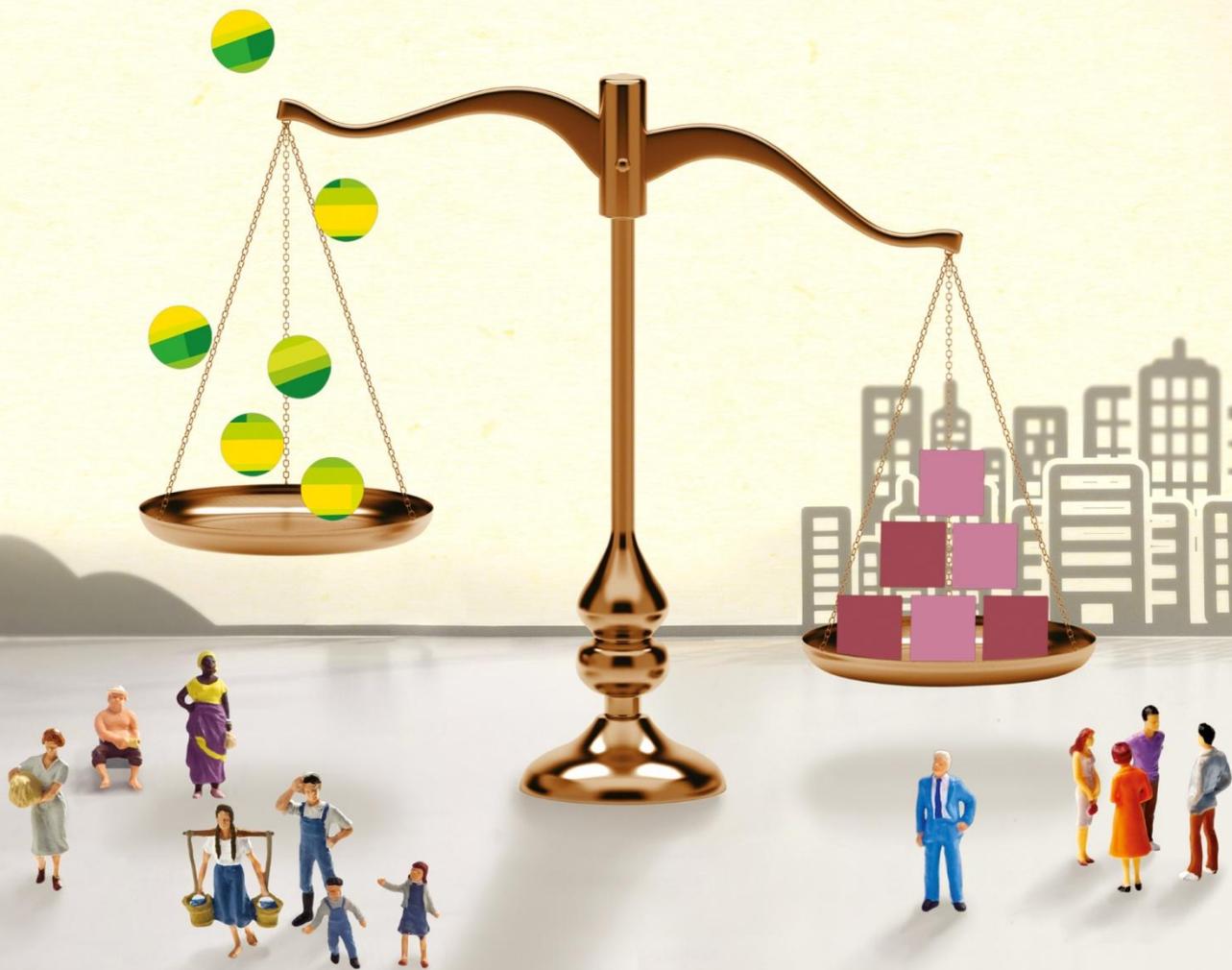


HONG KONG POVERTY REPORT

(2011-2015)



INEQUALITY BREEDS POVERTY

貧窮源於不公平



1. Introduction

This year marks the 40th Anniversary of Oxfam Hong Kong (OHK). Since the 1970s, OHK has been calling for pro-poor policies using its programme, research and advocacy experience to back up its policy demands.

OHK's 'Hong Kong Poverty Report (2011 – 2015)', which analysed the Government's statistics over the past five years, shows that income inequality has widened. Furthermore, wealthy families now earn 29 times more than the poor and more than 1.1 million people live in poverty.

