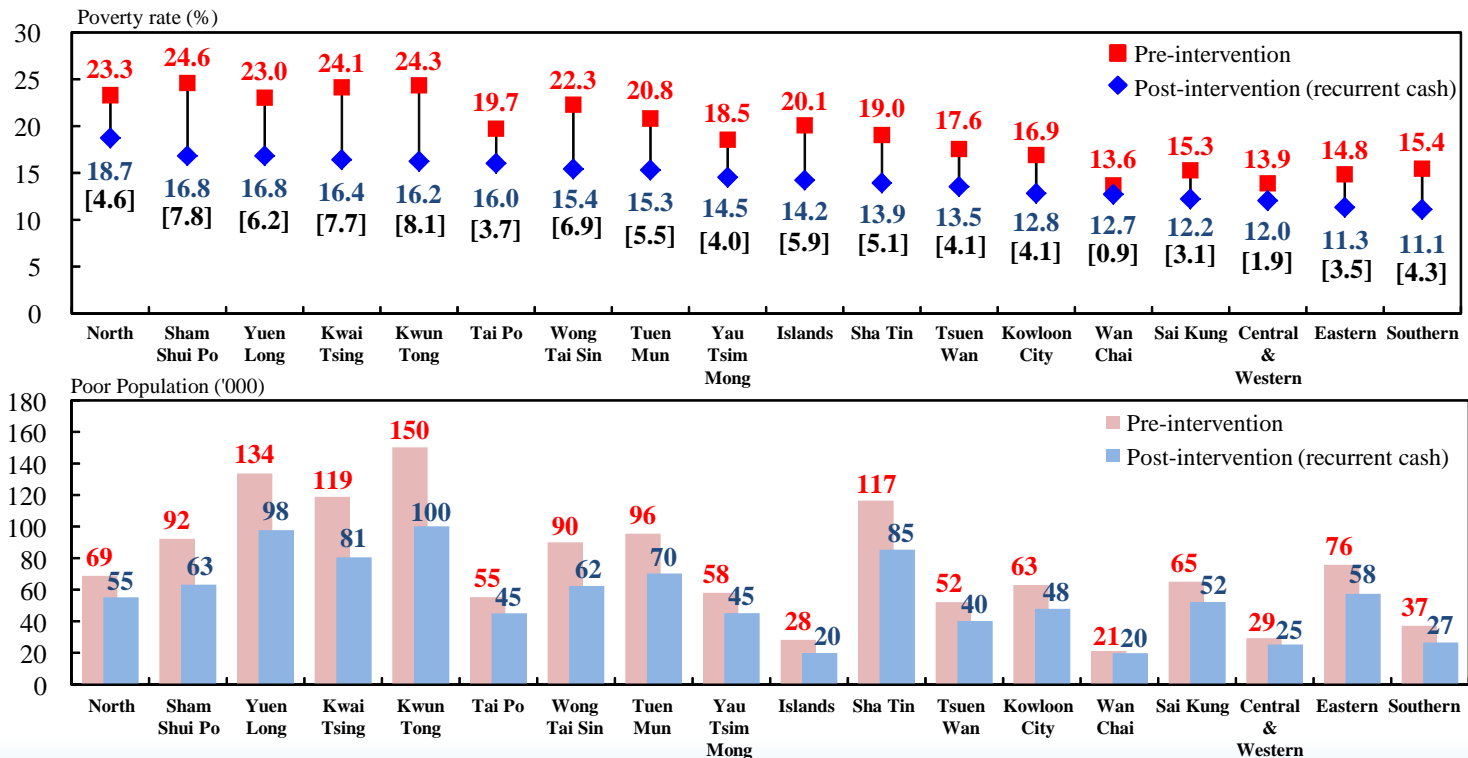
Note: ( ) Figures in parentheses denote the corresponding poverty rates.

Source: General Household Survey, Census and Statistics Department.

# Poverty statistics by district

- Analysing the situation of the 18 districts, the poverty rates of North District, Sham Shui Po, Yuen Long, Kwai Tsing, Kwun Tong, Tai Po, Wong Tai Sin and Tuen Mun were higher than the overall figure. The proportions of full-time working population in these districts were generally lower, with most of the employed persons engaged in lower-skilled occupations.

