

Chapter 1

Introduction

Maggie K. W. Lau

Hong Kong has remained a wealthy financial hub, despite its export-oriented economy being adversely interrupted by the challenging global economic uncertainties and vulnerabilities that have occurred since the late 1990s. Severely hit by the Asian financial turmoil, Gross Domestic Product (GDP) growth significantly decreased from 11.2% in 1997 to -4.7% in 1998. There has been sharply slower economic growth in 2001(-1.2%), in 2003 (-3.1%) and in 2009 (-2.8%), following the recession after the global economic slowdown in 2001, the prevalence of the Severe Acute Respiratory Syndrome in 2003 and the global financial crisis in 2008 respectively. The Hong Kong economy has begun to run into difficulties partly as a result of the financial crises and partly as a result of increased competition from other cities in Mainland China and other neighbouring countries. Even so, Hong Kong's economy has emerged from the financial crises in relatively better shape than most of the economies of the Organization for Economic Co-operation and Development.² Over the last decade, the Hong Kong economy has grown by about 50%. Hong Kong's per capita GDP rose to US\$38,100 in 2013 (GDP at current market prices).

Yet, Hong Kong's income inequality is greater than that in any developed economy.³ The growing unequal income distribution and poverty in Hong Kong have aroused public concern. Global processes of economic change have contributed to the growth of the service sector accompanied by an increasing number of professional and managerial jobs, and the decline in the traditional manufacturing industry has resulted in the growth of precarious employment⁴ with inadequate

stable income and limited coverage of social security benefits. As a result, this has further intensified income disparities in Hong Kong over the last decade. The income share earned by the lowest 20% of income households decreased from 3.2% in 2001, to 2.7% in 2011, whereas the income share earned by the highest 20% of income households increased from 56.5% to 57.1%.⁵

Numerous studies have shown the plight of low-skilled workers,⁶ single parents and immigrant families with dependent children,⁷ and older people⁸ in the midst of the global economic restructuring and uncertainties. There is increasing concern about low remuneration and benefits for people engaged in informal employment (e.g. exclusion from social protection), intergenerational mobility and equality of opportunity, and dignified care and support for the older people. Demographic shifts in family structure imply that there will be fewer younger people available to provide financial and caring support for their family members in the future. The rising number of divorce and separation cases, together with small families and the increasing nuclearization of families, have undoubtedly weakened the traditional support mechanisms and led to growing demand for formal systems.⁹

Poverty and social exclusion have become recognised as one of the pressing social issues to be addressed by the Hong Kong Special Administrative Region (HKSAR). Over the years, there have been debates about how to use our fiscal reserves better (which stood at HK\$733.9 billion as at 31st March 2013) to support the needy.¹⁰ The re-establishment of the Commission on Poverty set the *first* official poverty line at 50% of the median monthly household income in Hong Kong. As stated by the *Report on the Poverty Situation in Hong Kong 2012*, it is an '*unprecedented move [that] demonstrates the Government's commitment to poverty alleviation*' (Emphasis added).¹¹ The *2014 Policy Address* initiated several new poverty alleviation measures addressing working poverty (e.g. the Low-income Working Family Allowance), intergenerational poverty (e.g. Support for the School-based After-school Learning and Support Program), and old-age poverty (e.g. increasing the annual voucher amount under the Elderly Health Care Voucher Scheme; consideration of expanding the scope of the existing Elderly Dental Assistance Programme).¹²

This book is a timely and important opportunity to advance the theory and practice of poverty and social exclusion measurement, and to conduct policy relevant analyses in Hong Kong. To date, most

empirical poverty studies in Hong Kong have been dominated by the use of profiles of households receiving social assistance¹³ or a relative income standard approach identifying the number of low-income households with a monthly household income less than or equal to half of the median monthly domestic household income of a corresponding household size.¹⁴ A few Hong Kong studies have adopted other approaches, namely budget standards,¹⁵ and a deprivation indicators approach.¹⁶ For the purpose of these studies, poverty is considered a social phenomenon which includes needs that go beyond the meeting of physical efficiency. Furthermore, in order to secure a fuller picture of the lives of poor people, it is acknowledged that poverty and social exclusion measurement should incorporate multidimensional indicators which extend beyond basic subsistence needs to incorporate social roles, obligations and participation.¹⁷