OHK believes it is unjust that countless families work hard but fail to enjoy the fruits of Hong Kong's economic success. As the Government and the business sector have greater access to the majority of the city's resources, they have a greater responsibility to reduce poverty. OHK urges the Government to review the minimum wage level every year such that it keeps us with inflation; it should also take the lead and abolish the Mandatory Provident Fund (MPF) offsetting mechanism for severance payments (SP) and long service payments (LSP). OHK further calls on the Government to scrap the 'bad son statement'—the statement children need to make to declare that they will not provide their parents with financial support—from the CSSA application procedures.

2. Research methodology and limitations

The data in this report was taken from the General Household Survey, which was conducted by the Census and Statistics Department between 2011 and 2015.

In the report, poor families are defined as households that earn a monthly household income of less than half of the median monthly household income of the corresponding household size (excluding foreign domestic helpers).

Working poor families are defined as households that earn a monthly household income of less than half of the median monthly household income (of the corresponding household size) that has at least one employed person (excluding foreign domestic helpers).

3. Major findings

3.1 Inequality in Hong Kong

3.1.1 The collective wealth of the richest 18 people in Hong Kong is more than what the Government has in its reserves

According to Forbesⁱ, the wealthiest 50 people in Hong Kong have a total wealth of HK\$1890 billion as of August 2016. This is 1.37 times more than the HK\$1380 billion in government reserves as of June 2016ⁱⁱ. Furthermore, the wealthiest 18 people in Hong Kong collectively own HK\$1393 billion—still more than government reserves.

3.1.2 Wealthy families earn 29 times more than Hong Kong's poor

In 2015, the median monthly household income of the top decile was HK\$100,000, while that of the lowest decile was only HK\$3,500. In other words, the poorest decile would need to work 2.4 years to earn as much as what the wealthiest earn in a month (see Table 1).

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------------------|--|-------------|-------------|-------------|-------------|
| Decile | Median monthly household income (HK\$) | | | | |
| 1st decile (lowest) | 3,100 | 3,400 | 3,500 | 3,600 | 3,500 |
| 2nd decile | 6,500 | 7,000 | 7,300 | 7,500 | 7,900 |
| 3rd decile | 10,000 | 10,500 | 11,000 | 11,800 | 12,000 |
| 4th decile | 13,000 | 14,200 | 15,000 | 16,000 | 16,800 |
| 5th decile | 17,000 | 18,500 | 20,000 | 20,500 | 21,800 |
| 6th decile | 21,500 | 23,000 | 25,000 | 26,000 | 27,800 |
| 7th decile | 27,000 | 29,500 | 31,000 | 32,500 | 35,000 |
| 8th decile | 35,000 | 37,000 | 40,000 | 41,000 | 44,000 |
| 9th decile | 48,000 | 50,000 | 53,500 | 55,800 | 60,000 |
| 10th (highest) | 82,700 | 85,000 | 91,000 | 95,000 | 100,000 |
| Overall | 19,600 | 20,500 | 22,200 | 23,100 | 24,900 |
| 10th decile/1 decile | 26.7 | 25 | 26 | 26.4 | 28.6 |

Source: Census and Statistics Department, HKSAR

3.2 Poverty trend in Hong Kong

3.2.1 More than 1.1 million people live in poverty

In 2015, there were over 460,000 households—or 1,154,800 people—living in poverty. The poverty rate among Hong Kong’s households rose from 18.5% in 2011 to 18.7% in 2015 (see Table 2).

| No. of members in household | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|
| 1 | 85,100 | 87,500 | 79,800 | 87,600 | 99,700 |
| 2 | 149,900 | 150,800 | 161,500 | 163,300 | 166,900 |
| 3 | 96,000 | 101,400 | 102,500 | 101,600 | 95,000 |
| 4 | 75,500 | 77,000 | 75,800 | 74,200 | 73,400 |
| 5 | 21,300 | 20,300 | 20,700 | 20,200 | 20,400 |
| 6+ | 7,500 | 7,100 | 6,400 | 7,200 | 6,400 |
| Overall | 435,400 | 444,200 | 446,600 | 454,100 | 461,900 |
| Total of households in HK | 2,357,300 | 2,386,500 | 2,401,900 | 2,429,000 | 2,465,200 |
| Poverty rate (%) | 18.5 | 18.6 | 18.6 | 18.7 | 18.7 |

Source: Census and Statistics Department, HKSAR

3.2.2 Every third elderly person lives in poverty

Among the over 1.1 million people living in poverty, more than 330,000 people were aged 65 or above. The poverty rate among elderly citizens in Hong Kong was 32.5%, where nearly one in every three elderly citizens lives in poverty (see Table 3).