Poor population and poverty rate by District Council district, 2016



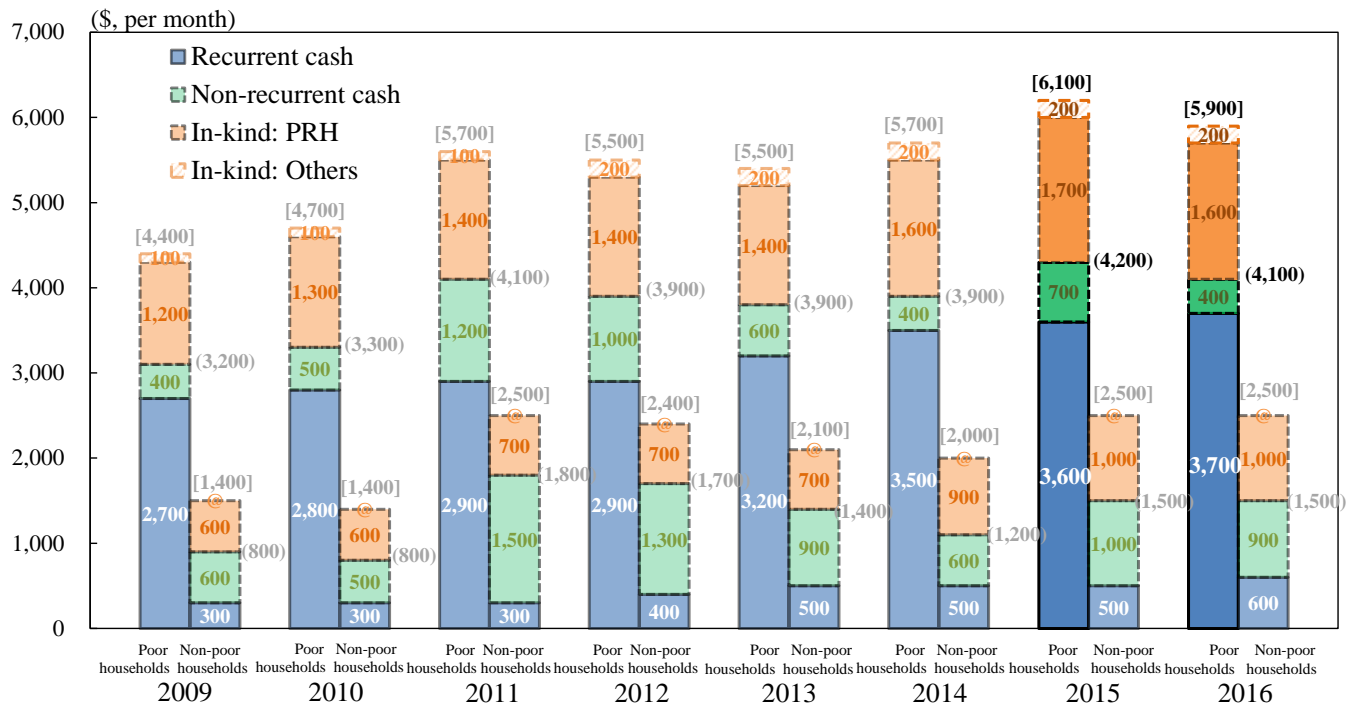
Note: [ ] Figures in square brackets denote percentage point(s) of reductions in the poverty rates.

Source: General Household Survey, Census and Statistics Department.

# Average transfer received by poor households

- In 2016, poverty alleviation policies continued to provide substantive relief to poor households. In particular, the average transfer from recurrent cash benefits continued to increase.

