

Trends of the Working Poor and Proposal for a Low Income Family Subsidy

1. INTRODUCTION

Poverty in the workforce – the plight of the “working poor” – is an issue that Oxfam Hong Kong has been addressing for years through research, advocacy, public education and support for community projects. We see that among the swelling ranks of the poor and the near-poor are people who have worked hard all their lives, but are still unable to ensure a decent standard of living for their families. The government is reviving the Commission on Poverty (CoP). Apart from addressing the livelihood problems of elderly people, children, women and ethnic minorities, a major focus of the CoP is on the working poor. Oxfam Hong Kong has long been concerned about these five disadvantaged groups and, through research and advocacy, has proposed various poverty alleviation measures to the CoP and the government.

According to figures from the Census and Statistics Department¹, the poor population in Q4 2012 reached 1,109,200, of which more than half were members of working poor households. The government implemented the statutory minimum wage in 2010. Yet, in determining the minimum wage level, the legislation did not consider the fact that they have to support their dependent family members, hence the minimum wage alone is not sufficient to ensure basic living standards for these households. In fact, despite an increase in the median monthly income for the lowest 10% of the working population, there was no significant reduction in the number of working poor households², which moved slightly downward from 171,400 in 2010 to 170,600 in 2012, Q4 involving a total of 598,000 persons. The rate of working poverty reached 10.1% in 2012 Q4. Working poor people accounted for more than half of the poor population in Hong Kong. (See Appendix: Tables 1, 2 and 3)

This survey report focused on the working poor households. **Analysis was made using the data during the period from 2010 to 2012 Q4 from the Census and Statistics Department.** Oxfam found that the situation of Hong Kong’s working poor households has persistently deteriorated even after the implementation of the statutory minimum wage. Of special concern is that many of those households involve children members. **The government ought to formulate a Low Income Family Subsidy Scheme soonest to encourage self-reliance lest the working poor households fall into the social security net due to financial difficulties. In the long run, this could help relieve inter-generational poverty.**

2. POVERTY TRENDS

2.1 Median income of rich households was 26 times that of poor households

Since the minimum wage bill was passed in the Legislative Council in 2010 and came in effect in May of the following year, gradual increase was seen in the income of the low income workers. Although there was positive growth in the median income of the poorest 10% of households and the richest 10% of households, **the disparity between rich and poor had**

¹This report defines “poor population” as the total population living with a monthly household income less than 50% of the median income for all households of corresponding size (excluding foreign domestic helpers).

²This report defines a “working poor household” as a household with at least one employed member (excluding foreign domestic helpers) and with a monthly household income less than 50% of the median income for all households of corresponding size.

not been significantly reduced. In 2012 Q4, the monthly median household income of the richest 10% of households was 26.3 times that of the poorest 10%. In other words, the monthly household income of the richest 10% was equivalent to the monthly income of the poorest 10% of households for 26 months. The result is similar to the income gap recorded in 2010 (26.7 times). This shows that the income gap in Hong Kong remains very serious. (See Appendix: Table 4)

2.2 Nearly 30,000 children living in poverty – Over 70% in working poor households

According to the figures of the 2011 census, **there were 284,099 persons aged 18 and below living below the poverty line in Hong Kong, of which 195,854 came from working poor households. This accounted for 68.9% of the total number of children living in poverty.** The remaining 30% (88,245 persons) came from non-working poor households. (See Appendix: Table 5)

It is estimated that most of the children living in the working poor households are currently receiving Comprehensive Social Security Assistance (CSSA). According to the figures from the Social Welfare Department (SWD), there were a total of 100,703 persons in 2011 receiving CSSA who were students of high school level or below. As mentioned, the percentage of working poor households with members studying high school level or below (around or below 18 years of age) applying for CSSA is relatively low, it is estimated that CSSA serves to support more of the non-working poor households.

2.3 Over half of working poor households live below CSSA level

Among the 170,600 working poor households in 2012 Q4, 91,600 households had a monthly income lower than the average CSSA payment for those households of corresponding size, accounting for around 53.7% of the total number of working poor households (See Appendix: Table 6). Besides, among those working poor households that met the criteria for applying CSSA, only 10,339 households applied for low income CSSA (figures from SWD as of the end of 2012) which amounted to a claim rate of around 10% (See Appendix: Table 7). This shows that most of those CSSA-eligible working poor households did not apply for CSSA.