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Age 15 and below | 197,200 | 199,700 | 192,100 | 192,700 | 190,800 |
| Poverty rate (%) | 22.0 | 22.7 | 22.4 | 22.5 | 21.7 |
| Age 16 – 64 | 643,400 | 651,900 | 659,900 | 649,600 | 631,200 |
| Poverty rate (%) | 13.2 | 13.2 | 13.4 | 13.2 | 12.9 |
| Age 65 or above | 287,500 | 296,000 | 304,500 | 319,100 | 332,800 |
| Poverty rate (%) | 33.5 | 33.2 | 32.5 | 32.6 | 32.5 |
| Total population in poverty | 1,128,100 | 1,147,600 | 1,156,500 | 1,161,400 | 1,154,800 |

Source: Census and Statistics Department, HKSAR

3.2.3 Drastic increase in one- and two-person poor elderly households

In 2015, elderly citizens living in one- and two-person poor elderly households accounted for 63.4% of the poor elderly population. Compared to 2011, these statistics jumped up by 25% and 18.6% respectively (see Table 4).

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|-------------|-------------|-------------|-------------|-------------|
| Poor households with elderly persons | 208,300 | 212,500 | 216,800 | 227,200 | 237,500 |
| Households with one elderly person | 53,500 | 54,400 | 51,800 | 56,400 | 66,800 |
| Households with two | 60,800 | 62,400 | 67,500 | 69,200 | 72,100 |

| | | | | | |
|---|---------|---------|---------|---------|---------|
| elderly persons | | | | | |
| Total no. of households | 114,300 | 116,800 | 119,300 | 125,600 | 138,900 |
| Percentage (%) | 54.9 | 55.0 | 55.0 | 55.3 | 58.5 |
| Elderly persons aged 65 or above living in poverty | | | | | |
| | 287,500 | 296,000 | 304,500 | 319,100 | 332,800 |
| Poor households with one or two elderly persons | 175,100 | 179,200 | 186,800 | 194,800 | 211,000 |
| Percentage (%) | 60.9 | 60.5 | 61.3 | 61.0 | 63.4 |
| Source: Census and Statistics Department, HKSAR | | | | | |

3.2.4 Nearly half of all poor elderly did not apply for CSSA (2014/2015)

According to the statistics from the Social Welfare Department, there were 281,000 households that with elderly members aged 60 or above that earned a monthly household income of less than the corresponding CSSA payment level. Among these households, only 54% applied for CSSA (see Table 5).

| | Households with elderly persons only | | Households with at least one elderly person and at least one non-elderly person | Total |
|-------------------------------|--------------------------------------|-----------------------------|---|---------|
| | One elderly person | Two or more elderly persons | | |
| Households (2014) | 116,300 | 86,300 | 78,400 | 281,000 |
| CSSA applications (2014-2015) | 109,630 | 20,483 | 20,916 | 151,029 |
| Percentage | 94.3% | 23.7% | 26.7% | 53.7% |

3.3 Working poverty trend in Hong Kong

3.3.1 More than 620,000 people live in working poor families

In 2015, there were 182,000 working poor families, with 622,300 people living in these households. Despite a mere slight decrease in the total number of working poor families, single working poor families increased 44% from 3,400 in 2011 to 4,900 in 2015 (see Table 6).

| Household size | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------|---------|---------|---------|---------|---------|
| 1 | 3,400 | 4,200 | 4,800 | 3,800 | 4,900 |
| 2 | 25,100 | 27,200 | 31,400 | 30,200 | 28,700 |
| 3 | 62,900 | 67,200 | 71,700 | 69,300 | 64,000 |
| 4 | 61,300 | 63,700 | 63,500 | 62,900 | 61,300 |
| 5 | 18,000 | 17,000 | 17,600 | 17,000 | 17,400 |
| 6+ | 5,800 | 5,800 | 5,400 | 6,200 | 5,700 |
| Overall | 176,500 | 185,000 | 194,300 | 189,500 | 182,000 |
| Working poor population | 613,100 | 636,000 | 657,900 | 647,500 | 622,300 |

Source: Census and Statistics Department, HKSAR
*Figures are rounded to the nearest hundred

3.3.2 Employed members of poor families bear heavy burdens

In 2015, about half (49.9%) of working poor households had dependents aged 15 or under, while a quarter (26.3%) had dependents over the age of 65. On the whole, there were 403,600 people who lived in working poor households and did not work (see Tables 7 and 8).

| Table 7: No. of working poor households that have dependents aged 15 or below (2011 – 2015) | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Working poor household that have dependents aged 15 or below (A) | 92,900 | 94,200 | 95,000 | 94,500 | 90,800 |
| Working poor households (B) | 176,500 | 185,000 | 194,300 | 189,500 | 182,000 |
| A/B (%) | 52.6 | 50.9 | 48.9 | 49.9 | 49.9 |
| Source: Census and Statistics Department, HKSAR | | | | | |

| Table 8: No. of working poor households with persons aged 65 or above (2011 – 2015) | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Working poor households that have dependents aged 65 or above (A) | 42,800 | 46,500 | 50,800 | 48,800 | 47,800 |
| Working poor households (B) | 176,500 | 185,000 | 194,300 | 189,500 | 182,000 |
| A/B (%) | 24.2 | 25.1 | 26.1 | 25.8 | 26.3 |
| Source: Census and Statistics Department, HKSAR | | | | | |

There are 218,700 employed persons who live in working poor households; they make up 35.1% of the total population in the category. On average, each employed member of a working poor household need to support two non-working members (see Table 9).

