

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 170 - SOCIAL WELFARE DEPARTMENT**

#### **Subhead 179 Comprehensive social security assistance scheme**

Members are invited to approve an increase in the maximum level of monthly disregarded earnings to \$2,500 for single parents under the Comprehensive Social Security Assistance Scheme with effect from 1 March 2002.

### **PROBLEM**

Single-parent families receiving Comprehensive Social Security Assistance (CSSA) are vulnerable to social isolation. We need to make work more financially rewarding to motivate CSSA single-parent recipients to participate in paid employment under a package of measures aimed at ending these families' social exclusion.

### **PROPOSAL**

2. We propose to allow able-bodied single parents who have been on CSSA for six months or longer a higher level of monthly disregarded earnings up to a maximum of \$2,500 until their youngest child reaches 15 years of age.

### **JUSTIFICATION**

3. Over the past several years, the number of CSSA single-parent cases has been increasing significantly. The figure rose by 433% from 5 350 in July 1993 to 28 504 in December 2001, compared to an increase of 181% in the total CSSA caseload over the same period. As a share of all CSSA cases, single-parent cases have increased from 6.2% to 11.8%.

4. Under the CSSA Scheme, those single-parent recipients who are able-bodied and economically active are not required to work whilst on CSSA, as long as their youngest child is aged below 15. According to surveys on the social needs of CSSA single-parent recipients and an experimental project in Tin Shui Wai aimed at improving the social well being of the parents and children, CSSA single-parent families are relatively passive in seeking social support services. They generally face a higher risk of social exclusion because of poor access to appropriate support services, and there is a general propensity to rely entirely on CSSA as long as they are not required to work. We believe that with appropriate support and encouragement, single parents can re-integrate into the community, participate in mutual support, take part in voluntary service and rejoin the workforce, thereby gaining self-esteem and self-confidence.

5. The Social Welfare Department will launch in March 2002 an "Ending Exclusion Project" to help CSSA single-parent recipients with young children become more self-reliant and socially inclusive. This Project will comprise a voluntary employment assistance programme and more focused and better co-ordinated support services, including child care arrangements, family life education, supportive group programmes and outreaching services.

6. Under the Project, we will invite single parents to participate in employment assistance programme on a voluntary basis. We do not intend to change the existing practice that able-bodied single parents on CSSA are not required to actively seek work and participate in the Support for Self-reliance Scheme as a condition of receiving assistance, if they have any child below 15 years of age. However, we believe that some work is better than no work for CSSA single-parent recipients. Economic participation provides people with self-esteem, additional financial resources and social networks. Having a parent in work also provides children with an active, valuable role model. We recognize that we need to make work more financially rewarding if we are to attract CSSA single-parent recipients with young children to participate in paid employment voluntarily. Allowing these recipients a more generous amount of disregarded earnings will not only boost their incentive to work but also improve the quality of life for their children. We therefore propose, as part of the Ending Exclusion Project, to allow able-bodied single parents a higher level of monthly disregarded earnings up to a maximum of \$2,500 until their youngest child reaches 15 years of age.

7. As single parents are usually not yet job-ready during the initial period of their receipt of CSSA as a result of changing circumstances (e.g. bereavement, post-separation violence), the Ending Exclusion Project will initially target single parents who have been on CSSA for six months or longer. Accordingly, the higher level of monthly disregarded earnings would be made available only to able-bodied single parents who have been on CSSA for six months or longer. This arrangement would also obviate the risk of a higher level of employment earnings being disregarded for the purpose of assessable income and thus attracting more single-parent families who are now ineligible for assistance into the CSSA net.

### **FINANCIAL IMPLICATIONS**

8. A higher level of disregarded earnings would benefit those single parents who are already in paid job and currently have part of CSSA payments deducted when their earnings exceed the maximum. Higher disregarded earnings should help motivate those not working to seek a paid job and retain their earnings wholly or partly under the disregarded earnings rule. Regarding the former, on the basis of the profiles of existing recipients who are in paid employment, it is estimated that 500 single-parent recipients would immediately benefit from the higher level of monthly disregarded earnings, leading to additional financial implications of \$3.4 million per annum. It is, however, not possible to ascertain the financial implications arising from the latter situation. However, in both situations, the financial implications only take the form of CSSA expenditure that could otherwise be saved.

