

# Speech by CS at Symposium on Poverty Alleviation Strategies in Mainland China, Taiwan, Hong Kong and Macau: Challenges and Way-forward (English only)

Following is the speech by the Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, at the Symposium on Poverty Alleviation Strategies in Mainland China, Taiwan, Hong Kong and Macau: Challenges and Way-forward today (July 6):

Professor Yip (Chair Professor of Population Health, The University of Hong Kong, Professor Paul Yip), Professor Hayward (Dean, Faculty of Social Sciences, The University of Hong Kong, Professor William Hayward), Professor Zhang (Professor of the School of Economic and Resource Management, Beijing Normal University, Professor Zhang Qi), Dr Chan (Assistant Professor of Department of Government and Public Administration, University of Macau, Dr Chan Kin-sun), Professor Hsueh (Professor of the Department of Sociology, National Taiwan University, Professor James Hsueh), distinguished guests, ladies and gentlemen,

Good afternoon. As the Chairman of the Hong Kong Commission on Poverty (CoP), I am most honoured to join you at this important cross-strait Symposium to tackle the common issues of poverty confronting our four places.

Before I start sharing Hong Kong's experience in overcoming problems of economic inequality, I would like to express my sincerest congratulation to Paul for the successful launch of this Symposium and my warmest welcome to all speakers and guests from overseas who travel all the way to this Asia's world city.

The Government of the Hong Kong Special Administrative Region (HKSAR) attaches great importance to reducing disparities between the rich and the poor in Hong Kong. To this end, our policy direction is to encourage young people and adults to be self-reliant through employment, while putting in place a reasonable and sustainable social security and welfare system to offer help to those who cannot provide for themselves.

## Official Poverty Line

To understand better the poverty situation in Hong Kong and identify ways to prevent and alleviate poverty, the first term of the Commission on Poverty developed and announced the first official poverty line for Hong Kong in September 2013. The poverty line is defined as half of the median monthly household income of all domestic households in Hong Kong, prior to government

intervention like tax and social benefits transfers. This approach is based on the concept of relative poverty as opposed to absolute poverty expressed in terms of basic subsistence. The concept is simple and easy to understand, and consistent with international practices adopted by most developed economies such as the Organisation for Economic Co-operation and Development (OECD) and the European Union.

The Commission considers that in an affluent city like Hong Kong, poverty can no longer be understood merely by the lack of ability to afford minimum subsistence. Relative poverty acknowledges that the definition of poverty should move with the times and change with general living standards. This is in line with the Hong Kong Government's thinking that we should put in place a reasonable and sustainable social support system where different strata of society can share the fruits of economic development.

The official poverty line has three key functions. It measures and analyses the overall poverty situation, facilitates evidence-based policy-making and assesses the effectiveness of policy intervention. By analysing the changes in poverty indicators before and after policy intervention, the effectiveness of existing poverty alleviation measures can be quantified, evaluated and compared, thereby facilitating policy review.

Statistics are mainly sourced from the General Household Survey of the Census and Statistics Department and updated annually for ongoing monitoring of the poverty situation in Hong Kong. So far, five annual analyses of the poverty situation have been published. All annual Hong Kong Poverty Situation Reports are uploaded to the CoP's website for the public access.

#### Recurrent Cash Measures

To reduce disparity between the rich and the poor, the HKSAR Government redistributes income among different strata of the community through collection of taxation and distribution of cash and in-kind social benefits. The main analytical framework of the poverty line mainly measures recurrent cash policies, such as the Comprehensive Social Security Assistance (CSSA), Old Age Living Allowance (OALA), Old Age Allowance and Disability Allowance.

The recurrent government expenditure on social welfare is expected to reach HK\$79.8 billion in 2018-19, or 55 per cent higher than five years ago. The amount constitutes 19.6 per cent of Government's total recurrent expenditure, second only to education. It is precisely this commitment that has brought sizeable improvement to the poverty situation in Hong Kong. The latest figures show that, in 2016, recurrent cash policies lifted 360 000 persons out of poverty or a reduction of poverty rate by 5.2 percentage points, from 19.9 per cent to 14.7 per cent. The poverty alleviation impact was notably greater than that from 2009 to 2012, highlighting the enhanced effectiveness of the Government's poverty alleviation efforts in recent years. Furthermore, the overall size of the poor population has remained below the one-million mark for the fourth consecutive year.