Table 9: Dependency ratio and employment rate in working poor households (2011 – 2015)

| Year | 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) | Dependency ratio* (B)/(A-B) | Employment rate (B)/(A) % |
|------|---|--|--|-----------------------------|---------------------------|
| 2011 | 613,100 | 201,100 | 412,000 | 0.49 = 1:2.0 | 32.8 |
| 2012 | 636,000 | 213,500 | 422,500 | 0.51 = 1:2.0 | 33.6 |
| 2013 | 657,900 | 229,700 | 428,200 | 0.54 = 1:1.9 | 34.9 |
| 2014 | 647,500 | 223,500 | 424,000 | 0.53 = 1:1.9 | 34.5 |
| 2015 | 622,300 | 218,700 | 403,600 | 0.54 = 1:1.9 | 35.1 |

Source: Census and Statistics Department, HKSAR

*A dependency ratio of 1:2.0 means that every employed person in the household supports two unemployed persons.

3.3.3 A large number of working poor households live below the CSSA payment level

In 2015, 101,100 out of 182,000 households (55%) had at least one employed person making a monthly income of less than the average CSSA payment for households of the corresponding size. However, the majority of these households did not receive CSSA, although most of them were qualified. In December 2015, only 6,335 low-income households received CSSA, according to the data from the Department of Social Welfare. This represents that 6.3% of working poor families are currently living on less than what they would have received through the CSSA Scheme (see Table 10).

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|-------------|-------------|-------------|-------------|-------------|
| No. of working poor households living on less than CSSA payment level (A) | 100,000 | 100,200 | 90,600 | 101,600 | 101,100 |
| Low-income CSSA cases (December) (B) | 12,319 | 10,339 | 8,891 | 7,584 | 6,335 |
| CSSA take-up rate among working poor households (B)/(A) (%) | 12.3 | 10.3 | 9.8 | 7.5 | 6.3 |

Source: Census and Statistics Department, HKSARⁱⁱⁱ

3.3.4 Real income of low-income workers in certain industries have decreased

Over the past five years, the nominal income per person in certain industries that employ a significant number of low-income workers—including the social and personal services industry, and the import/export, wholesale and retail trades industry—has seen an increase of up to 16%. However, the actual index of payroll per person engaged¹ has decreased by 0.4% and 0.6% respectively. Since salary increases have been cancelled out by inflation, it has been very difficult for low-income workers to cover their basic living expenses (see Tables 11 and 12).

¹ Real index of payroll per person engaged is obtained by deflating the nominal index by the composite consumer price index to adjust for changes in consumer prices.

Table 11: Nominal and real index of payroll of employees in social and personal services (2011–2015) (1st quarter in 1999 = 100)

| Year | Nominal index of payroll | | Real index of payroll | |
|------|--------------------------|--|-----------------------|--|
| | Index | Accumulated percentage change compared to 2011 (%) | Index | Accumulated percentage change compared to 2011 (%) |
| 2011 | 100.3 | / | 94.7 | / |
| 2012 | 105.6 | 5.3 | 96.1 | 1.5 |
| 2013 | 109.5 | 9.2 | 95.6 | 1.0 |
| 2014 | 110.6 | 10.3 | 91.8 | -3.1 |
| 2015 | 116.2 | 15.9 | 94.3 | -0.4 |

Source: Census and Statistics Department, HKSAR^{iv,v}

Table 12: Nominal and real index of payroll of employees in import and export trade and wholesale trade industries (2011–2015) (1st quarter in 1999 = 100)

