



**Report on the Living Standards
of Working Poor Families with Children:
Executive Summary and Policy Recommendations
December 2013**

1. Background

Poverty in the workforce – 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 those who are poor and near-poor are people who have full-time jobs, but who are still unable to ensure a decent standard of living for their families. The chairperson of the Commission on Poverty (CoP) also states that there is an urgent need to tackle poverty in the workforce¹.

Oxfam has supported the legislation of the minimum wage in Hong Kong. It also advocates for a low-income family subsidy. These are two ways to effect sustained employment for low-income families and assist them to achieve a higher standard of living. At the very least, the measures can prevent them from living in poverty and having to rely on Comprehensive Social Security Assistance (CSSA) due to financial difficulties.

According to the *Hong Kong Poverty Situation Report 2012*, after recurrent cash interventions, the poor population remained at 1,017,800²; among them, more than half were members of working poor families. In 2010, when the Hong Kong SAR Government was legislating the minimum wage and calculating the level at which it should be set, it did not consider the dependency ratio as a factor. The minimum wage alone is not sufficient to allow employees and their family members to ensure a basic standard of living. Although it lifted the lowest 10% of earners out of poverty, the number of working poor families³ only slightly decreased: It declined from 201,800 in 2010 to 199,000 in 2011, but increased again to 205,700 in 2012. Only with the intervention of a regular cash policy in 2012 was the figure expected to drop substantially, to about 156,700.

The dependency ratio is higher for working poor families, where one employed member raises 0.9 children on average. By comparison, in non-poor working households, one working member cares for 0.5 children. In 2012, among the 156,700 working poor families, 60% were raising children; among these families, nearly half had two or more children, and their burdens

¹ Speech of Chief Secretary for Administration Carrie Lam Cheng Yuet-ngor at the Poverty Summit, 28 September 2013 (only Chinese version available)

² The “poor population” is defined as those living in households with household incomes of less than half the median for households of the corresponding size (excluding foreign domestic helpers).

³ A “working poor household” is defined as a household with a least one employed member (excluding foreign domestic helpers) and a household income of less than half the median for households of the corresponding size.

were significant. Yet, only 8.4% had ever applied for CSSA.

Against this background, Oxfam commissioned a survey to understand better the living situation of working poor families who have not applied for CSSA, and to discuss with them whether existing social measures can effectively assist them to reduce their financial burdens in raising their children. This Executive Summary presents the objectives of the survey, its methodology and main findings, and Oxfam's recommendations for poverty alleviation among working poor families.

2. Objectives and Methodology

Oxfam commissioned Policy 21 to conduct a survey with working poor families with children from August to September 2013. The objectives were to understand how low-income families meet various expenses; how they view CSSA and other social measures designed for them; and how they view Oxfam's recommendations for a low-income family subsidy. The targeted households were families with a least one member employed full-time and at least one child aged below 18, whose incomes were less than half the median household income of households of the corresponding size. Policy 21 successfully interviewed 400 families that met the criteria. These families represent the 111,100 working poor families⁴ in Hong Kong, or 425,400 poor people. The response rate was 61.3%. The families' incomes were less than half the median of that received by families of the corresponding size.

2.1 The Demographic and Socio-Economic Characteristics of the Interviewed Households

2.11 The 400 interviews were with adults in working poor families with children aged below 18. The households contained a total of 1,479 people, of whom 48.3% were male and 51.7% were female, and of whom 48.7% were married and 46.2% were single. (See Report 3.2.1 and 3.2.3.)

2.12 According to the survey, 60.5% of the household members have a secondary education, and 32.7% work as service or retail staff. (See Report 3.2.5, 3.2.7 and 3.2.8.)

2.13 Regarding family size, 82% of the households interviewed have three or four family members; 59% have one child; other households have two or three children. About 61.7% live in private housing and 38.3% in public housing. (See Report 3.3.1, 3.3.2 and 3.3.4.)

2.14 Housing, food, and children's educational expenses account, on average, for 61.1% of the total household expenditure. (See Report 3.3.10.)