## Estimated average transfer per household by policy intervention category, 2009-2016

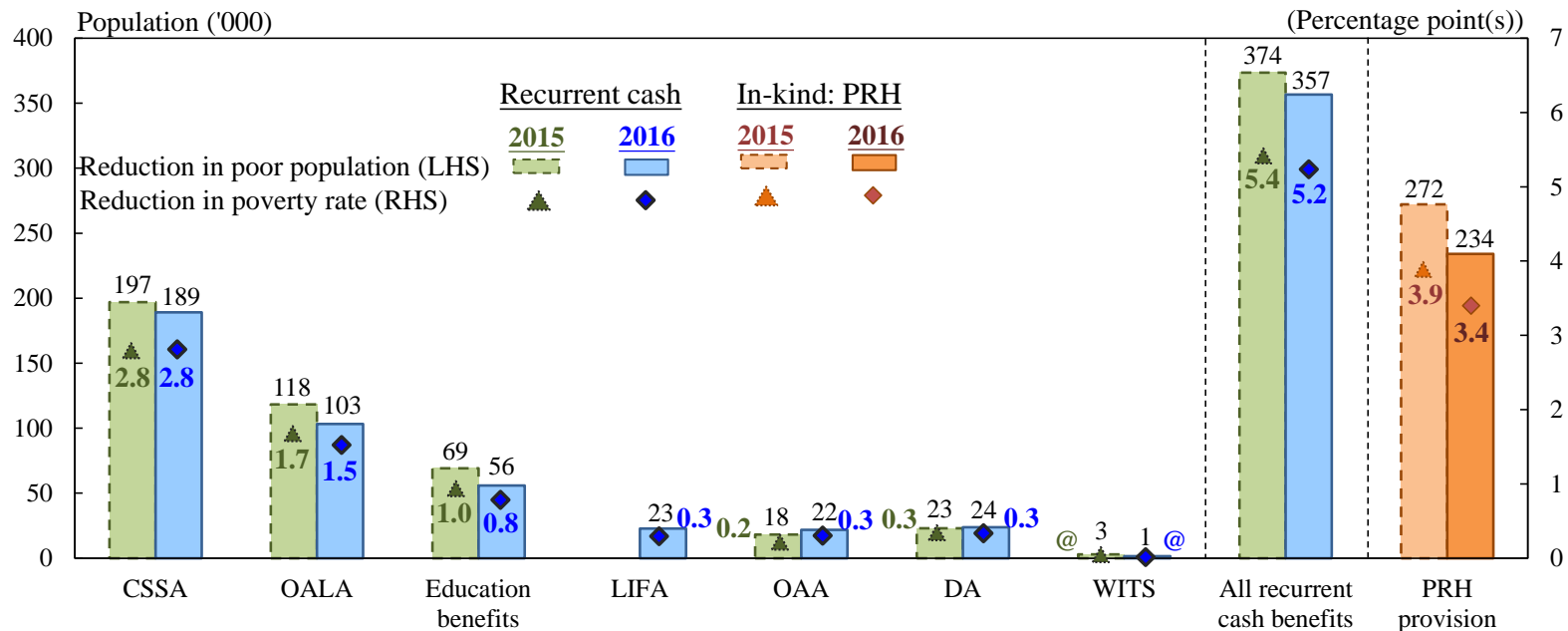


Notes: (@) Amounts smaller than \$50 are not released.  
 ( ) Figures in parentheses denote the sum of estimated recurrent and non-recurrent cash transfers.  
 [ ] Figures in square brackets denote the sum of all estimated transfers.  
 Poverty figures are pre-intervention figures.

Source: General Household Survey, Census and Statistics Department.

# Effectiveness of major recurrent benefits in poverty alleviation (1)

## Effectiveness of selected recurrent cash benefits and PRH provision in poverty alleviation, 2015-2016



Reduction in poor households ('000)	CSSA	OALA	Education benefits	LIFA	Old Age Allowance (OAA)	Disability Allowance (DA)	Work Incentive Transport Subsidy (WITS)	All recurrent cash benefits	PRH provision
2015	108	54	18	-	9	8	1	177	102
2016	107	49	15	6	10	8	1	170	91

Note: (@) Less than 0.05 percentage point.

Source: General Household Survey, Census and Statistics Department.



# Effectiveness of major recurrent benefits in poverty alleviation (2)

- The effectiveness of poverty alleviation policies is determined by various factors at play, with the Government's input of resources being only one of them.