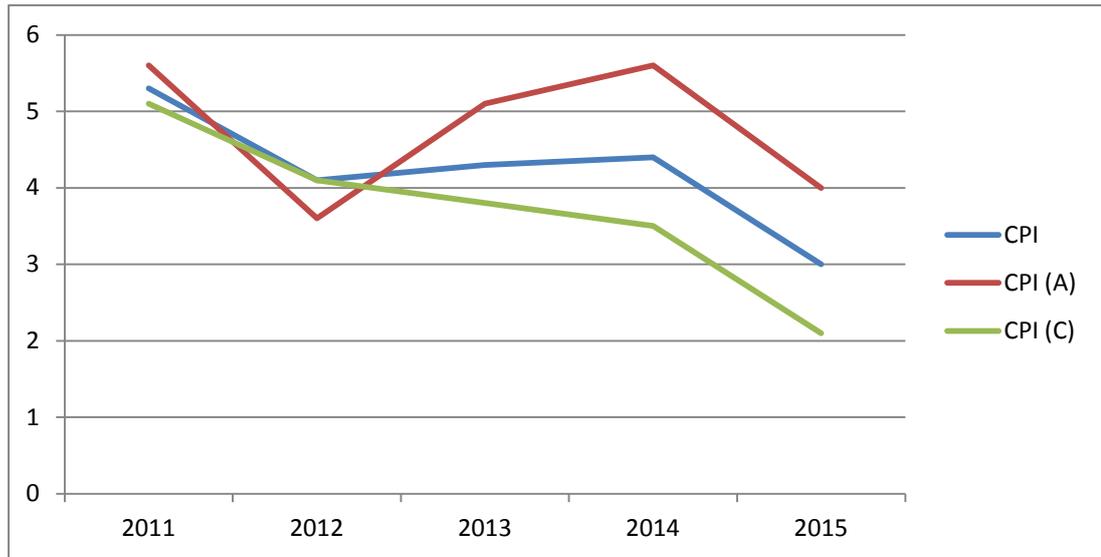
| Year | Nominal index of payroll | | Real index of payroll | |
|------|--------------------------|--|-----------------------|--|
| | Index | Accumulated percentage change compared to 2011 (%) | Index | Accumulated percentage change compared to 2011 (%) |
| 2011 | 125.0 | / | 117.9 | / |
| 2012 | 132.6 | 6.1 | 120.7 | 2.4 |
| 2013 | 136.8 | 9.4 | 119.3 | 1.2 |
| 2014 | 140.3 | 12.2 | 116.5 | -1.2 |
| 2015 | 144.4 | 15.5 | 117.2 | -0.6 |

Source: Census and Statistics Department, HKSAR^{vi,vii}

3.3.5 Low-income families bear greater burden because of inflation

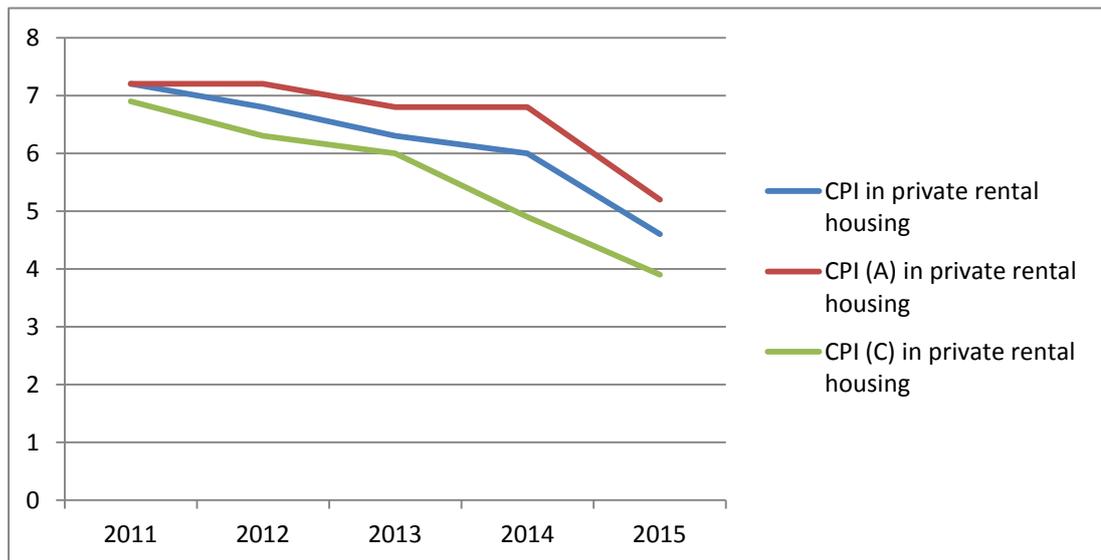
When comparing the percentage increase of the Consumer Price Index (CPI), namely CPI (A) and CPI (C) – which reflects the inflation the poor in Hong Kong face – between 2011 and 2015, CPI (A) showed a greater increase over CPI (C): CPI (A) increased by 4% in 2015, which is higher than the CPI (3%) and CPI (C) (2.1%). This indicates that over the past five years, low-income families had to bear a greater burden because of inflation (see Figure 1).