3. Main Findings

3.1 Over 97% of working poor families do not apply for CSSA, with the most common reason (81.3%) being that they "hope to earn [their] own living".

According to the survey, a majority (97.5%) of respondents have never applied for CSSA, the main reasons being that they "hope to earn [their] own living" (81.3%), "prefer other ways of making a living, not relying on CSSA only" (62%), and because of the negative labelling of CSSA recipients (30.0%)⁵. (See Executive Summary Table 1 and 2, or Report 4.1.1 and 4.1.3.)

⁴ The figure was generated by the Census and Statistics Department ("the census department") on the basis of its household survey report for the second quarter of 2013.

⁵ For the purposes of this survey, respondents who say they "worry about being looked down by the general public", "worry about being belittled by the general public" or "worry about being embarrassed by others" (see Appendix: Table 2) are deemed to have declined to apply for CSSA because of their concerns about negative labelling.

3.2 Almost 75% of employed family members work over 44 hours per week, but still live in poverty.

According to the survey, the majority work long hours: About 74.7% work over 44 hours per week, and 31.7% work 60 or more hours. Despite these long hours, they still earn such low incomes that their families fall below the poverty line. (See Executive Summary Table 3, or Report 3.2.9.)

3.3 Over 60% of parents cut down on their own expenses to cover expenses for their children.

According to the survey, the majority of parents reduced their own expenses in the previous year to meet expenses for their children. Many parents reduced their clothing expenses (71.5%), social activity expenses (71.3%) and food expenses (63.3%). Half reduced their medical care expenses in order to cope with their children's expenses. (See Executive Summary Table 4, or Report 5.4.3.)

3.4 Thirty percent of the children lack learning materials due to financial difficulties, and some do not participate in extracurricular activities.

Although parents looked for various ways to meet the educational needs of the children, 32.2% stated that due to the family's financial difficulties, their children lacked learning materials. One-fifth to one-quarter of respondents stated that they always or sometimes could not afford the expenses of extracurricular activities at school (26.0%) and outside of school (25.8%), and the associated travel expenses (20.8%). This affects the children's educational performance and also reduces social participation. Social exclusion can result, and personal development can be hindered. (See Executive Summary Table 5 and 6, or Report 5.2.1 and 5.1.2.)

3.5 Over 90% of families agree that the government should introduce new policies such as the low-income family subsidy.

According to the survey, 95.8% agree that the government should formulate a new policy to support working poor families with children under the age of 18. Ninety-four percent think that this new policy should be designed as a cash allowance which would enable families to use the resource flexibly and in accordance with their own situations. (See Executive Summary Table 7 and 8, or Report 6.1.2 and 6.1.3.)

3.6 To reduce negative labelling, over 70% of families say the low-income family subsidy scheme should have an income test only, not an assets test.

Many respondents consider "complicated" (54.8%) and the eligibility criteria "strict" (50.8%) as major factors discouraging families to apply for assistance. The procedures and criteria create difficulties for families when they apply for various social security measures and also stigmatises them unnecessarily.

Table 1 of the Appendix indicates that 30.0% do not apply for CSSA due to negative labelling.

Thus, 77.1% say a new cash allowance should only have an income test, not an assets test. (See Executive Summary Table 9 and 10, or Report 6.1.4 and 6.2.1.)

4. Oxfam Hong Kong Recommendation

This survey sufficiently demonstrates that the vast majority of working poor families prefer to be self-reliant and do not expect ever to apply for CSSA. Yet, their incomes are too low, even lower than the average amount received by CSSA recipients, and these families will likely remain in poverty without effective policy changes.

While the Hong Kong SAR Government has adopted a range of policies in the past few years to assist working poor families, including the minimum wage, the Work Incentive Transport Subsidy Scheme, and the School Textbook Assistance Scheme, these measures remain inadequate in effectively reducing poverty in the workforce.

Oxfam therefore advocates the two major policies below to address these concerns. Our recommendations are as follows:

4.1 Minimum Wage

4.11 Review the statutory minimum wage on a yearly basis and adjust it for inflation and social changes.

4.12 Apart from being indexed to inflation to maintain its purchasing power, the adjusted minimum wage should be higher than the average CSSA level. Otherwise, it will decrease work incentive for CSSA recipients.

