

LegCo Secretariat releases Research Brief on “Characteristics of low- and lower-middle-income households”

The following is issued on behalf of the Legislative Council Secretariat:

The Legislative Council Secretariat (the Secretariat) today (August 4) released a Research Brief on "Characteristics of low- and lower-middle-income households".

The Government identified three groups for targeted poverty alleviation earlier this year to strengthen support to the relevant populations. Among these groups, for all-elderly households that comprised about 560 000 persons, around two-thirds of them were low-income households (defined as households belonging to the lowest quintile group of household income); regarding households residing in subdivided units and single-parent households, with each group covering about 210 000 persons, both groups had some 40 per cent being lower-middle-income households (i.e. households in the second lowest quintile group of household income). The Research Brief made use of the detailed data on household characteristics collected in the 2021 Population Census and compared that with the statistics of the past 25 years, with a view to understanding the situations and challenges faced by the low-income and lower-middle-income households.

Among low-income households, the proportion of economically inactive households doubled over the past 25 years from 33.8 per cent to 74.1 per cent in 2021, representing 396 000 households. An ageing population led to a significant increase in the number of all-elderly households between 1996 and 2021, from 86 000 to 253 000 (239 000 of which were economically inactive households). Concurrently, among low-income households with non-elderly members, the number of economically inactive households also tripled from 50 000 to 157 000.

The absence of employment earnings among economically inactive households was an important factor leading to stagnant income for low-income households (monthly income of the tenth percentile household actually declined about 17 per cent from HK\$5,700 in 2016 to HK\$4,700 in 2021). As income of middle-income and high-income households basically showed an upward trend, a widening income disparity ensued.

Meanwhile, among the aforementioned 157 000 low-income, economically inactive households, there were some 200 000 household members who were of working-age but economically inactive. For 40.8 per cent of them or 81 300 who were homemakers and early retirees, they resided in households without any fellow household members being such care recipients as children, older long-term care recipients or persons with disablement/sickness. Insights on their reasons for not participating in the labour market, combined with practical help to overcome the relevant obstacles, might improve the income

situation of these households as well as release some potential labourers into the local labour market.

With various poverty alleviation policies implemented, Government expenditure on recurrent cash benefits grew significantly when compared with the 1996-1997 fiscal year, to HK\$75.7 billion in the 2022-2023 fiscal year. More specifically, elderly-related recurrent cash benefits including Old Age Living Allowance were the main drivers, with total expenditure stood at HK\$37.3 billion in the 2022-2023 fiscal year, a figure equivalent to more than 12 times that in the 1996-1997 fiscal year. Together with a number of new or enhanced recurrent cash benefit schemes launched by the Government in recent years, the added expenditure on one hand somewhat offset the negative impact of reduced employment earnings of low-income households, but on the other hand raised much concern over the sustainability of social welfare expenditure especially when the relevant recurrent expenditure is set to become the largest among policy area groups by the 2023-2024 fiscal year.

Regarding housing situation, there were about 170 000 low-income and lower-middle-income households that were accommodated in private rental housing in 2021, hence inevitably impacted by rising rents of private flats. Among low-income households with non-elderly members, the median rent-to-income ratio for economically active households that were renting private flats jumped to 93.1 per cent in 2021, or 2.4 times the level in 2011, and the corresponding median for lower-middle-income households was also noticeable at 42.8 per cent. Such data suggests that the burden from housing expenditure was considerable for these households living in rented private housing.

The Research Brief is prepared by the Secretariat's Research Office of the Research and Information Division with a view to enhancing research and information support for Members. It is a concise summary aiming at explaining a subject matter which may be of interests to Members and the general public. The Research Brief is now available on LegCo website at app7.legco.gov.hk/rpdb/en/uploads/2023/RB/RB02_2023_20230804_en.pdf.