## Reduction of poverty alleviation effectiveness

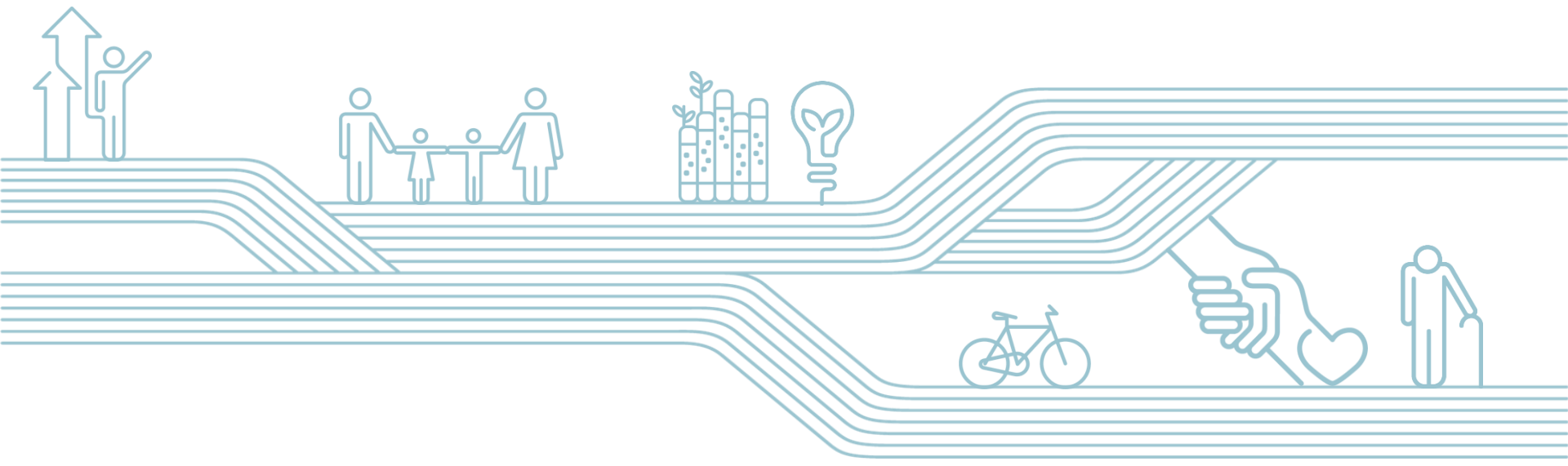


# Impact of demographic changes on poverty statistics

- Population ageing and dwindling household size together nullified nearly half of the poverty alleviation effect brought by economic growth and the Government's poverty alleviation efforts, etc.

<b>Poverty rate in 2009 (post-recurrent cash intervention)</b>	<b>16.0%</b>
Decomposition of changes in the poverty rate between 2009 and 2016	
1. Age structure ( Population ageing → overall poverty rate ↑ )	+ 0.69 percentage point
2. Household size ( No. of smaller household ↑ → overall poverty rate ↑ )	+ 0.40 percentage point
3. Other factors including performance of the economy and labour market, and the effectiveness of the Government's poverty alleviation efforts	- 2.41 percentage points
<b>Poverty rate in 2016 (post-recurrent cash intervention)</b>	<b>14.7%</b>

# Effectiveness of LIFA in poverty alleviation



# Effectiveness of LIFA in poverty alleviation (1)

- The more targeted the poverty alleviation policies are, the higher their effectiveness in poverty alleviation. Among these policies, LIFA had the greatest efficiency in poverty alleviation, lifting on average nearly 4 000 persons out of poverty for every \$100 million spent.

## Estimated transfer from selected recurrent cash benefits and PRH and their effectiveness in poverty alleviation in 2016

2016	Estimated transfer ( \$ billion )	Reduction in poor population ( '000 )	Reduction in poverty rate <sup>^</sup> (percentage point)
<b>Recurrent cash</b>	<b>38.7</b>	<b>356.6</b>	<b>5.2</b>
CSSA	15.2	189.1	2.8
OALA	12.5	103.3	1.5
OAA	3.8	21.9	0.3
Education benefits	3.5	56.0	0.8
DA	3.0	23.8	0.3
LIFA	0.6	22.9	0.3
WITS	0.3	1.5	@
<b>PRH provision</b>	<b>33.8</b>	<b>234.0</b>	<b>3.4</b>

Notes: (^) Changes in poverty rates are calculated based on rounded figures.

(@) Less than 0.05 percentage point.

