



A Study on Poverty Alleviation Mechanism and Strategies in Selected Places Executive Summary August 2012

In his Election Platform, the new Chief Executive Leung Chun-ying promised to revive the CoP as soon as he took office, as a way of demonstrating that easing people's hardship was his top priority. The Chief Executive has already designated a preparatory committee to advise the government on the formation of the new CoP. Therefore Oxfam Hong Kong would like to take this golden opportunity to present its recommendations to the government on this issue. In the following section, we review the anti-poverty policies and practices in seven countries or regions – the United States, Canada, the United Kingdom, Ireland, China, Taiwan and Singapore – and consider their applicability to Hong Kong's situation.

1. Measurement of poverty

1.1 United States

The first official U.S. poverty measure was developed in the mid-1960s. Being an absolute approach, it began with a minimal food plan for families of different sizes. The cost of this plan was taken as a proxy for the minimal cost of a nutritionally adequate diet. Then it was to estimate the minimal cost of the necessities other than food. A survey at the time showed that families spend about one-third of their incomes on food. The consumption of the other necessities was thus subsumed in the multiplier of three applied to the cost of the food plan. This was to obtain the minimum income needed for survival. Poor families were those whose yearly income was below the threshold for a family of a given size. For a four-person family unit with two children, the 2010 poverty threshold was US\$22,113 per annum.

1.2 China

Prior to 2008, there were two separate poverty thresholds in China, namely the Absolute Poverty Standard (APS) and Low Income Standard (LIS). Both standards are on rural basis and thus applicable to rural population only. In 2008, the central government decided to unify the double standards into one, using the LIS value of that year as the single official poverty threshold. It became the base for the updates in subsequent years, from RMB1,067 of 2008 to RMB2,300 of 2011 (at 2010 constant price), but this threshold remains to be applicable to rural population as before. There is neither poverty threshold for urban dwellers, nor a unified official poverty threshold nationwide.

1.3 Canada

In Canada, the low income cut-offs (LICOs), developed by the Statistics Canada of the federal government, are the most established and widely recognised approach to keep track of the changes in the proportion of average income devoted to essential by Canadians. LICO is an income threshold below which a family will likely devote a larger share of its income on the necessities of food, shelter and clothing than the average family. In 2008, the after-tax LICO for a family of four living in a medium size city was CAD 29,013 per annum. In addition, for the purpose of international comparison, Canada also publishes Low income Measures (LIMs), which are relative measures of low income, set at 50% of adjusted median family income.

1.4 United Kingdom

In UK, the government tends to view the poverty issue as a multi-faceted one, and so adopts not just a single threshold as a barometer of poverty situation. The UK government's approach has been to adopt a range of indicators capturing various aspects of poverty and social

exclusion: income, employment, education, health, housing, and pension provision, for example. Income indicators form an important part of the range of indicators. The UK Department for Work and Pensions (DWP) publishes Households Below Average Income (HBAI) series. It is an annual report that is the principal source of information on the size and characteristics of the low income population in Britain. HBAI presents low income statistics for thresholds based on three different proportions of median (50%, 60% and 70%). In 2010, for a four-person family unit with two children, the poverty threshold (60% median household income) was £379 per week before housing costs.

1.5 Ireland

Consistent poverty is the approved official measure of poverty in Ireland. People are considered as consistently poor if they suffer from both relative income poverty (less than 60% of median income) and material deprivation. In 2010, the relative income poverty threshold was €10,831 per adult per annum. A person is classified as materially deprived if he or she is living without two or more items from the eleven basic items.

1.6 Taiwan

Taiwan adopts an official relative poverty line, which is 60% of the median disposable income per capita. In 2012, the poverty threshold, however, varies across municipalities, ranging from NT\$14,794 in Taipei City to NT\$10,244 in Greater Tainan, to reflect the regional disparity in living standard.

1.7 Singapore

Singapore does not have an official poverty line and no reliable or generally accepted estimate of the number of poor. In fact, the Singaporean government is reluctant to use the term “poor”; it prefers to describe low-income people as “needy”. The Singaporean government’s method of measuring poverty is, roughly, to identify the lowest 20 per cent of households, according to mean household income, as those in need. For a four-person family unit with two children, the 2010 poverty threshold was SGD1,400 per month.