The CSSA caseload also serves as an indicator of the impact of poverty

alleviation measures. As at the end of September 2017, the number of unemployment CSSA cases and low-earnings CSSA cases were 13 415 and 4 641 respectively, representing a cumulative decrease of 60.9 per cent and 71.6 per cent respectively or the lowest records for the past 100 months (8.3 years) since 2009. The CSSA unemployment caseload was even the lowest since Hong Kong's return to our Motherland in 1997. This clearly reflects that most people choose to improve their living through employment when sufficient job opportunities are available and that self-reliance remains a core value of Hong Kong.

#### Non-recurrent Cash Benefits and Means-tested In-kind Benefits

In addition to the main analytical framework of the poverty line, supplementary analyses are prepared to assess the effectiveness of non-recurrent cash benefits including one-off measures (such as provision of rates waiver and additional social security payments) and means-tested in-kind benefits such as mainly public rental housing. Compared with the impact of recurrent cash intervention on reducing the poverty rate to 14.7 per cent, the non-recurrent cash measures introduced in 2016 further reduced the poverty rate to 13.7 per cent, whereas the in-kind benefits, which comprised mainly public rental housing, lifted an additional 287 300 persons out of poverty and further reduced the poverty rate by 3.3 per cent to 10.4 per cent. This indicates the important role of public rental housing in poverty alleviation.

As for universal in-kind benefits without means tests such as public medical services and education, they are not included in the poverty line framework as all citizens are able to enjoy them.

#### Targeted Poverty Alleviation Measures

The statistics collected for poverty analyses can be further analysed by a set of socio-economic characteristics, such as gender, age, employment condition and district. A focused analysis of the situations of various groups such as elderly, single-parent and unemployed households can also be conducted so that groups in need of focused support can be identified and policy initiatives be explored and formulated accordingly to provide targeted support.

#### Low-income family

The HKSAR Government believes that employment is the best route out of poverty. We are therefore determined to strengthen our economy in order to provide more quality employment opportunities, thereby improving our people's livelihood through employment.

Indeed, the poverty line analysis reveals that low-income working families not receiving CSSA, mostly with children at school, are at higher risk of poverty and deserve priority attention. On this basis, the Government launched the Low-income Working Family Allowance (LIFA) Scheme in May 2016 to encourage grassroots families to stay in active employment and ease

intergenerational poverty. In 2016 alone, the LIFA Scheme lifted 5 600 non-CSSA working households with a total of 22 900 persons out of poverty, reducing the post-intervention poverty rate to a record-low level of 8.0 per cent, far lower than the overall poverty rate of 14.7 per cent.

Among the some 23 000 people being lifted out of poverty by the LIFA Scheme, about 9 500 were children. This drove the poverty rate of children aged below 18 (post-intervention) to a record-low level of 17.2 per cent. These figures showed that the LIFA Scheme was conducive to lifting working households out of poverty and provided support to their children. We expect that the impact of the Scheme will continue to grow since a number of improvement measures including relaxing the working hour and income requirements as well as increasing the allowance rates of the Scheme have been implemented since April this year.

### Elderly

In 2016, the proportion of elderly persons in domestic households increased by 45 600 persons to 15.7 per cent. Most elderly persons are retired with no stable income. Therefore, some "asset-rich, income-poor" elderly persons may be statistically defined as poor, given the limitation that the poverty line measures only household income without considering assets. After recurrent cash intervention, the poverty rate of this age group was over 30 per cent, much higher than those of other age groups.

In view of the persistent ageing trend in Hong Kong, we have introduced the means-tested Old Age Living Allowance since 2013. It offers very significant poverty alleviation effect on elderly. As revealed from the 2016 figures, the OALA has proven its effectiveness through reducing elderly poverty rate by a considerable 6.4 percentage points. To date, the OALA has benefited some 480 000 elderly persons. We believe that the impact of this scheme will continue to expand as we have relaxed the asset limits for OALA since 2017 and further introduced the Higher Old Age Living Allowance in June 2018 to extend our support to more elderly in need. It is expected that about 80 per cent of these elderly are eligible for the Higher OALA.

### Other social groups

The analytical framework of the poverty line has also been applied to other related studies, which in turn helps the HKSAR Government monitor the situation of some specific groups. For instance, the HKSAR Government has, on the basis of the poverty line framework, compiled analyses on the poverty situation of persons with disabilities and ethnic minorities to help understand better the forms of poverty of these specific groups and formulate targeted support measures for them.