Source: General Household Survey, Census and Statistics Department.

# Effectiveness of LIFA in poverty alleviation (2)

- In 2016, LIFA lifted 5 600 non-CSSA working households with a total of 22 900 persons (of which 9 500 were children) out of poverty, leading to a reduction of 0.4 percentage point in the corresponding poverty rate.
- LIFA's effectiveness in poverty alleviation was more prominent in the with-children and single-parent households, resulting in a reduction of 0.8 and 0.9 percentage point in the poverty rates of these two groups respectively.

Effectiveness in poverty alleviation (reduction)	Non-CSSA working household	With-children household	Single-parent household	Overall
Poor households	↓ 5 600	↓ 5 100	↓ 600	↓ 5 600
Poor population	↓ 22 900	↓ 21 400	↓ 1 800	↓ 22 900
Poverty rate* (percentage point)	↓ 0.4	↓ 0.8	↓ 0.9	↓ 0.3
Poor children	↓ 9 500	↓ 9 500	↓ 900	↓ 9 500
Poverty rate of children* (percentage point)	↓ 1.0	↓ 1.0	↓ 1.0	↓ 1.0

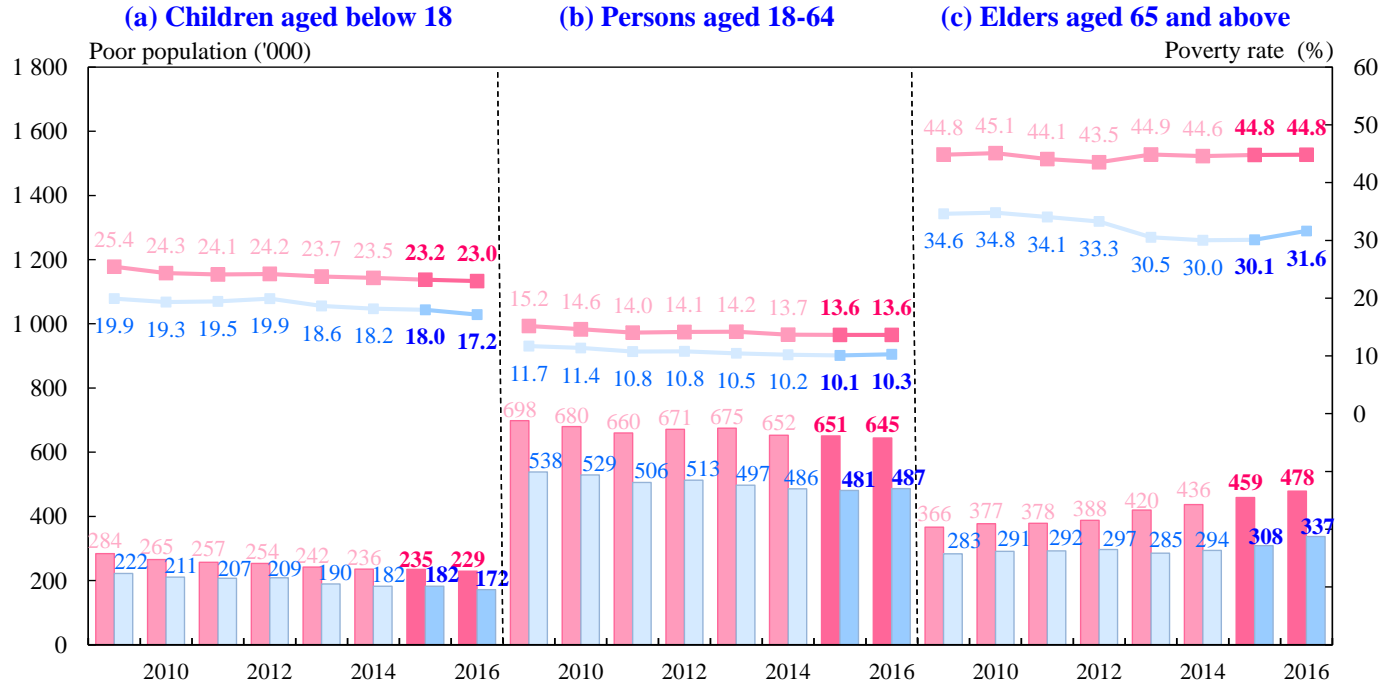
Note: (\*) Changes in poverty rates are calculated based on rounded figures.