Figure 1: Percentage increase of CPI, CPI (A) and CPI (C) (2011 – 2015) (%)



According to statistics from the Census and Statistics Department, rent accounts for over 30% of low-income families' total expenses^{viii}, so rental inflation greatly impacts these families. Analysis of rental inflation rates show that the inflation rate of CPI(A) in terms of rental expenses was higher than that of CPI and CPI (C). In 2014, CPI (A) in rental expenses increased by 5.2% (see Figure 2).

Figure 2: Percentage increase in private housing rental index (2011 – 2015) (%)



This analysis is clearly indicative of the fact that low-income families are more greatly burdened by inflation, whether in terms of rent or general expenditure. While increased income can offset inflation, low-income families' current income

is not enough to achieve this or support their basic needs.

4. Policy review

In this session, we will review existing policies like those related to minimum wage, the MPF and the CSSA application procedures to identify loopholes in these policies that hinder poverty alleviation.

4.1 Minimum wage lags behind inflation

Under the current biannual review system, the increase in minimum wage has continued to lag behind the rate of inflation. When the Minimum Wage Commission suggested the first minimum wage level of \$28/hour in October 2010, the Composite CPI was 82.9 (using 2014/15 as the base year)²; in August 2016, the Composite CPI rose 24% to 102.8. With this inflation rate, the actual purchasing power of the current minimum wage level (\$32.5/hour) is only equivalent to \$26 in October 2010, which is even lower than the original minimum wage level (see Table 13).

| | CPI (2014/15 as base year) | Accumulated growth rate (%) | Minimum wage (\$) | Purchasing power (\$) (with reference to October 2010) |
|--------------|----------------------------|-----------------------------|-------------------|--|
| October 2010 | 82.9 | / | 28 | 28 |
| August 2016 | 102.8 | 24.0 | 32.5 | 26.2 |

4.1.1 Minimum wage should be higher than the CSSA payment level

Oxfam believes the calculation of minimum wage level should follow three principles: (1) Increases in minimum wage should keep up with inflation; (2) The minimum wage level should enable workers to support one other non-working family member; and (3) The minimum wage level should be higher than the CSSA payment level.

² The CPI as of October 2010 was 102.0 (with 2009/10 as the base year). The October 2010 CPI of 82.9, with 2014/15 as the base year, was the result of multiplying the index based on 2009/10 with the conversion factor, i.e. $102 \times (100/123.1)$, according to Page 40 of the Census and Statistics Department report '2014/15 Household Expenditure Survey and the Rebased of the Consumer Price Indices'.

According to the Legislative Council discussion paper^{ix}, the average CSSA subsidy for an eligible two-person family is \$8,560/month; in order to satisfy the above requirements, the working family member in a two-person family should earn at least \$8,560 a month. According to the '2015 Report on Annual Earnings and Hours Survey', the median working hours per week for elementary occupations was 50.3; in other words, the minimum wage level should be: $\$8,560/9.4 \text{ hours}^3/26 \text{ days} = \$35/\text{hour}$.

The Minimum Wage Commission just finished its biannual review this year and suggested to raise the minimum wage to \$34.5/hour. The suggested level is still below \$35, so the effect of this increase will be reduced by inflation as the new wage level will only come into effect in May 2017.

4.2 Low application rate for Low-income Working Family Allowance

The Government finally launched the long-awaited Low-income Working Family Allowance (LIFA) this year and began accepting applications in May. The Government expected that the LIFA would benefit up to 200,000 working poor households^x. However, it has received far fewer applications than it expected. As of September 2016, only 30,000 people had applied and only 20,000 cases were approved^{xi}. The low application rate is likely due to the harsh criteria, complicated application procedures, and the lack of language support to ethnic minority families.

4.3 MPF offsetting mechanism undermines workers' retirement protection

The MPF aims to provide employees in Hong Kong with retirement protection. However, the offsetting mechanism allows employers to offset the SP or LSP using the accrued benefits derived from employers' MPF contributions for employees. As a result, this greatly and negatively impacts employees MPF benefits and thus their retirement protection.

Between 2011 and 2015, the total amount of benefits withdrawn stood at HK\$48.6 billion. A total of, 30% of this amount (HK\$13.6 billion) was used to offset SP and LSP (see Table 14).