4.2 Expedite the Implementation of the Low-Income Family Subsidy

This survey shows that almost all the members of working poor families who were interviewed decline to apply for CSSA – they prefer to be self-reliant and do not want to be negatively labelled.

Even if they have full-time jobs, they have heavier family burdens from raising children.

Oxfam calls on the government to expedite the introduction of the 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 intergenerational poverty and promote equal opportunity by offering children in working poor households fairer access to educational resources.

4.21 Objectives

1. To alleviate the burden of raising children in low-income households
2. To encourage members of low-income households to remain employed continuously, and to prevent them from having to rely on the social security net due to financial difficulties
3. To relieve intergenerational poverty

4.22 Target population: poor households with member(s) in full-time employment and children

The subsidy should target households with:

1. at least one member in full-time employment⁶
2. non-working member(s) aged below 18 years (including children aged below six and children aged six or above receiving primary or secondary education)

4.23 Eligibility Criteria

It is suggested that a simple means test should be adopted for families 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 the corresponding size). The assets test should be waived.

⁶According to the census department, an “employed person” is defined as someone who works at least 35 hours per week or no less than 140 hours per month.

4.24 Suggested subsidy and target recipients

Oxfam recommends that the government grant a low-income family subsidy of \$800⁷ to each eligible child per month.⁸ 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 similar to that of a household on CSSA.

Since household members would share the resources among themselves, according to the figures from the census department, the extra expenses incurred by having additional children would actually decrease⁹. Oxfam therefore suggests that the subsidy amount decrease starting from the third child in a household. Based on figures from the 2011 census, Oxfam estimates that about 180,000 children below 18 years of age would benefit from this scheme.

Table 1. Proposed subsidies for members of working poor families below the age of 18

| Birth order | Suggested amount |
|-------------|------------------|
| 1 | \$800 |
| 2 | \$800 |
| 3 | \$600 |
| 4 | \$600 |
| 5+ | \$400 |

4.25 Poverty Reduction Impacts

According to the 2011 census, most working poor families with children (about 70%) live on household incomes of between 30% and 50% of the median household income. Among them, over 40% live on household incomes slightly lower than the poverty threshold, that is, their income is between 40% and 50% of the median household income. Therefore, if an appropriate subsidy is provided, they would very likely be able to escape from poverty¹⁰.

4.26 Estimated Financial Implications and Implementation

An estimated 180,000 poor children below 18 years of age could benefit from the scheme. The annual cost would be approximately \$1.73 billion.¹¹ To reduce administrative costs, it is recommended that the existing database be used to screen for eligible households.

⁷ According to research by the census department, the expenditure for a child below 15 years of age in a working poor household is \$2,785/month. Most poor children currently receive assistance for purchasing textbooks and allowances for meals and Internet charges, but these subsidies together only amount to about \$700/month.

⁸ The proposed allowance is equivalent to 43% of the standard rate for a child in a three-person CSSA household or 50% of the standard rate for a child in a four-person household.

⁹ According to the 2009/10 household expenditure survey, the expenses required for a child decreases with an increase in the number of children. This survey reveals that the expenses for each of the first three children are similar (for the first, second and third child, they are \$1,925, \$2,327 and \$1,975, respectively) but that the expenses for the fourth child declines significantly, to \$1,168.

¹⁰ An analysis of the 2011 census shows that 118,031 working poor families have children aged 18 or below, including full-time students aged between 15 and 18, and that 40% have a household income of between 40% and 50% of the median incomes of households of the corresponding size.

