

LCQ5: Poverty Line

Following is a question by the Hon Tommy Cheung and a reply by the Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, in the Legislative Council today (January 27):

Question:

The current poverty line framework takes into account only the income of households but not their assets. The "Hong Kong Poverty Situation Report 2019" (the Report) indicates that among some 390 000 poor elders in 2019, as high as 30 per cent of them had owner-occupied housing. The Report acknowledges that the actual living standard of the "income-poor, owning property of certain value" elders could have been underestimated. As pointed out in the report entitled "Hong Kong at a Crossroads – Let's be Honest about Poverty!" published by the Business and Professionals Federation of Hong Kong in December last year, the definition of poverty adopted by the Government is flawed, resulting in elders with no income but owning properties of certain value being classified as poor, which is unreasonable. As such, the poverty line simply cannot accurately reflect the true picture of poverty in Hong Kong, making it difficult for the poverty alleviation policies to offer appropriate solutions to the problems. In this connection, will the Government inform this Council:

- (1) whether it has compiled statistics on the current average asset value of each household among the poor population; if not, whether it will collect the relevant information;
- (2) whether it will review the practice of adopting the concept of relative poverty in setting the poverty line framework, and study the adoption of the concept of absolute poverty instead; if so, of the details; if not, the reasons for that; and
- (3) given that the population of Hong Kong is ageing, more and more elders with no income but owning properties of certain value will be classified as poor, what measures the Government has put in place to make the poverty line accurately reflect the true picture of poverty in Hong Kong?

Reply:

President,

The poverty line was devised to provide objective quantitative analysis for the poverty situation in Hong Kong as an analytical tool to monitor and understand the poverty situation, formulate poverty alleviation policies and assess policy effectiveness in an ongoing manner. It also provides a common basis for the discussion of poverty situation in the community. In September 2013, the Commission on Poverty (CoP) announced the first official poverty line and its analytical framework. It was decided that the poverty line would be set at 50 per cent of the median monthly household income before policy

intervention (i.e. before taxation and social welfare transfers). Poverty statistics for Hong Kong have since been updated annually by the Census and Statistics Department (C&SD) and the Office of the Government Economist under the poverty line framework for ongoing monitoring of the poverty situation in Hong Kong. To date, the Government has published eight annual poverty situation reports.

My reply to the questions raised by Hon Tommy Cheung is as follows:

(1) The value of assets owned by individual households or individuals is highly sensitive privacy data. It is difficult to collect such data through household surveys in practice and information so collected is unreliable. C&SD had tried to do so but to no avail as many respondents were reluctant to disclose information about their asset.

(2) Formulated by the CoP, the analytical framework of the poverty line is based on the concept of "relative poverty", with monthly household income before policy intervention (i.e. before taxation and social welfare transfers) adopted as the basis for measurement. The poverty line is set at 50 per cent of the median household income by household size. The concept of "relative poverty" has been widely adopted amongst developed economies, such as the Organisation for Economic Co-operation and Development and the European Union. The statistics so compiled are generally comparable internationally and easy to understand. The fact that some non-governmental organisations in Hong Kong have for years adopted the concept of "relative poverty" as the basis for analysing the poverty situation also demonstrates the receptiveness of the relevant analytical framework generally.

The concept of "absolute poverty" focuses on measuring the living standard at subsistence level or satisfying basic needs. For example, the World Bank has set the international poverty line at US\$1.9 per day. It is a concept more widely adopted amongst developing economies.

(3) The population of Hong Kong has continued to age and the number of retired elderly people has continued to increase. Statistically, these retired elderly people would be categorised as poor as most of them do not have regular income. The Government and the CoP are cognisant of the limitation of using household income as the sole indicator for measuring poverty under the poverty line analytical framework. Hence, the CoP has agreed to introduce supplementary analysis to help the public understand the poverty situation in a more comprehensive manner.

Some elderly households have a certain amount of assets or receive support from non-household members (e.g. their children) by directly paying for some of their expenditures. Yet, the poverty line analytical framework will not take these factors into account. It is therefore possible that the actual living standard of these elderly people is being underestimated. As such, when analysing the elderly poverty situation, the Government also utilises other statistics to conduct a multi-faceted supplementary analysis in parallel so as to reflect the livelihood of the poor elderly in a more holistic manner. This, to a certain extent, has made up for the current

analytical framework's limitation of not taking assets into account.

As regards the analysis on "income-poor, owning property of certain value" elderly people, the "Hong Kong Poverty Situation Report 2019" (the Report) carries a detailed analysis by estimating the number of elderly households with all members aged 55 or above and residing in owner-occupied mortgage-free housing, the value of which, if converted to monthly receivable life annuity payouts, would not be lower than the poverty line. This provides data of another perspective to reflect the property asset situation of some elderly people. In addition, the Report carries an analysis on the support to poor households (in particular poor elderly households) through direct payment for their expenditure by non-household members. These multi-faceted analyses in conjunction with the poverty line framework should facilitate better understanding of the situation of poor elderly.

Thank you, President.