³ The figure of 9.4 hours is based on a six-day work week and includes one hour for lunch, i.e. $(50.3/6) + 1$.

| Table 14: Benefits paid by grounds of withdrawal 2011 – 2015 (HK\$ million)^{xii} | | | | | | | |
|--|--------------------------------------|------------------------------------|------------------|-----------------------|-------|---------------------------------|-----------|
| Year | Retirement / Early retirement | Permanent departure from Hong Kong | Total incapacity | Small balance account | Death | Offsetting of SP and LSP | Sub-total |
| 2011 | 1,922 | 1,856 | 106 | 1 | 247 | 2,332 | 6,463 |
| 2012 | 2,926 | 1,971 | 134 | 1 | 338 | 2,270 | 7,640 |
| 2013 | 3,976 | 2,646 | 155 | 1 | 377 | 2,678 | 9,834 |
| 2014 | 4,782 | 3,102 | 202 | 1 | 410 | 3,006 | 11,503 |
| 2015 | 5,556 | 3,528 | 172 | 1 | 505 | 3,355 | 13,117 |
| Sub-total | 19,162 | 13,103 | 769 | 5 | 1,877 | 13,641 | 48,557 |

4.3.1 Offsetting mechanism negatively affects low-income workers most

Currently, employees who earn HK\$7,100 a month or less are not required to contribute to their MPF accounts; only employers are required to contribute 5% of employees' incomes. According to the '2015 Report on Annual Earnings and Hours Survey'^{xiii}, there were 119,300 workers who were paid less than HK\$7,100 a month. This group is most negatively affected by the offsetting mechanism as most of employers' contributions are used to offset SPs or LSPs. As such, their remaining MPF benefits fail to support their basic needs after retirement.

4.3.2 Scrapping the LSP will not benefit low-income workers

Recently, the Government said that it would come up with a feasible policy to tackle the MPF offsetting mechanism within the CE's current term of office. There are suggestions that the Government might consider scrapping the LSP and replacing SPs with unemployment insurance. Oxfam believes that this move would not benefit low-income workers as the SP and LSP are largely a compensation for unreasonable dismissal; these are different from unemployment protection in nature. Furthermore, employers have the responsibility to compensate workers when they are dismissed.

4.4 Bad son statement prevents CSSA from being a safety net for poor elderly

4.4.1 Stigma associated with the statement

When poor elderly citizens apply for CSSA, their children have to sign a declaration⁴ to the Social Welfare Department indicating that they do not financially support their parents (or how much financial support they provide a month). Children who do not take care of their parents are considered disrespectful as this act goes against the idea of filial piety in Chinese culture; this is why the declaration is colloquially known as the bad son statement.

To avoid this stigma, many elderly people living in poverty often avoid applying for CSSA. Instead, they rely on the Old Age Living Allowance (OALA) or Old Age Allowance (OAA), which offers less financial assistance than the CSSA. As such, older adults who live in poverty usually end up working again to cover their living expenses.

4.4.2 Elderly forced to move away from children

The CSSA financial test is family-based, meaning that if elderly people want to apply for CSSA but are living with their children, the whole family will be financially assessed together and the success of the application will be unlikely. As a result, many have no choice but to move away from their children in order to successfully apply for CSSA; however, this goes against the Government's hopes for elderly members of society to age in place.

Although there are several cases of poor elderly people who successfully applied for CSSA despite living with their children, they are far and few between; between 2014 and 2015, there were only 13 cases^{xiv}.

4.4.3 Children discouraged from taking care of parents financially

As mentioned in 4.4.1, children of CSSA applicants have to declare how much financial assistance they will provide their parents each month; this amount will then be deducted from the recipients' CSSA subsidy. This, however, discourages children from supporting their parents even if they can afford to provide them with

⁴ http://www.lwb.gov.hk/eng/legco/20090708_11_2.pdf

a small amount of money.

4.5 Official poverty line underestimates poverty in one- and two-person households

In 2014, OHK published ‘Study on the Basic Cost of Living and the Poverty Line’, and set a threshold derived based on the basic cost of living to provide another method of measuring poverty. After taking inflation⁵ into account, however, it is clear that the official poverty line greatly underestimates poverty among one- and two-person households. The difference between OHK’s basic cost of living for a one-person household is 1.2 times higher than that of the official poverty line; there was also a 38% difference between the basic cost of living and poverty line for two-person households (see Table 15).

| Household size | Poverty line based on basic cost of living (December 2013) | Poverty line based on basic cost of living (December 2014) | Official poverty line | Difference (%) |
|----------------|--|--|-----------------------|----------------|
| 1 adult | \$7,344 | \$7,700 | \$3,500 | -120 |
| 1 elderly | \$4,613 | \$4,836 | | -38 |
| 2 persons | \$9,083 | \$9,523 | \$8,500 | -12 |
| 3 persons | \$12,704 | \$13,319 | \$13,000 | -2.4 |
| 4 persons | \$15,776 | \$16,540 | \$16,400 | -0.8 |
| 5 persons | \$17,006 | \$17,830 | \$17,000 | -4.8 |

5. OHK’s recommendations

OHK maintains that a just society should enable all working people to have the right to a decent minimum standard of living for themselves and their families; economic growth and development should not come at the expense of low-income workers. OHK also believes that the Government and business sector should pay their workers a just and fair salary for their work so that they can support themselves and their families with dignity.