Source: General Household Survey, Census and Statistics Department.

# Effectiveness of LIFA in poverty alleviation (3)

- Following the implementation of LIFA, both the population of poor children and the poverty rate of children dropped to record lows in 2016. This was the only age group showing a decrease in poverty figures.

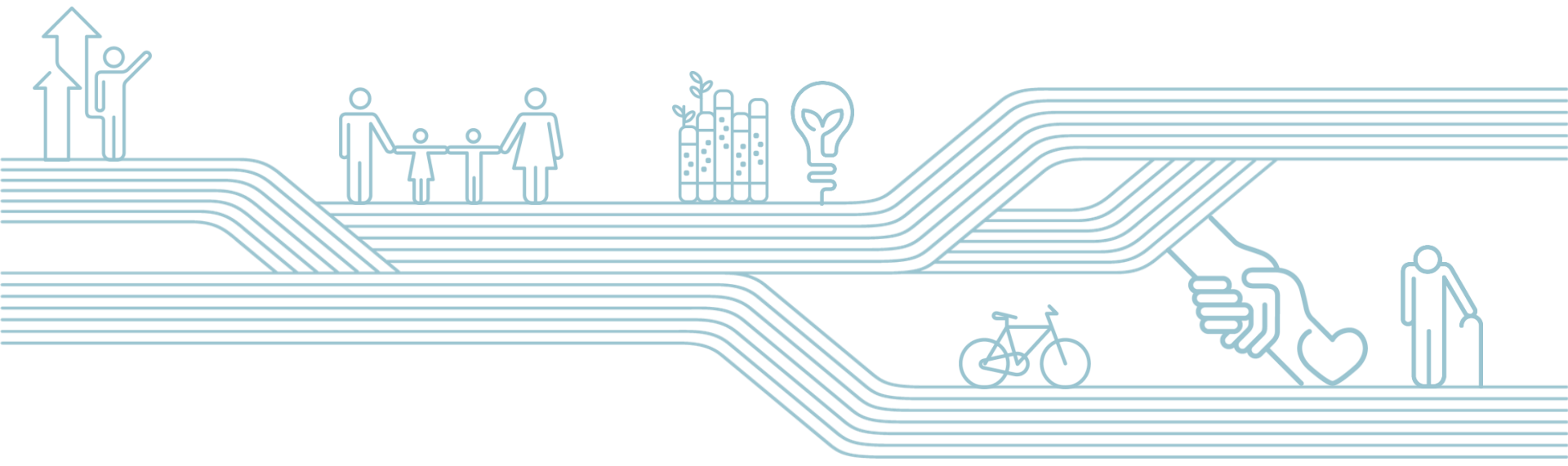
Poor population and poverty rate by age, 2009-2016



Source: General Household Survey, Census and Statistics Department.

Pre-intervention (recurrent cash) Post-intervention (recurrent cash)  
 Poor population (LHS) Poverty rate (RHS)

# Conclusions



# Conclusions

- Through strenuous poverty alleviation efforts by the Government, the poverty situation in 2016 remained largely stable. Nevertheless, as the poverty line thresholds saw across-the-board increases along with the improvement in employment earnings, coupled with the impacts of demographic changes and other factors, there were slight increases in the overall poor population and poverty rate.
- The persistent ageing trend will exert pressure on future poverty figures.
- The Government will continue to foster economic development and create more quality employment opportunities to encourage self-reliance. Meanwhile, measures to encourage the employment of mature persons will also be implemented.
- The Chief Executive announced in her first Policy Address a series of poverty alleviation measures, including the proposed improvement measures to the LIFA Scheme (to be renamed as the “Working Family Allowance” Scheme).
- The Hong Kong Mortgage Corporation Limited will introduce a life annuity scheme in mid-2018. It will provide an additional financial planning option for elderly persons with certain level of assets to manage longevity risk by turning cash lump sums into fixed monthly payouts.
- The poverty alleviation impact of the enhancements to the CSSA application arrangement for elderly persons and OALA will be reflected in subsequent poverty line analyses.



Thank you

