

Q.29

The housing problem of the low-income group in Hong Kong is an issue of concern to the government and the public.

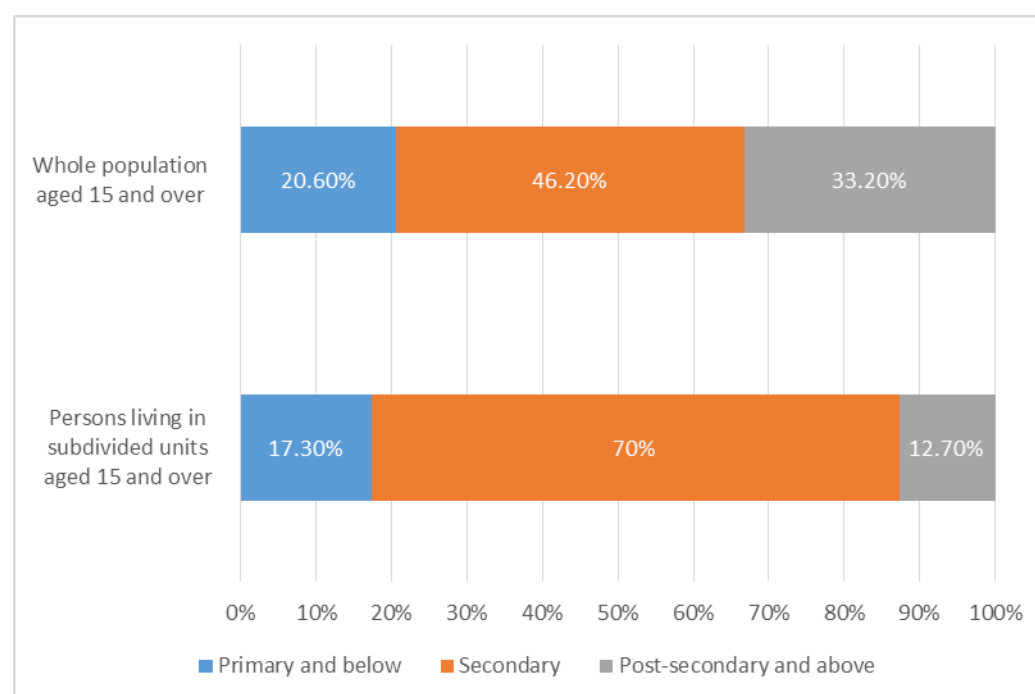
Source A: The overview of persons living in subdivided units (分間樓宇單位，俗稱「劏房」) in Hong Kong

According to the 2016 Population By-census, there were about 92,700 subdivided units (SDUs) in Hong Kong. About 91,800 households and around 207,200 persons (excluding foreign domestic helpers) lived in these SDUs.

Among the working population (excluding foreign domestic helpers) living in SDUs, 93.8% of the population had a monthly income from main employment of less than HK\$14,999, which was much higher than that of the whole working population in Hong Kong, which was 44.7%.

(Source: Census and Statistics Department, HKSAR Government)

Source B: Persons aged 15 and over (excluding foreign domestic helpers) living in subdivided units by educational attainment (highest level attended) in 2016



(Source: Census and Statistics Department, HKSAR Government)

Source C: A news extract on the Cash Allowance Trial Scheme

As of the end of June 2021, there were about 153,600 general applications for public rental housing. In the past 12 months, the average waiting time for general applicants who were housed to public rental housing was 5.8 years.

The government has announced a Cash Allowance Trial Scheme, which provides a monthly cash allowance to eligible General Applicant households who are not living in public housing, not receiving the Comprehensive Social Security Assistance and who have waited for public rental housing for more than three years, until they are offered the first public rental housing allocation.

(Source: various newspapers)

Source D: Actual public rental housing production

Year	Quantity
2017/18	13,413
2018/19	17,658
2019/20	10,107

(Source: Housing Department, HKSAR Government)

Questions

- (a) With reference to Sources A and B, give **ONE** reason to explain the relationship between the income of the working population living in subdivided units and their educational attainment. (3 marks)
- (b) With reference to Source C, assuming that people regard subdivided units as inferior goods, explain how the Cash Allowance Trial Scheme will affect the demand for subdivided units. (2 marks)
- (c) With reference to Source C,
- (i) will Cash Allowance Trial Scheme payments by the government be included in the calculation of Hong Kong's GDP for that year? Explain. (2 marks)
 - (ii) how will the Cash Allowance Trial Scheme affect the income inequality of Hong Kong? Explain. (3 marks)
- (d) With reference to Sources C and D, explain whether the market of public rental housing is in equilibrium with the aid of a supply-demand diagram. (4 marks)

For part (e), candidates are required to present their answer in essay form. Criteria for marking will include use of sources and economic theories, relevant content, logical presentation and clarity of expression.

- (e) Suppose the government is considering the following two measures to relieve the economic burden of housing on the low-income group.

Measure1: to implement rent control on subdivided units, which sets a maximum rental per square foot the owner can charge to any tenants

Measure2: to raise the statutory minimum wage level

With reference to the above sources and your own knowledge in Economics, discuss the effects of each measure on the following variables in order to **evaluate** the two measures.

- aggregate output
- equity
- economic efficiency

(14 marks)

- (f) Other than those mentioned in (e), suggest **ONE** measure to the government to shorten the waiting time for public rental housing. Briefly explain how it achieves the goal.

(2 marks)