This themed issue brings together some of Hong Kong and the UK's leading experts to examine these phenomena and their policy responses. The collection was inspired by an ESRC/RGC sponsored workshop, held in Hong Kong.¹⁸ Public understandings of poverty, and the extent of poverty and social exclusion in Hong Kong society, is the first focus of this themed issue. The chapter by Chow¹⁹ discusses changing public perceptions of poverty and attitudes towards the causes of poverty, drawn from his research experience on poverty over the past 35 years. He argues that the public has taken a relative view of poverty in Hong Kong today. As he states, "Gradually, Hong Kong people are becoming more civilized and able to accept that some people are poor not because of their own fault and society, as a whole, has the responsibility to ensure a living above subsistence for all".

Lau et al.'s chapter draws upon the most current and comprehensive study of poverty and social exclusion (the *Poverty and Social Exclusion in Hong Kong* study), using the consensual focus group method and a representative household survey, to examine the extent of material and social deprivation in Hong Kong. Their study shows that the Hong Kong public accepts that a minimum standard of living should incorporate not only basic needs but also opportunities for participation in customary activities. It reveals that deprivation and poverty are widespread in Hong Kong with many people unable to afford customary items and activities. This chapter presents evidence of how a combined low income and deprivation poverty measure complements the official poverty line and illuminates the complex social reality of poverty in Hong Kong.

The chapter by Fong and Wong lends a different perspective to setting the official poverty line and its implications for squaring the welfare cycle dilemma in Hong Kong. As they argue, setting the poverty line with reference to pre-intervention and post-intervention household income (i.e. *before* and *after* tax and social transfer) can enhance public understandings of the extent of poverty and of squaring the welfare circle dilemma in Hong Kong. They further conclude that,

“[s]etting the official poverty line is just a first step to quantify the problems of poverty in a monetary term. The government needs to put more efforts to let the majority of Hong Kong people perceive poverty as a tolerable social phenomenon which other developed economies are also facing and continually refine the poverty line to help identify those individuals who are truly having financial difficulties.”

The second key focus of this themed issue is to discuss further two main policy concerns, including poverty and health (in)equality as well as child poverty and equality of opportunity which are of extreme importance for enriching our understanding of poverty and social exclusion in Hong Kong. As Lau et al. argue, children who live in poor families have reduced opportunities to fulfill their potential and poverty is costly to society in the long run. Their findings also find health deprivation is a major problem, particularly access to health care for those low-income families (e.g. regular check-ups). In their chapter, Chung and Wong pay specific attention to evidence of health inequalities across various socio-economic groups in Hong Kong. They argue that “health inequality seems to exist in terms of health outcomes, health behavior and the healthcare system and services in Hong Kong”. They also suggest that the association of health differentials with well-defined poverty and income inequality should also be incorporated in future studies.

The chapter by Mok examines how and whether education can enhance people for upward social mobility and reduce the gap between the rich and the poor. He argues that public policies (e.g. offering more public-funded university places and financial support for enhancing learning experiences) should be introduced to upgrade adult skills and break the cycle of intergenerational poverty in Hong Kong. Apart from emphasizing human capital accumulation, Tang’s chapter provides evidence on the importance of developing bonding and bridging social capital (e.g. supportive relationships with friends; building up the

aspirations of younger children) for school-based and community-based child poverty alleviation programs in Hong Kong.

The third key focus of this themed issue is to examine the effectiveness of poverty alleviation measures in Hong Kong. The HKSAR government has prioritized addressing the poverty issue over the years. However, Wong argues that “absolute poverty in Hong Kong can be eradicated while relative poverty can be reduced as far as possible” with “specific time-bound targets, political will, and the coordinated efforts of society.”