### **BACKGROUND INFORMATION**

Encl. 9. The CSSA Scheme provides a safety net for individuals and families who are unable to support themselves financially. An explanatory note on the Scheme is at the Enclosure.

10. The provision of disregarded earnings is an important element of the CSSA Scheme. It ensures that those who work would not be financially worse off, thus providing an incentive for recipients to find and maintain employment. At present all CSSA recipients' monthly earnings can be disregarded up to a maximum of \$1,805, which is pegged to 100% of the standard rate for single able-bodied adults. We disregard totally the first \$451 of their monthly earnings (equivalent to 25% of the standard rate for single able-bodied adults) and 50% of their remaining monthly earnings until the total amount of disregarded earnings reaches the prescribed maximum level.

11. The conventional wisdom is that if a recipient was allowed to keep more of his earnings, he would have more incentive to find and keep a job. Nevertheless, it is necessary to strike a balance between providing financial incentives to work and avoiding making CSSA plus earnings retained from a low-wage job a more attractive alternative to finding more remunerative employment and moving off benefit. Furthermore, any increase in the level of monthly disregarded earnings will raise the income thresholds, thus making more households eligible for CSSA. The Government must therefore be very cautious about the possible impact of any such proposal.

12. Over the years, a number of improvements to the provision of disregarded earnings have been introduced to encourage CSSA recipients to take up paid employment. The latest one was the relaxation of the eligibility requirements for disregarded earnings for able-bodied adults since 1 July 2000, as approved by Members, *vide* FCR(2000-01)32, as part of a package of measures to offer additional employment assistance to CSSA able-bodied recipients and strengthen support services for other socially disadvantaged groups. On that occasion, we undertook to closely monitor the impact of the relaxation of the eligibility requirements for disregarded earnings and conduct a comprehensive review of the provision of disregarded earnings under the CSSA Scheme in two years' time, i.e. in mid-2002.

13. We briefed the Legislative Council Panel on Welfare Services on the Ending Exclusion Project at its meeting on 10 December 2001. Members generally supported the Project.

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

### **Introduction**

The Comprehensive Social Security Assistance Scheme is designed to provide a safety net for individuals or families who are unable to support themselves financially because of age, disability, illness, low earnings, unemployment or family circumstances. It provides cash assistance to bring the income of such individuals or families up to a prescribed level to meet their basic and essential needs.

### **Eligibility**

2. The Scheme is non-contributory and means-tested. Applicants must be Hong Kong residents. They are required to satisfy a one-year residence requirement although in exceptional circumstances, the Director of Social Welfare may exercise discretion to waive this requirement. In addition, able-bodied adults who are unemployed or working part-time but available for full-time work are required to actively seek work and participate in the Support for Self-reliance Scheme as a condition of receiving assistance.

### **Payment**

3. The amount of assistance is determined by the monthly income and needs of a family. The difference between the total assessable monthly income of a family and its total monthly needs as recognised under the Scheme in terms of various types of payment will be the amount of assistance payable. When assessing a family's monthly income, earnings from employment and training/retraining allowance can be disregarded up to a prescribed level so as to provide an incentive to work and training/retraining.

4. The Scheme embraces different standard rates to meet normal day-to-day living needs, such as food, fuel and light, clothing and footwear, of different categories of recipients.

5. In addition, an annual long-term supplement is paid to those who are old, disabled or medically certified to be in ill-health and 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.

6. Apart from the standard payments, non-standard payments in the form of special grants are payable to cover rent, water charge, burial expenses, schooling expenses and child care centre fees. Recipients who are old, disabled or medically certified to be in ill-health are also entitled to other special grants to meet their special needs such as medically recommended diets and appliances.