2. Institutional mechanism to combat poverty

2.1 United Kingdom

Since the election of the Blair’s labour government, there was an intense focus on joined-up government. They thus set up a cross-departmental unit to coordinate policy and ensure delivery. The Prime Minister set up the Social Exclusion Unit (SEU) within the Cabinet Office and commissioned reports to review various elements of poverty and social exclusion. Each review was accompanied by an implementation plan which was followed by the SEU. To further tackle the deep-seated social exclusion, the government appointed a Minister for Social Exclusion and established a Social Exclusion Task Force (SETF). The mission of the task force, which is located within the Cabinet Office, is to extend the opportunities enjoyed by the vast majority of people in the UK to those whose lives have been characterised by deprivation and exclusion. The task force works closely with all government departments to ensure that the action undertaken by the UK government to promote social inclusion meets the needs of the people who are most socially excluded.

2.2 Ireland

A number of institutional structures were created to ensure that all departments involved in relevant policy areas would work together to meet the objective of significantly reducing poverty and social exclusion. The top Cabinet Committee on Social Inclusion, Children and Integration was formed. This Committee, chaired by the Taoiseach and being composed of the relevant Ministers, gives overall strategic direction to the development of policies to combat poverty and social exclusion and ensures that their implementation is regularly monitored and promoted at the highest level. It is supported in its work by the Senior Officials Group on Social

Inclusion. The Group maintains a broad overview of social inclusion issues and brings emerging topics to the attention of the Cabinet Committee. The Minister for Social and Family Affairs is given the responsibility of overseeing the poverty and social exclusion combating strategy nationwide.

Within the executive branch of Irish government, the Combat Poverty Agency was formed as a statutory body working for the prevention and elimination of poverty and social exclusion through advice to the government, developing innovative anti-poverty measures, examining the nature, causes and extent of poverty in Ireland and promoting a greater public understanding of poverty and social exclusion. The Irish Office of Social Inclusion was also established to oversee the implementation of the National Action Plan for Social Inclusion.

The Social Inclusion Division was established in 2009, which the Combat Poverty Agency and the Office for Social Inclusion were amalgamated into the Division. The Division is now hosted in Department of Social Protection. The Social Inclusion Division assumes the responsibility to coordinate and drive the implementation of the National Action Plan for Social Inclusion.

3. Social partnership: the case of Ireland

3.1 Decision making structure of social partnership

The National Economic and Social Council (NESC) provides the overarching institutional framework to support the process of social partnership. The Council advises the Taoiseach on strategic issues for Ireland's economic and social development. Members of the Council are appointed by the Taoiseach for a three-year term. These members are representatives of business and employers' organisations, trade unions, agricultural and farming organisations, community and voluntary organisations and environmental organisations, as well as heads of government departments and independent experts. The composition of the NESC means that it plays an important and unique role in bringing different perspectives from civil society together with the government. Composing participants from each of the pillars, the NESC is designed to provide an open deliberative space aimed at reaching a shared understanding on key economic and social issues. This also helps the NESC to analyse the challenges facing Irish society and to build a consensus among its members on how to tackle these challenges.

3.2 Implementation structure of social partnership

While the Irish government has an ultimate responsibility for decision making, in recognition of the special relationship that encompasses social partnership, it commits to consulting with the social partners on policy proposals and the design of implementation arrangements. This involves the social partners in the development of policy through effective consultation in a spirit of good governance. Government departments under their aegis will provide a meaningful opportunity for social partners to input into the shaping of appropriate relevant policy issues and the design of implementation arrangements. Government departments manage the consultation process effectively by giving sufficient notice, information and appropriate process for engagement, consistent with the overall requirements of effective governance. As part of these good governance arrangements, the social partners also commit to engaging constructively with government departments and recognise the need for government to deal with urgent matters in a timely manner.

4. Implications to Hong Kong

4.1 On measurement of poverty

No matter how a poverty line was set in the places under investigation, some forms of official poverty measures were adopted in one way or another in most of the places in our study. The prevalence of an official poverty measure underlines its importance. It seems that the measure more than serves the purpose of statistical analyses. Rather, the poverty measure is a policy instrument itself that provides a policy orientation and necessary information in support of that

direction. If an official poverty line is set, this indicates that the government takes a bold initiative and is committed to an official position. If not, the official disclosure of poverty measures is also a disposition by the state to tackle poverty. In some places without an official poverty line, like the UK, the reason of that is not the government's reluctance to make an official commitment to fight against poverty, but its reluctance to adopt a poverty line based solely on a single parameter, such as income. Instead, these places tend to develop some multi-dimensional measures of poverty.

Where there is no official poverty line or method of measuring poverty, policy interventions, if any, may be too weak to alleviate the woes of low-income people. For example, in Singapore, income distribution has become more skewed in the past decade or so. The Gini coefficient, based on household income from work per household member, rose from 0.454 in 2001 to a peak value of 0.482 in 2007, and has remained at 0.471 to 0.474 in subsequent years.