2.4 Working poor households bear heavier family burden than working households

The current research shows that during the period from 2010 to 2012 Q4, the percentage of working poor households comprising member(s) who was/were unable to work (e.g. aged 18 and below) was on average higher than working households. Among the 170,600 working poor households in 2012 Q4, 110,400 households needed to support the living of at least one member of 18 years of age or below, accounting for 64.7% of the total number of working poor households. In contrast, only 37.4% of ordinary working households needed to support the living of household members of 18 years of age or below (See Appendix: Table 8).

As such, working poor households bear a heavier family burden in that **each family member under employment needs to support two non-working members on average** (See Appendix: Table 9). Our understanding is that since working poor families do not have the resources to employ domestic helpers to look after elderly members, and since the quota of subsidised child care provided by the government is inadequate, some family members must take on the role of carer at home and thus cannot join the workforce.

3. Oxfam Hong Kong Recommendations - Low Income Family Subsidy

In the past years, the government has adopted a range of policies to alleviate pressure on

working poor households and to help them meet their employment needs, including the minimum wage, the Work Incentive Transport Subsidy Scheme, School Textbook Assistance Scheme, etc. However, these measures are far from adequate to ensure basic living standards for those working poor households who have worked hard all their lives to lift them out of poverty. In light of this, apart from conducting an annual review on the minimum wage level, **Oxfam urges the government to explore the feasibility of providing a “Low Income Family Subsidy” to ensure that low income workers who are in full-time employment and have dependent children are able to maintain a decent standard of living for their families without relying on CSSA. Further, this measure could help relieve inter-generational poverty and promote equal development opportunities by offering fair learning resources for children in working poor households.**

Oxfam’s Proposal for a “Low Income Family Subsidy”:

3.1 Objectives

1. To alleviate the burden of raising children for low income households
2. To encourage continued employment for members in low income households, preventing them from falling into the social security net due to financial difficulties
3. To relieve inter-generational poverty

3.2 Target population – Poor households with member(s) in full-time employment and children

1. A household with at least one member in full-time employment (Reference could be drawn from the definition of such by the Census and Statistics Department in determining full-time working hours, i.e. the weekly working hours could not be less than 35 hours or monthly working hours could not be less than 140)
2. A household comprising non-working member(s) aged below 18 years (including children aged below 6, or 6 or above receiving primary or secondary education)

3.3 Eligibility criteria

It is suggested that a simple means test be adopted for families that are considering applying for CSSA – the monthly household income should be equal to or lower than the poverty line (i.e. less than 50% of the median income for all households of corresponding size). An asset test can be waived.

3.4 Suggested level of subsidy and coverage of recipients

According to the research on household expenditure from the Census and Statistics Department, the additional monthly expenditure for an additional child below 15 years of age in the working poor households is \$2,785 (See appendix: Table 10). Most of the poor children are currently receiving school textbook assistance, meal allowance for children and internet charges allowance. Save from these subsidies, a total of \$2,087 is needed to raise a child concerning other daily needs (See appendix: Table 11).

Oxfam Hong Kong recommends that the government grant a “Low Income Family Subsidy” of \$800 to each eligible child. This is equivalent to 40% of the remaining expenditure of a poor child after deducting total sum of current subsidies mentioned above, or half of the standard rate for children under the CSSA scheme. This could help relieve the burden of low income household members in terms of caring for their dependents, so that they can support their families by having an income of similar level to that of a household on CSSA.

Since household members could share the resources among themselves, according to the figures from the Census and Statistics Department, the extra expenditure incurred by

additional children in a household would actually decrease. Oxfam suggests that the subsidy amount can decrease starting from the third child in the household. According to the figures of the 2011 census, it is estimated that around 180,000 children below 18 years of age could benefit from this scheme.

Birth Order	Suggested subsidised amount (working poor household with member(s) below 18 years of age)
1	\$800
2	\$800
3	\$600
4	\$600
5+	\$400

3.5 Estimated financial implication and implementation

To reduce administrative costs, it is recommended that the existing database be used for screening of eligible households. An estimate of 180,000 poor children below 18 years of age could benefit from the scheme with the annual cost at around \$1.73 billion.