The chapters in this themed issue make an important contribution to advancing the theory and practice of poverty and social exclusion measurement and conducting timely policy analyses. It is hoped that this book will inspire comparative research and policy analyses for better policy initiatives.

Notes

1. Census and Statistics Department, Gross Domestic Product (GDP), implicit price deflator of GDP and per capita GDP (Table 030), Available at: <http://www.censtatd.gov.hk/hkstat/sub/sp250.jsp?ID=0&productType=8&tableID=030>; Wai-chu Maria Tam (Ed), *Basic Law and Hong Kong: the 15th Anniversary of Reunification with the Motherland* (Hong Kong: Working Group on Overseas Community of the Basic Law Promotion Steering Committee, 2012), available at: http://www.basiclaw.gov.hk/en/publications/15anniversary_reunification/index.html.
2. See The World Bank, World Development Indicators, available at: <http://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG>.
3. See Valentine Henrard, *Income Inequality & Public Expenditure on Social Policy in Hong Kong* (Hong Kong: Civic Exchange, 2011); Information Services Department, *2014 Hong Kong in Brief* (July 2014) available at: http://www.gov.hk/en/about/abouthk/docs/2014HK_in_brief.pdf.
4. Guy Standing, *The Precariat: The New Dangerous Class* (London: Bloomsbury, 2011).
5. Census and Statistics Department, *Hong Kong 2011 Population Census – Thematic Report: Household Income Distribution in Hong Kong* (Hong Kong: Hong Kong Special Administrative Region, 2012), Table 5.6, p.91.
6. Hoi Wai Chua, Anthony Wong, Kitty Leung, Tanni Hsu and Agnes Yang, *Shehui fazhan zhishu 2012* (Social Development Index 2012) (Hong Kong: The Hong Kong Council of Social Service, 2012); Oxfam Hong Kong, *Before and After the Statutory Minimum Wage Ordinance in Hong Kong*:

- Survey of Low-income Workers and their Families* (Hong Kong: Oxfam Hong Kong, 2012).
7. Xiaogang Wu, *Family Resources and Educational Stratification: The Case of Hong Kong, 1981–2001*. (Population Studies Centre Research Report 07–624, Division of Social Science, Hong Kong University of Science and Technology, 2007); Chan Kwok Bun, *Pinqiong yu bianqian (Poverty and Change)* (Hong Kong: Chung Hwa Book Company, 2011).
 8. Ernest Wing Tak Chui and Lisanne Ko, “Poverty and Social Exclusion of the Elderly,” in *Hong Kong Divided? Structures of Social Inequality in the Twenty-First Century*, edited by Stephen Wing Kai Chiu and Siu Lun Wong (Hong Kong: Hong Kong Institute of Asia-Pacific Studies, Chinese University of Hong Kong, 2011), pp. 167–199; Census and Statistics Department, *Thematic Household Survey Report No. 52* (Hong Kong: Hong Kong Special Administrative Region, 2013); The University of Hong Kong, Department of Social Work and Social Administration, *Research Report on Future Development of Retirement Protection in Hong Kong (Executive Summary)* (Hong Kong: Hong Kong Special Administrative Region, 2014), Available at: http://www.cpu.gov.hk/doc/en/research_reports/Future_Development_of_Retirement_Protection_in_HK_english_executive_summary.pdf.
 9. Census and Statistics Department, *Hong Kong Annual Digest of Statistics 2013* (Hong Kong: Hong Kong Special Administrative Region, 2013), Tables 1.1, 1.11, and 2.1, pp. 4, 12, 23; Misa Izuohara and Ray Forrest, “‘Active families’: Familization, Housing and Welfare across Generations in East Asia,” *Social Policy & Administration*, Vol. 47, Issue 5 (2013), pp. 520–541; Chow Wing Sun, *Zhenshi de pinqiong mianmao—Zongguan Xianggang shehui liushi nian (Real Faces of Poverty: An Overview of Hong Kong Society for 60 Years)* (Hong Kong: Chung Hwa Book Co., 2014).
 10. The Information Service Department, Public Finance, *Hong Kong: The Facts* (Hong Kong: Hong Kong Special Administrative Region, December 2013).
 11. The Commission on Poverty, *Hong Kong Poverty Situation Report 2012* (Hong Kong: Hong Kong Special Administrative Region, 2013), paragraph ES.1, p. vii.
 12. Hong Kong Special Administrative Region, *The 2014 Policy Address: Support the Needy, Let Youth Flourish, Unleash Hong Kong’s Potential* (Hong Kong: Hong Kong Special Administrative Region, 2014), Sections III and IV.
 13. Census and Statistics Department, *Hong Kong Annual Digest of Statistics 2013* (Hong Kong: Hong Kong Special Administrative Region, 2013), Table 14.2, p. 396.
 14. Chua et al, 2012; The Commission on Poverty, 2013.
 15. S. MacPherson, *A Measure of Dignity: Report on the Adequacy of Public*