¹¹ 180,000 children living in working poor households x \$800 x 12 months = \$1.73 billion

Appendix

| Table 1: Reasons for not Applying for CSSA (%) | |
|--|----------|
| Reasons for not Applying for CSSA (390 households) (Multiple responses allowed) | % |
| Hope to earn my own living | 81.3 |
| Prefer other ways to make a living, not relying on CSSA only | 62.0 |
| Worry about being looked down by the general public | 18.5 |
| Application procedure was very complicated | 17.5 |
| Worry about being belittled by the general public | 17.0 |
| Do not know the application procedure | 11.8 |
| Worry about being embarrassed when getting along with others | 7.7 |
| Could not provide relevant application documents | 7.4 |
| Do not know how to fill in the form | 5.2 |
| Could not reach a consensus with family members | 4.4 |
| I was not informed | 2.6 |
| I receive support from my children | 1.8 |
| My children did not want the family to apply | 1.8 |
| My children were not willing to sign the document "Declaration of not providing support to parents" | 1.0 |
| Others (e.g. had work, insufficient assistance) | 9.2 |

| Table 2 : No Application Filed for CSSA Due to its Negative Labelling (%) | |
|--|----------|
| Reasons for not applying for CSSA (390 households) | % |
| Worry about being looked down by the general public, or | 30.0 |
| Worry about being belittled by the general public, or | |
| Worry about being embarrassed by others | |

Table 3: Working Hours per Week (%)

| Working hours/week | % |
|---------------------------|----------|
| Less than 20 | 3.3 |
| 20-29 | 1.4 |
| 30-34 | 0.9 |
| 35-39 | 9.3 |
| 40-44 | 13.3 |
| 45-49 | 20.8 |
| 50-54 | 17.5 |
| 55-59 | 4.2 |
| 60-64 | 16.6 |
| 65-69 | 5.1 |
| 70-74 | 7.0 |
| 75 and more | 0.6 |
| Total | 100.0 |

Table 4: Whether Adults Reduced Their Own Expenses to Cover Their Children's Expenses (%)

| Adults' expenses (400 households) | Yes | No | Don't know |
|--|------------|-----------|-------------------|
| Clothing | 71.5 | 27.8 | 0.8 |
| Social activities | 71.3 | 26.5 | 2.3 |
| Food | 63.3 | 35.8 | 1.0 |
| Medical care | 50.5 | 47.8 | 1.8 |
| Commuting/Travelling | 47.0 | 50.5 | 2.5 |

Table 5: Learning Materials that Households Lack for Children (%)

| Learning materials that households lack for children | All (376 households) |
|---|---------------------------------|
| My child(ren) lack learning materials. | 32.2 |
| My child(ren) did not lack any learning materials. | 67.8 |

Table 6 : Hardship Encountered in the Past 12 Months When Children Participated in Extra-curricular Activities (%)

| Situations: | Always or sometimes | Seldom | Never |
|---|---------------------|--------|-------|
| My child(ren) was/were not allowed to participate in extra-curricular activities because I could not afford it: (376 households) | | | |
| Expenses of children's extra-curricular activities in school. | 26.0 | 15.7 | 58.2 |
| Expenses of children's extra-curricular activities outside school. | 25.8 | 15.4 | 58.8 |
| Travelling expenses associated with children's extra-curricular activities. | 20.8 | 15.7 | 63.6 |

Table 7: Whether the Government should Formulate New Policies to Support Low-Income Families with Children under the Age of 18 (%)

| | |
|------------|-------|
| Agree | 95.8 |
| Not agree | 0.3 |
| Don't know | 3.9 |
| Total | 100.0 |

Table 8: : Whether the Government should Provide a Cash Allowance for Low-Income Families with Children under the Age of 18 (%)

| | |
|------------|-------|
| Agree | 94.0 |
| Not agree | 1.5 |
| Don't know | 4.5 |
| Total | 100.0 |

Table 9: Whether the Application for a Cash Allowance should Entail an Income test, not an Assets Test (%)

| | |
|------------|--------|
| Agree | 77.1 |
| Not agree | 11.7 |
| Don't know | 11.2 |
| Total | 100.0% |

**Table 10 : Factors Discouraging Low-Income Families to Apply for a Cash Allowance
(Multiple responses)**

| Factors | % |
|---------------------------------------|----------|
| Application procedure was complicated | 54.8 |
| Eligibility criteria were strict | 50.8 |
| Application terms were complicated | 49.2 |
| The amount was too little | 22.3 |
| Period for approval was too long | 22.1 |
| Assistance period was too short | 14.6 |
| Others | 4.0 |