

## NOTE FOR FINANCE COMMITTEE

### Annual Inflation Adjustment of the Standard Payment Rates under the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme

#### INTRODUCTION

This paper informs Members that as the Social Security Assistance Index of Prices (SSAIP)<sup>1</sup> registered a negative change in 2000-01, the standard payment rates of the Comprehensive Social Security Assistance (CSSA) and Social Security Allowance (SSA) Schemes will be maintained at current levels for another year, as from August 2001.

#### BACKGROUND

2. In July 1999, Members were informed *vide* FCRI(1999-2000)6 that –
  - (a) the Administration would maintain the standard payment rates under the CSSA and SSA Schemes at their prevailing levels for 12 months as from August 1999;
  - (b) the standard payment rates would remain unchanged in subsequent years until inflation caught up; and
  - (c) the past practice of adjusting the standard payment rates according to the forecast inflation for the following year would discontinue. In return, inflationary adjustments to the CSSA and SSA standard payment rates will be based on actual price movements in the previous year.

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<sup>1</sup> SSAIP measures inflation according to the expenditure pattern of CSSA recipients. The SSAIP consists of the same items as the Consumer Price Index, except for items which are covered by special grants under the CSSA Scheme (e.g. rent). The Census and Statistics Department compiles the SSAIP on a monthly basis.

3. To implement this new arrangement, the Administration has also agreed to –

- (a) put in place an internal procedure to monitor and review the actual SSAIP movement on a half-yearly basis;
- (b) consider seeking approval for any inflationary adjustments to the standard payment rates ahead of the annual cycle if recent movements in SSAIP and other economic indicators point to likely high inflation; and
- (c) submit an Information Note on an annual basis to the Finance Committee to facilitate its monitoring of this adjustment exercise in the intervening years when the rates are frozen.

4. Members were informed in June 2000 *vide* FCRI(2000-01)9 that the CSSA/SSA standard rates would be maintained at their prevailing levels from August 2000 to July 2001.

### **Inflation Adjustment in the Coming Year**

5. The CSSA and SSA standard payment rates were revised upwards by 6.5% in 1997-98 and 4.8% in 1998-99 on the basis of the then forecast SSAIP. The actual changes in the SSAIP during these two periods, however, turned out to be +5.0% and –0.2% respectively. As a result, the CSSA and SSA standard payment rates have been over-adjusted by 6.5% (*viz.* 1.5% + 5.0%). In view of this over-adjustment, CSSA/SSA standard payment rates were frozen in 1999-2000 and the adjustment methodology has been changed from one based on forecast price increases to one based on actual price movements. In 1999-2000, the actual prices, as measured by SSAIP, fell by 2.7%.

6. For the annual adjustment cycle from August 2001, the actual prices for the previous 12 months<sup>2</sup>, as measured by the SSAIP, fell by 1.6%. Cumulatively, CSSA/SSA standard rates were over-adjusted by 10.8% (6.5% + 2.7% + 1.6%). Looking ahead, overall consumer prices are expected to remain subdued in the coming months. There are thus no signs pointing to high inflation in 2001-02. We will maintain the CSSA and SSA standard payment rates at their current levels for another year from August 2001 to July 2002.

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<sup>2</sup> Change of SSAIP from April 2000 to March 2001.

**FINANCIAL IMPLICATIONS**

7. Following the arrangements set out in FCRI(1999-2000)6, we are not adjusting downwards the CSSA and SSA standard payment rates by 10.8% from 1 August 2001. This means that the Government will have to incur expenditure of about \$1,161 million in 2001-02 (\$1,742 million in a full year) that could otherwise have been saved, estimated as follows –

	<b>\$ million</b>
(a) CSSA standard payment	<b>766</b>
(b) SSA standard payment	<b>395</b>
	<hr/>
<b>Total</b>	<b>1,161</b>

**BACKGROUND INFORMATION**

8. The Legislative Council Panel on Welfare Services has been informed of this arrangement earlier. Members have no objection to the proposed arrangement.

9. An explanatory note on the CSSA and SSA Schemes is attached at the Enclosure.

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Health and Welfare Bureau  
July 2001

## **Social Security System**

### **Introduction**

The social security system provides a safety net for individuals or families suffering financial hardship for various reasons, such as old age, disability, illness, unemployment, low earnings, etc. The aim of the Comprehensive Social Security Assistance (CSSA) Scheme is to assist such individuals or families in meeting basic and essential needs of livelihood. The aim of the Social Security Allowance (SSA) Scheme is to help the severely disabled and the elders to meet the special needs arising from disability or old age. A person can receive either assistance under the CSSA Scheme or one of the allowances under the SSA Scheme.

### **Eligibility**

2. Both schemes are non-contributory. The CSSA Scheme is means-tested. Applicants for SSA are not subject to means test except that persons aged between 65 and 69 applying for the Old Age Allowance have to declare that their income and assets do not exceed the prescribed levels.

3. There are residence requirements for both Schemes. In addition, applicants for CSSA aged between 15 and 59, if unemployed and in normal health, are expected to seek work actively and report their employment condition to staff of the Social Welfare Department regularly with effect from 1 June 1999.

4. Starting from 1 April 1997, elderly persons aged 60 or above, who have been in receipt of CSSA continuously for three years, may join the Portable CSSA Scheme whereby they are allowed to continue to receive their monthly standard payments and annual long-term supplement should they choose to retire permanently in Guangdong.

### **Comprehensive Social Security Assistance Scheme**

5. The amount of assistance is determined by the resources and needs of the applicant. The difference between the applicant's income and his total recognized needs as determined by reference to certain prescribed levels, will be the amount of assistance payable.

6. The Scheme embraces different standard payments to meet the basic and essential needs of broad categories of recipients. In addition, starting from 1 June 1999, an annual long-term supplement is payable only to those elderly, disabled and ill-health recipients who have been receiving assistance continuously for more than 12 months for the replacement of household and durable goods. A monthly supplement is also paid to single parents in recognition of the special difficulties they face in bringing up families on their own without the support of spouses. Apart from these standard payments, a wide range of special grants are payable to meet the specific needs of an individual or family. They include payments to cover such expenses as rent, water charges, school fees, child care centre fees and burial grants.

### **Social Security Allowance Scheme**

7. Four allowances are payable under this scheme as follows –

(a) Normal Disability Allowance

For severely disabled persons who, broadly speaking, suffer from a 100% loss of earning capacity, or who are profoundly deaf.

(b) Higher Disability Allowance

For severely disabled persons who require constant attendance from others in their daily life but are not receiving such care in a government or subvented institution or a medical institution under the Hospital Authority.

(c) Normal Old Age Allowance

For persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels.

(d) Higher Old Age Allowance

For persons aged 70 or above.