- Assistance Rates in Hong Kong* (Hong Kong: Department of Public & Social Administration, City Polytechnic of Hong Kong).
16. Nelson Wing Sun Chow, *Poverty in an Affluent City: A Report of a Survey on Low Income Families in Hong Kong* (Hong Kong: Department of Social Work, the Chinese University of Hong Kong, 1982); Maggie Ka Wai Lau, *Poverty and Social Exclusion in Hong Kong* (Unpublished doctoral dissertation, University of York, York, UK, 2005), available at: http://www.poverty.hk/images/en/Maggie%20Lau_2005_Hong%20Kong%20Poverty%20and%20Social%20Exclusion.pdf; Hong Kong Council of Social Service, *Report of Research Study on Deprivation and Social Exclusion in Hong Kong* (Hong Kong: HKCSS, 2012), available at: http://www.poverty.hk/images/en/HKCSS_2012_Report%20of%20Research%20Study%20on%20Deprivation%20and%20Social%20Exclusion%20in%20Hong%20Kong.pdf.
 17. David Gordon, Laura Adelman, Karl Ashworth, Jonathan Bradshaw, Ruth Levitas, Sue Middleton, Christina Pantazis, Demi Patsios, Sarah Payne, Peter Townsend and Julie Williams, *Poverty and Social Exclusion in Britain* (York: Joseph Rowntree Foundation, 2000); Lau 2005; Ruth Levitas, Christina Pantazis, Eldin Fahmy, David Gordon, Ewa Lloyd, and Demi Patsios, *The Multi-dimensional Analysis of Social Exclusion* (Bristol: Department of Sociology and School for Social Policy, Townsend Centre for the International Study of Poverty and Bristol Institute for Public Affairs, University of Bristol, 2007); HKCSS, 2012.
 18. The workshop formed one key research output of the Poverty and Social Exclusion in Hong Kong (PSEHK) project funded by the Research Grants Council and the UK Economic and Social Research Council (ESRC / RGC Joint Research Scheme: RES-000-22-4400). The workshop was jointly organized by Dr Maggie Lau, previously from the City University of Hong Kong, Professor David Gordon, and Ms Christina Pantazis from the University of Bristol, UK. This co-organized PSEHK workshop received fully support from Professor Chack Kie Wong from the Central Policy Unit of the HKSAR, and Professor Ka Ho Mok from the Hong Kong Institute of Education. See <http://www.poverty.hk/index.php/dissemination/conference>.
 19. His pioneering study of *Poverty in an Affluent City* adopted Townsend's relative deprivation approach, and developed culturally specific deprivation indicators which reflected the "styles of living" of Hong Kong families in the 1980s (See Peter Townsend, *Poverty in the United Kingdom: A Survey of Household Resources and Standards of Living* (England: Penguin, 1979); Nelson Wing Sun Chow, *Poverty in an Affluent City: A Report of a Survey on Low Income Families in Hong Kong* (Hong Kong: Department of Social Work, the Chinese University of Hong Kong, 1982).