

Poor population with government intervention is 550 000 in 2020

The Government released today (November 10) the "Hong Kong Poverty Situation Report 2020". The key analyses (see Annex) were presented to the Commission on Poverty (CoP) at its meeting held this afternoon.

Adopting the analytical framework of the poverty line endorsed by the CoP, the Office of the Government Economist in collaboration with the Census and Statistics Department (C&SD) updated and analysed the poverty statistics using data from the General Household Survey by the C&SD as the basis. This is the ninth annual update of the poverty situation analysis since the publication of the first official poverty line in 2013.

The Report continues to adopt the poverty line analytical framework based on the concept of relative poverty as formulated by the CoP. The poverty line was set at 50 per cent of the median monthly household income before policy intervention (i.e. before taxation and social welfare transfers) by household size. Following the decision of the CoP last year, the presentation of the poverty line analysis in this Report was enhanced, whereby the core analysis was conducted based on the poverty statistics covering "the recurrent cash measures, non-recurrent cash measures and means-tested in-kind benefits" (i.e. all selected measures). In reality, households could concurrently benefit from various kinds of policy intervention measures, and hence the poverty alleviation impacts of these selected measures should be fully reflected under the poverty line analysis as far as possible. Members considered the enhanced presentation a more faithful portrayal of the real-life situation. Analyses on the pre-intervention (purely hypothetical assumption) scenario and the respective situations taking into account different categories of policy intervention measures are featured in the Report for supplementary reference.

The summary of the findings of the poverty situation in Hong Kong in 2020 is as follows:

- Affected by the global COVID-19 pandemic, the Hong Kong economy experienced a severe recession in 2020. The labour market deteriorated sharply, characterised by a noticeably rising unemployment rate and decelerated overall wages growth. Compounded by the reductions in working hours or even job losses of members of many households, household income dropped significantly and grassroots families were particularly hard hit. Without timely policy intervention by the Government, a distinct deterioration in the poverty situation would have been highly likely in 2020.
- In response to this major challenge, the Government rolled out a series of non-recurrent measures in 2020 to stabilise the economy and relieve the pressures on the grassroots' livelihood. The Government's total commitment of various relief measures (including various countercyclical measures and the support measures under the Anti-epidemic Fund) implemented in response to the

economic recession and the pandemic amounted to over \$300 billion in 2020 alone, accounting for about 11 per cent of Gross Domestic Product.

- After taking into account the policy intervention of all selected measures, the overall poor population and the poverty rate in 2020 were 553 500 persons and 7.9 per cent respectively, down markedly by 88 000 persons and 1.3 percentage points compared to the 2019 figures.

- With the implementation of the Government's non-recurrent cash measures of an unprecedented scale and the continuous increase in recurrent expenditure related to people's livelihood, the poverty alleviation impact of all selected measures in 2020 was a record high, lifting 1 099 000 persons out of poverty and reducing the overall poverty rate by 15.7 percentage points. The poverty alleviation impact strengthened substantially by 3.5 percentage points over that of 2019. The effect of the Government's one-off measures to relieve the burden of the grassroots effectively suppressed the surge in the poverty rate that would have come about during the economic downturn.

- Mainly attributable to the Government's non-recurrent cash measures in 2020, such as the disbursement of \$10,000 in cash and subsidies rendered to individuals or households under the Anti-epidemic Fund, the overall poverty alleviation impact of non-recurrent cash measures strengthened markedly. Recurrent and non-recurrent cash measures combined lifted 937 000 persons out of poverty, reducing the poverty rate by 13.4 percentage points, much higher than that of 8.3 percentage points in 2019. This fully demonstrates that while poverty alleviation might not be the main objective, these countercyclical non-recurrent measures helped to effectively alleviate the financial hardship of the grassroots under the pandemic while stabilising the economy.

- As for recurrent cash measures only, the poverty alleviation impact in 2020 strengthened by 0.7 percentage points over that of 2019, lifting 441 700 persons out of poverty and reducing the overall poverty rate by 6.3 percentage points, which was the largest on record. Among various recurrent cash measures, the poverty alleviation impacts of the Comprehensive Social Security Assistance Scheme and education benefits compared to those of 2019 both strengthened by 0.4 percentage points to 2.6 percentage points and 1.0 percentage point respectively, lifting 184 200 and 70 400 persons out of poverty respectively. The poverty alleviation impacts of both Old Age Living Allowance and Working Family Allowance compared to the 2019 impacts increased by 0.2 percentage points each to 2.4 percentage points and 0.8 percentage points respectively, lifting 164 700 and 53 400 persons out of poverty.

- As regards means-tested in-kind benefits, the in-kind transfer of public rental housing (PRH) provision lifted 265 900 persons out of poverty in 2020, lowering the poverty rate by 3.8 percentage points. This demonstrates that PRH provision continued to play a pivotal role in poverty alleviation by addressing the housing needs of the grassroots. Its poverty alleviation impact was even higher than that of individual recurrent cash measures.

- Without considering the various policy interventions above, the poverty indicators would record notable annual increases. In 2020, the pre-

intervention (purely hypothetical assumption) poor population and the poverty rate stood at 1 652 500 and 23.6 per cent, which increased markedly by 161 900 persons and 2.2 percentage points compared to the 2019 figures, in stark contrast to the post-intervention (all selected measures) poverty situation. Nearly half of the increase in the pre-intervention (purely hypothetical assumption) poor population in 2020 was from unemployed households, and close to three-tenths from working households.

- Looking ahead, the poverty situation outlook hinges on the development of the pandemic across the globe and the pace of economic recovery in Hong Kong. If the Hong Kong community can provide widespread support to the implementation of the vaccination programme and the anti-epidemic measures, it would lay a solid foundation for the economy to swiftly return to the right track, and for the labour market to recover further. This would help bring relief to the local poverty situation as well, in particular the working poverty situation. But it should be noted that the performance of the post-intervention (all selected measures) poverty indicators might be affected by the expected scaling down of one-off measures after economic recovery.

The Report has been uploaded to the CoP's dedicated website (www.povertyrelief.gov.hk).