We treasure the importance of an official poverty line because of its significance over policy guidance. In particular, the adoption of an official poverty line provides a reference point whether a person or a household should receive welfare assistance. Setting an official poverty line on relative income basis seems to be more practical and reasonable for Hong Kong where income data are more readily derived from regular census.

4.2 On institutional design

In this study, we examined two countries which have institutional mechanisms in place to combat poverty. Both of these countries – the UK and Ireland – exhibit the design of a ministerial official for policy coordination or a designated coordinating body staffed by ministerial-level officials across a wide range of policy areas. These areas range from the conventional social welfare or labour minister to a more remote minister of justice or health. This indicates that effective poverty alleviation policies should go well beyond the scope of a single government department. It requires a synergy of various departments gaining wider policy input in order to bring about positive policy outcomes.

In the UK, SETF has made significant progress in dealing with social exclusion issues since its creation in 2006. One example is the Public Service Agreement (PSA) introduced in 2007 – PSA 16 – which aimed at reducing social exclusion among the most vulnerable adults. SETF coordinated seven government departments, all working on policies to help disadvantaged groups in the country. PSA16 has helped to ensure that the most at-risk individuals are given opportunities to remain in education and training longer. Starting in spring 2009, the age at which individuals could claim Income Support while pursuing full-time education rose from 20 to 21. In Ireland, the government's anti-poverty efforts are producing encouraging trends in recent years. For example, the relative poverty (at-risk-of-poverty) rate decreased from 18.5% in 2005 to 14.1% in 2009. The consistent poverty rate fell from a baseline of 7% in 2005 to 4.2% by 2008.

From the above, following the experience of overseas countries, coordination should start from the top as the strongest policy commitment to social causes covers wide policy areas. The implication is that whether the Chief Secretary or the Financial Secretary heads the poverty commission, the scope of the commission will not be comprehensive because neither of them has the administrative authority that spans across different policy areas when poverty alleviation is concerned.

Moreover, making reference to two countries' experiences, a government department that specialises in work related to poverty is necessary. It is envisaged that even if the Chief Executive takes over the chairmanship of the forthcoming poverty commission, there still needs to be an administrative arm to support his work. It could be a unit within the government secretariat. A commissioner, appointed under the aegis of the Chief Executive, could be dedicated to steer its work.

4.3 On social partnership

Hong Kong is a place where there is never a lack of views, voices, interests and positions. In a policy environment with a good mix of opinions, the rationale underlying social partnership is relevant. A partnership with civic associations ensures vibrant debate and deliberation among civil society at large. This in turn feeds into the deliberations and decision making process, with a view to building shared understandings, solidarity, and consensus on policy direction moving forward.

Civic associations can help improve policy formulation and implementation by leveraging local knowledge, encouraging compliance to policy, and monitoring outcomes. It is also envisaged that associations could push for institutional reforms wherein individuals may directly participate with government actors in deliberation and policy formulation. The benefits of such arrangements are reciprocal, with associations providing channels for individual voices, while the direct opportunities to influence policy and state action create incentives for individuals to establish and maintain associations.

In Ireland, the impact of social partnerships on policy making is characterised by the fact that policies and action priorities should be based on local knowledge and in line with the proposals of civic associations. The Irish government recommends that the contribution of associations to policy and service provision be supported financially. In fact, it is known that the period of social partnership has been one of unprecedented economic success in Ireland. The country's economic transformation began in 1987 and overlapped in time with the institutionalisation of social partnership. In 15 years Ireland transformed itself from one of the poorest countries in Europe to one of the richest. Between 1988 and 2000, real GDP grew by 132%, compared with 45% in the US and the Netherlands and 32% in the European Union (EU) as a whole. In the same years, unemployment fell from 16.2% to 4.2%, well below the EU average of 8.2%. It is widely recognised that social partnerships played a significant role in reducing the level of conflict in the country.

While the HKSAR Government often faces pressure from a number of civic interest groups pressing for change, it could take the initiative to invite some key umbrella groups from particular sectors with sizable constituencies of interest to kick off the process. This brings legitimacy to both the process and its outcomes. With the associational networks, this legitimacy has the potential to reach far and wide. The relationship between the Government and various social partners takes time to evolve, but as the relationship grows closer, it should bring positive results in terms of wider public understanding and acceptance of the outcomes. The rapport would make the policy making and implementation process less problematic and less confrontational.