Appendix 1

Definition

Working Household: A domestic household with at least one employed person (excluding foreign domestic helpers)

Poor Household: A domestic household (excluding foreign domestic helpers) with monthly household income less than half the median monthly household income for households of corresponding size

Working Poor Household : A domestic household with a monthly household income less than half the median monthly income for households of corresponding size with at least one employed person (excluding foreign domestic helpers)

Number of poor households and number of persons in poor households (2010 to 2012 Q4)

	2010	2011	2012 Q4
No. of poor households	415,300	435,400	430,600
No. of persons in poor households (A)	1,100,400	1,128,100	1,109,200
Total population (B)	6,576,700	6,623,800	6,694,000
Poverty rate (A/B) (%)	16.7	17.0	16.6

Source: Census and Statistics Department

Table 2: Number of working poor households and poverty rate by household size (2010 to 2012 Q4)

Household Size	2010			2011			2012 Q4		
	Number of working poor households (A)	Number of working households (B)	Poverty Rate (%) (A/B)	Number of working poor households (A)	Number of working households (B)	Poverty Rate (%) (A/B)	Number of working poor households (A)	Number of working households (B)	Poverty Rate (%) (A/B)
1	3,800	193,400	2.0	3,400	199,200	1.7	3,700	199,800	1.9
2	23,400	431,800	5.4	25,100	448,100	5.6	23,400	460,200	5.1
3	61,000	559,200	10.9	62,900	579,400	10.9	60,400	590,900	10.2
4	59,400	490,900	12.1	61,300	488,700	12.5	57,500	481,100	12.0
5	17,800	148,700	12.0	18,000	145,500	12.4	20,300	146,300	13.9
6+	6,100	52,500	11.6	5,800	52,500	11.0	5,400	57,400	9.4
Total	171,400	1,876,600	9.1	176,500	1,913,400	9.2	170,600	1,935,800	8.8

Source: Census and Statistics Department

Table 3: Number of working poor households and poverty rate (2010 to 2012 Q4)

	2010	2011	2012 Q4
No. of persons in working poor households (A)	597,700	613,100	598,000
No. of persons in working households (B)	5,777,700	5,847,900	5,922,100
Poverty rate (A/B) (%)	10.5	10.5	10.1%

Source: Census and Statistics Department

Table 4: Comparison on median monthly household income by decile group (2010 to 2012 Q4)

	2010	2011	2012 Q4
Decile Group	Median monthly household income (HKD)	Median monthly household income (HKD)	Median monthly household income (HKD)
10 th (highest)	80,000	82,700	84,100
9 th	45,000	48,000	50,000
8 th	32,000	35,000	37,000
7 th	25,000	27,000	30,000
6 th	20,000	21,500	24,000
5 th	16,000	17,000	19,000
4 th	12,000	13,000	15,000
3 rd	9,000	10,000	10,900
2 nd	6,100	6,500	7,100
1 st (lowest)	3,000	3,100	3,200
Overall	18,000	19,600	21,000
Ratio of the riches 10% (10th decile group) to the poorest 10% (1st decile group)	26.7	26.7	26.3

Source: Census and Statistics Department

Table 5: Ratio of children (aged 18 or below) in working poor households to the total number of poor children in Hong Kong

	2011	%
No. of non-working poor household children	88,245	31
No. of working poor household children	195,854	68.9
No. of poor children	284,099	100

Source: Population Census 2011

Table 6: No. of working poor households with monthly income less than the average CSSA payment to households of corresponding size (2010 to 2012 Q4)

Household Size	2010		2011		2012 Q4	
	No. of working poor households with monthly income less than the average CSSA payment	(%)	No. of working poor households with monthly income less than the average CSSA payment	(%)	No. of working poor households with monthly income less than the average CSSA payment	(%)
1	4,900	4.6	5,500	5.5	6,300	7
2	16,400	15.4	16,000	16.0	17,500	19
3	33,400	31.3	30,100	30.1	23,500	26
4	31,600	29.6	29,400	29.4	25,700	28
5	13,700	12.8	12,600	12.6	13,100	14
6+	6,800	6.4	6,400	6.4	5,400	6
Overall (A)	106,800	100.0	100,000	100.0	91,600	100.0
Overall no. of working poor households (B)	171,400		176,500		170,600	
(A)/(B)(%)	62.3		56.7		53.7	