### New and Pilot Initiatives to Fill Temporary Gaps Community Care Fund

While the Government will continue to improve our poverty alleviation measures, we are mindful that certain quarters of the community may still

have people who are in need but have yet to be covered by the existing social safety net. In this regard, we have set up a Community Care Fund (CCF) under the CoP to support new assistance schemes and introduce pilot programmes to plug the gaps before regularised services are available. So far, the CCF has launched 46 assistance programmes with a total commitment of around HK\$8.7 billion, benefiting some 1.59 million people.

A shining example is the recently approved subsidy granted to the Hong Kong Council of Social Service for the development of transitional social housing. This pilot project dovetails with the short-term community-led social housing initiative proposed by the Chief Executive in the Policy Address last October. As I have mentioned earlier, public rental housing is the most effective means to alleviate poverty. While social housing initiatives will not resolve the problem of insufficient housing supply in Hong Kong, this innovative initiative will help pool community efforts and resources and demonstrate our determination in tackling this priority livelihood issue together.

#### Social Innovation and Entrepreneurship Development Fund

No less important, I must share with you the impact of the Social Innovation and Entrepreneurship Development Fund (SIE Fund), also set up under the CoP in 2012. The SIE Fund aims to promote innovation and cross-sector collaboration for areas of unmet demands and service gaps. So far, the SIE Fund has sponsored more than 120 innovative projects benefiting some 52 000 persons.

A recent successful project supported by the SIE Fund is FOOD-CO – a territory-wide food support flagship project. It aims to connect food support service operators, corporate food donors and volunteers by making use of information technology and data analysis. Through the online platform established under the project, operators can share the best practices and improve operational coordination, donors can reach out to suitable operators for more efficient food donations, and people in need are able to access information on different food support services available in their districts. FOOD-CO has been expanded to cover all 18 districts across Hong Kong. I am deeply impressed by the enormous contribution that the joint efforts of the like-minded can bring to the entire community.

#### Upward Mobility of Young People

Ladies and gentlemen, the HKSAR Government is particularly concerned about the impact of cross-generation poverty on our future generations. We are committed to creating more opportunities and providing more support for them to unleash their potential, thereby reducing intergenerational poverty. In doing so, young people will see hope and opportunities for upward mobility.

To this end, we see education as the key to alleviate poverty. As human capital is Hong Kong's only "natural resources", we must invest heavily in education. Indeed, education has always topped the list of the Government's

revenue expenditure policy items. I must hasten to add that we see education spending here not so much as expenditure, but long-term investment in Hong Kong's future. The current-term Government has pledged to boost recurrent education expenditure by \$5 billion to improve our education quality, of which \$3.6 billion has been approved by the Legislative Council. An additional recurrent expenditure of \$2 billion has further been allocated for enhancing the professional development of teachers, strengthening support to kindergartens and promoting integrated education and life-wide learning. We also provide an average of more than 70 000 annual places for Hong Kong young people to participate in exchange and internship programmes on Mainland China and overseas to be organised, funded or co-ordinated by the Government.

Furthermore, we have launched two collaborative projects, namely the "Future Stars" programme and "Life Buddies" Mentoring Scheme to encourage businesses and members of the public to become mentors to give aspirations and advice to the younger generation, particularly senior secondary students, to broaden their horizons, establish interpersonal network, develop a vision for their future and make preparation for achieving education, training and career goals.

In parallel, we have just introduced a pioneering scheme "Be a Government Official for a Day" programme to allow secondary students to gain first-hand experience in the work of the Principal Officials of the Government, while we can listen to their views of young people on government policies and the expectation about Hong Kong's future. To take the lead, I will be receiving four students to be my "shadows" later this month.

In addition, three new high-level commissions, namely the Commission on Children, Youth Development Commission and Human Resources Planning Commission, have been set up under my chairmanship to oversee holistically key development stages of our next generation, from childhood, youth development to career planning, with a view to helping our young people to chart their way forward and realise fully their potential and aspirations.

Ladies and Gentleman, the current-term HKSAR Government has just celebrated its first anniversary. Over the past twelve months, we have rolled out a series of new initiatives to improve the livelihood of Hong Kong people. We are making considerable progress but clearly more needs to be done. There is simply no cause for complacency. Poverty and economic inequality are common challenges faced by all economies. The Symposium today offers an invaluable opportunity for local, regional and international scholars to examine the poverty situation and identify ways to alleviate poverty problems in the cross-strait region. I am sure that their insightful views and precious experience will certainly give us much good food for thought.

On this positive note, let me extend my sincerest gratitude once again to Paul and his team for their sterling work in launching this Symposium. I also wish you all a stimulating and fruitful discussion. Thank you very much.