⁵ The accumulated inflation rate of 4.8% was a result of comparing the December 2014 CPI of 123.4 (2009/10 as base year) to the December 2013 CPI of 117.7 (as of the study period).

It is unacceptable that a significant portion of working households are contributing to the workforce in our society yet remain in desperate straits and are marginalised in society. In order to bring about change to this situation, we recommend that the Government and business sector consider the following policy suggestions:

5.1 Progressively scrap the MPF offsetting mechanism

The Government, as the biggest employer in Hong Kong, should first stop offsetting the MPF funds of those it hires in order to protect all of its contracted and outsourced employees, and so that other employers can follow suit.

The offsetting mechanism is an unjust arrangement, therefore we urge the Government to set a timetable for its cancellation, and to revise related ordinances such as the Employment Ordinance and the Mandatory Provident Fund Schemes Ordinance.

5.2 Review and revise CSSA application procedures for poor elderly

As mentioned, only 50% of elderly people who are qualified for financial assistance receive CSSA as the bad son statement deters people from applying. OHK urges the Government to scrap the bad son statement so that close to 130,000 elderly citizens can benefit from the CSSA Scheme.

Suggestion 1: Scrap the bad son declaration

OHK urges the Government to get rid of the bad son statement. Instead, elderly applicants should only need to declare that they will no longer receive financial support from their children. This would mean that their children no longer need to sign a statement saying they will not provide their parents with financial support, thus greatly reducing the social stigma associated with this.

Suggestion 2: Allow independent applications from elderly who live with their children

Since family members of OALA applicants are not involved in the application process, OHK believes that this arrangement should also be applied to CSSA

applicants in the long run. Allowing poor elderly citizens who are living with their children to undergo an independent means test would not only enable them to receive financial support from the Government, but also allow their family to take care of them and help them age in place.

Suggestion 3: Include children's financial contributions as 'disregarded earnings'

Although children of CSSA applicants might not be able to fully support their parents, some of them may still want to contribute some money to show their love to their parents. OHK thus suggests that the Government consider putting children's financial contributions in the disregarded earnings category. This would also encourage children to support their parents and build a better relationship with them.

5.3 Review LIFA application criteria, simplify application procedures and improve support for applicants

OHK urges the Government to review the eligibility criteria for LIFA and take the actual working situation of low-income families into consideration. Improvements can be made by lowering requirements and simplifying the application procedure to remove unnecessary obstacles for low-income families. The Government should also offer greater support for applicants and provide translation services to ethnic minority families.

5.4 Review minimum wage every year to keep up with inflation

The increases in minimum wage have continually lagged behind inflation; in fact, the purchasing power of the current minimum wage level is lower than that in 2011. We therefore urge the Government to take three principles when calculating minimum wage level: (1) Increases in minimum wage should keep up with inflation; (2) The minimum wage level should enable workers to support one other person; and (3) The minimum wage level should be higher than the CSSA payment level (i.e. higher than \$35/hour).

We also encourage employers to take an extra step by paying their staff more than minimum wage so that employees can support a basic standard of living for themselves and their families.

5.5 Adjust official poverty line to take basic cost of living into account

To address the underestimation of poverty in one- and two-person households, OHK suggests that the Government take the basic cost of living into account. This would paint a more realistic picture, and would help the Government formulate better and more effective poverty alleviation policies.

The current official poverty line is defined as half of the median monthly household income of the corresponding household size. However, OHK introduced the concept of taking into account the basic cost of living when setting the poverty line in order to more accurately reflect the expenditure patterns of one- and two-person households. Only with a more realistic picture can the Government formulate better and more effective poverty alleviation policies.

6. Conclusion

This report clearly demonstrates the poverty issues that Hong Kong is currently facing: elderly poverty is becoming more serious but many are deterred from applying for government assistance, while working poverty is showing no signs of improvement. Minimum wage has also continued to lag behind inflation and the MPF—the only retirement protection low-income workers have—is being undermined by the offsetting mechanism. As the Commission of Poverty (CoP) is going to publish a new poverty report, OHK hopes the CoP, Government, Legislative Council, business sector as well as other stakeholders will take OHK's suggestions into consideration. We believe pro-poor policies are the best and most sustainable way to tackle structural poverty problems.

Together with its partners, OHK will continue its advocacy work to ensure the implementation of pro-poor policies in Hong Kong.

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