Source: Census and Statistics Department

Table 7: Ratio of working poor households on CSSA (2010 to 2012 Q4)

	2010	2011	2012 Q4
No. of working poor households with monthly income less than the average CSSA payment (A)	106,800	100,000	91,600
No. of low income CSSA case (B)	14,407	12,319	10,339
Ratio of working poor households on CSSA (B)/(A) (%)	13.5	12.3	11.2

Source: Census and Statistics Department

Table 8: Number of working poor households and working households with persons aged 18 and below (2011 to 2012 Q4)

	2011	2012 Q4
Working poor households		
Number of working poor households with persons aged 18 and below (A)	114,600	110,400
Total number of working poor households (B)	176,500	170,600
% of working poor households with persons aged 18 and below out of total no. of working poor households (A/B) (%)	64.9	64.7
Number of working households with persons	744,800	724,000

Working households	aged 18 and below (A)		
	Total number of working households (B)	1,913,400	1,935,800
	% of working households with persons aged 18 and below out of total no. of working households (A/B) (%)	38.9	37.4

Source: Census and Statistics Department

Table 9: Family support ratio of working poor households and working households (2010 to 2012 Q4)

Year	Working poor households				Working households			
	No. of persons in working poor households (A)	No. of employed persons in working poor households (B)	No. of unemployed persons in working poor households (A-B)	Family support ratio* (B)/(A-B)	No. of persons in working households (A)	No. of employed persons in working households (B)	No. of unemployed persons in working households (A-B)	Family support ratio* (B)/(A-B)
2010	597,700	194,500	403,200	0.48= 1:2.1	5,777,700	3,187,400	2,590,300	1.23= 1:0.8
2011	613,100	201,100	412,000	0.49 = 1:2.0	5,847,900	3,281,900	2,566,000	1.28 = 1:0.8
2012 Q4	598,000	193,500	404,500	0.48 = 1:2.1	5,324,200	3,165,400	2,158,800	1:47= 1:0.7

Source: Census and Statistics Department

* A family support ratio is the ratio of employed persons to those typically not in the labour force. A family support ratio of 1:2.0 means that every employed person in the household supports the livelihood of two unemployed persons.

Table 10: Marginal Cost of Child and Adult for the Households below 50% of median monthly household income of the corresponding household size

Model 3 (based on households below 50% of median monthly household income of the corresponding household size)			
p-value		< 0.0001	
Adjusted R-square		0.2125	
Parameter estimate	p-value	Parameter estimate	p-value
α = 5605	< 0.0001		
β = 2123	< 0.0001	β' = 0.38	< 0.0001
γ = 2785	< 0.0001	γ' = 0.50	< 0.0001

Source: 2009/2010 Household Expenditure Survey and the Rebasing of the Consumer Price Indices, Census and Statistics Department

Note: Model : Household Expenditure = $\alpha + \beta$ (Additional Adult) + γ (Additional Child, aged below 15)

α = One-person household expenditure

β = Additional expenditure due to an additional adult in the household

γ = Additional expenditure due to an additional child in the household

β' =Proportion of additional expenditure from an additional adult to one-person household expenditure

γ' =Proportion of additional expenditure from an additional child to one-person household expenditure

Table 11: Allowance to primary and junior secondary students

Average subsidized amount to primary 1 to secondary 3 students under the School Textbook Assistance Scheme (a)	Internet charges full subsidized amount (b)	School meal allowance (c)	Total allowance (a+b+c)	Additional expenditure for every extra child
\$270	\$108	\$320	\$698	\$2,087
				(The marginal expenditure for each child \$2785 less than existing allowance to children \$698)

i. Average annual full allowance for primary 1 to secondary 3 students under the School Textbook Assistance Scheme is \$3,235.

ii. Annual full subsidy on internet charges is \$1,300