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Policy Address

III. Poverty Alleviation, Care for the Elderly and Support for the Disadvantaged

Poverty Alleviation

46. The current-term Government is determined to tackle the poverty problem. Our poverty alleviation policy is to encourage young people and adults to become self-reliant through employment, while putting in place a reasonable and sustainable social security and welfare system to help those who cannot provide for themselves.

47. Last September, the Government set the first-ever official poverty line, which provides a clear and objective basis to review the poverty situation, formulate policies and assess the effectiveness of measures. It will be updated annually to monitor the poverty situation and the effectiveness of our policies. The CoP will continue to serve as the major policy platform to assist the Government in pursuing poverty alleviation initiatives.

48. The initiatives that I put forward today cover a wide range of areas and will benefit various groups. Together, they form our blueprint for poverty alleviation.

Low-income Working Family Allowance

49. As the 2012 poverty statistics clearly show, we should accord priority to assisting non-Comprehensive Social Security Assistance (non-CSSA) working families living below the poverty line, especially those with children and young members at school. The Government proposes to introduce a Low-income Working Family Allowance. There are two major considerations.

50. First, despite the protection offered by the statutory minimum wage, many grassroots workers, as the sole breadwinners of families, still bear a heavy financial burden. Providing them with suitable assistance and encouraging them to remain employed will help keep them from falling into the CSSA safety net.

51. Second, special attention must be paid to the children and youths of these families. Offering them appropriate support promotes upward mobility and breaks the vicious cycle of inter-generational poverty.

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52. The proposed Low-income Working Family Allowance is premised on three basic principles:

- i. The basic allowance will be granted on a family basis and tied to employment and working hours to encourage self-reliance. More allowance will be granted to those who work more. Families with eligible children and young members will receive additional allowance;
 - ii. To ensure effective use of resources, an income test and an asset test with a lower threshold will be introduced; and
 - iii. The scheme's structure will be as simple and easy to understand as possible, with appropriate safeguards against abuse.
- iv. 53. According to our initial thinking, a beneficiary family, which is not on CSSA, must have at least two members, with at least one working for a reasonable number of hours to maintain the principle of self-reliance. For the asset test, the Government proposes to broadly adopt the asset limits for public rental housing (PRH) applications. There will be no minimum residence requirement. All eligible Hong Kong residents may apply.
- v. 54. The Government will introduce a two-tier system based on working hours and family income. If the family income is equivalent to or below 50% of the median monthly domestic household income and the applicant is a working member who meets the working hour threshold, this family will be eligible for a full basic allowance of \$600 or \$1,000 per month depending on the working hour tier to which it belongs. If the family includes children or youth members, it is entitled to an additional full allowance of \$800 per month for each eligible child or youth member. Taking the 2012 data as an example, a four-member family with two eligible children and a monthly income at or below \$14,400 will be entitled to a total disbursement of \$2,200 or \$2,600 per month depending on the working hour tier to which it belongs, provided that the applicant is a working member who meets the working hour threshold. The Chief Secretary for Administration and the Secretary for Labour and Welfare will announce the details later.
- vi. 55. The annual expenditure involved is estimated to be around \$3 billion. More than 200 000 low-income families with 710 000 members, including 180 000 eligible children and young people, will benefit from the allowance. To help prevent poverty, low-income families with a monthly income slightly higher than 50% of the median domestic household income may also receive a half-rate allowance.
- vii. 56. This recurrent measure will involve a substantial amount of public funds and provide an extensive coverage. Although the Government has set the policy direction, careful deliberation is still required to work out the operational details. In rendering assistance to low-income working families and encouraging continued employment, we must refrain from distorting the labour market or undermining the incentive to work. We must take into account the long-term financial commitment of the Government while focusing on helping the most needy groups. We will listen to the views of the public on the proposed allowance over the next few months. We will then seek funding approval from this Council to implement the scheme in 2015.

Community Care Fund

57. The Community Care Fund (CCF) is an important part of the Government's poverty alleviation blueprint. Since its establishment in 2011, the CCF has effectively plugged gaps in the existing system by launching 24 assistance programmes with more than 600 000 beneficiaries. So far, three pilot programmes that have been found effective in alleviating poverty have been incorporated into the Government's regular assistance programmes. From April 2014, the Government will progressively regularise another seven programmes. Beneficiaries will include primary and secondary students receiving student financial assistance; underprivileged students pursuing eligible programmes below sub-degree level; CSSA recipients who are Tenants Purchase Scheme flat owners; children from low-income families on the waiting list for subvented pre-school rehabilitation services; and, persons with severe physical disabilities living in the community and requiring constant care.

58. The CCF Task Force under the CoP will continue to ensure the efficient use of the CCF's resources, including the additional injection of \$15 billion last year, in drawing up more assistance programmes to meet the needs of different groups. The Government will also request the CoP to continue strengthening the support for low-income families in the coming year, including the possible provision of a one-off subsidy for children or young people from such families as well as low-income families not living in PRH and not receiving CSSA (known colloquially as the "n have-nots").

Improving the Comprehensive Social Security Assistance Scheme

59. Poverty line analysis shows that the CSSA is effective in alleviating poverty. To keep in line with the broad policy directions of promoting upward mobility and self-reliance through employment as a means of poverty alleviation, new measures should focus on enhancing support for students receiving CSSA and increasing work incentives for adult CSSA recipients. The Government will implement the following measures:

1. Increase the grants for school-related expenses for primary and secondary students of CSSA families through regularisation of a CCF programme from the 2014/15 school year;
2. Include post-secondary students of CSSA families in the calculation of rent allowance with effect from April 2014 so a family's entitlement will not be affected if it has members receiving post-secondary education; and
3. Implement a pilot incentive scheme under the CCF in line with recommendations endorsed by the CoP to encourage able-bodied CSSA recipients to leave the safety net and achieve self-reliance through employment.

60. Besides, the Government will provide additional rent assistance for CSSA recipients by:

- i. regularising a CCF programme to provide rent allowance for CSSA recipients who have been Tenants Purchase Scheme flat owners for more than five years; and
- ii. inviting the CCF to provide again a one-off subsidy to CSSA households living in rented private housing and paying a rent which exceeds the maximum rent allowance under the CSSA Scheme.

Retirement Protection

61. The CoP has commissioned a consultancy study by a team, with Professor Nelson Chow as the chief consultant, to assess various retirement protection schemes on the basis of the multi-pillar approach advocated by the World Bank and to make recommendations on the way forward. The team will submit a report to the CoP before mid-2014. The Government will adopt an open and pragmatic attitude in considering the way forward for retirement protection.

Social Innovation

62. I proposed in my Manifesto and set up the \$500 million Social Innovation and Entrepreneurship Development Fund after I took office. The fund encourages individuals and organisations who care about social development, including young people who wish to start their own business, to help tackle poverty and associated social problems by innovative ideas and modes of operation. The Social Innovation and Entrepreneurship Development Fund Task Force under the CoP will engage the first group of intermediaries in a few months' time. The fund will be open for applications through intermediaries starting from mid-2014.