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Subcommittee to Study the Subject of Combating Poverty

Background brief prepared by the Legislative Council Secretariat

Elderly in Poverty

Purpose

This paper provides updated statistics and a gist of discussions held by Members of the Legislative Council (LegCo) relating to the subject of elderly in poverty.

Background

2. The Subcommittee to Study the Subject of Combating Poverty agreed at its meeting on 12 July 2005 that it would accord priority to the study of two topics, i.e. working poverty and women in poverty, with a view to drawing up specific recommendations for the Administration's consideration and response. The Subcommittee further agreed at the meeting on 21 July 2005 that it would discuss the subject of elderly in poverty after completing its study on the two topics.

3. The Subcommittee has completed its study on the subjects of working poverty and women in poverty in January and June 2006 and presented reports to the House Committee in February and June 2006 respectively. To follow up on the implementation of the recommendations in the Reports, the Subcommittee held a number of meetings with the Commission on Poverty and the Administration between June and November 2006.

4. The Subcommittee will meet in December 2006 and commence its study on elderly in poverty.

Some statistics on elderly in Hong Kong

5. As at end of 2005, Hong Kong had a population of about 6.72 million, of which 0.8 million (12%) were aged 65 and above and the median age was 39. Life expectancy was over 84 for women and almost 79 for men.

6. According to the projections made by the Census and Statistics Department, the population will increase at an average annual rate of 0.7% to 8.38 million in 2033, and the expectancy of life will continue to increase to 88 for women and 82.5 for men. It is also projected that among every four Hong Kong people, there will be one person who is aged 65 or above in 2033 with the median age at 49. The elderly dependency ratio¹ will increase from 164 in 2005 to 428 in 2033. The overall dependency ratio² will rise to 598 in 2033 due to the significant increase in the elderly dependency ratio.

7. As of June 2006, about 163 800 elders aged 65 or above are receiving Comprehensive Social Security Allowance (CSSA), and about 460 900 elders aged 65 or above (i.e. 54% of the total population of elders aged 65 or above) are on Old Age Allowance (OAA) under the Social Security Assistance (SSA) Scheme. The standard rates under the CSSA Scheme for persons aged 60 or above range from \$2,150 to \$3,885 per month per elderly. They are also entitled to other special grants to meet their special needs, such as glasses, dentures, removal expenses, travelling expenses to hospital/clinic, and medically recommended diets and appliances. The OAA is a cash allowance given to eligible elders of 65 or above to meet their special needs arising from old age; a monthly allowance of \$625 is payable to elders aged 65 to 69 while those aged 70 or above receive a monthly allowance of \$705. The OAA is a non-contributory and largely non-means-tested scheme. Applicants aged between 65 to 69 are required to have an income and assets below the prescribed limits, while applicants aged 70 or above are not subject to means test.

8. According to the Health, Welfare and Food Bureau, more than 60% of the elders live in subsidised housing, including public rental housing and purchased flats under the home ownership scheme. 49% of bed days in public hospitals are taken up by elders aged 65 or above, and about 80% of the elders residing in residential care homes for the elderly (RCHEs) are receiving Government subsidy.

¹ Elderly dependency ratio refers to the number of persons aged 65 and over per 1 000 persons aged between 15 and 64.

² Overall dependency ratio refers to the sum of child and elderly dependency ratios. Child dependency ratio refer to the number of persons aged under 15 per 1 000 persons aged between 15 and 64.

Past discussions on elderly in poverty

9. Issues relating to poverty and elderly had been discussed in various forums of LegCo in the past years. The Panel on Welfare Services and the Subcommittee on Review of CSSA Scheme of the Panel had discussed at various meetings the difficulties and hardship faced by needy elderly and ways to alleviate their problems, including social security assistance, retirement protection and support services. The Subcommittee to Study the Subject of Combating Poverty under the House Committee had discussed the subject of social security system for retirement protection.

10. On 23 February 2005, LegCo passed a motion on "Taking forward the issues of concern to the elderly". The Administration was urged to formulate a sustainable policy on care for the elderly and pursue vigorous measures to take forward various issues of most concern to the elderly. Another motion on "Policy on care for the elderly" was passed on 28 June 2006. The motion urged the Administration to implement expeditiously a policy on care for the elderly which was geared to "healthy ageing", and introduce measures to improve the existing health care, medical and long-term care services for the elderly, enhance the monitoring and quality of service of homes for the aged, help the elderly participate actively in community activities, improve their living environment and strengthen the prevention of abuse of the elderly, so as to help them enjoy old age peacefully and comfortably.

11. The discussions held in the various forums are summarised in the ensuing paragraphs.

Causes of elderly in poverty

12. During previous motion debates and Panel discussions on the subjects of poverty or elderly in poverty, Members generally agreed that the phenomenon of elderly in poverty was caused by a plethora of social, economic and institutional factors. Some major causes leading to elderly in poverty were –

- (a) insufficient social security assistance for the elderly;
- (b) insufficient retirement protection;
- (c) heavy financial burden of medical and healthcare expenses;
- (d) insufficient long-term residential care and support services for the elderly; and
- (e) socio-economic factors.

Insufficient social security assistance for the elderly

13. The issues of social security assistance for needy elderly and assistance for elderly not receiving CSSA were discussed at meetings of the Panel on Welfare Services on 13 June 2005 and 8 June 2006, and at the meeting of the Subcommittee on Review of the CSSA Scheme on 26 June 2006. Members also raised concern about the difficulties faced by the needy elders in applying for CSSA.

14. Some members pointed out that the existing social security system was unable to provide adequate protection for the elderly who lacked family support or retirement protection. The problem was exacerbated by the stringent eligibility criteria for CSSA under which elders living with family members had to apply on a household basis. As a result of such requirement, children of the applicants had to declare that they were not supporting their parents financially or else provide supporting documents to prove that their income was unable to support their parents even though they were living under the same roof. If an elder had a poor relationship with his/her family and the family members declined to make the statement on non-provision of financial support, the elder concerned would unlikely be able to apply for CSSA.

15. Members also pointed out that the asset limit for applying for CSSA had put many elderly with limited income and assets under financial hardship. They were of the view that the CSSA asset limits of \$34,000 for singleton elderly and \$51,000 for elderly couple were too stringent. Although some elders might possess savings slightly exceeding the asset limit, the savings served to give them a sense of security. Moreover, the savings could barely meet their future living expenses if they were not eligible for CSSA.

16. The Panel on Welfare Services discussed at its meeting on 20 April 2005 the review of qualifying condition for elderly in receipt of CSSA to live outside Hong Kong, and the annual permissible limit of absence from Hong Kong for OAA and Disability Allowance (DA) under the SSA Scheme. Members expressed concern that the absence limit, though relaxed from 180 days to 240 days in a year, would still deprive the elders, who had a genuine need to stay in the Mainland or other countries for a long period of time for medical or family reasons, of the opportunity to receive OAA.

Insufficient retirement protection

17. At the relevant motion debates and the meetings of the Panel on Welfare Services, some Members pointed out that the Mandatory Provident Fund (MPF) Schemes introduced in 2000 were far from adequate in providing retirement protection for the older persons. The MPF Schemes could not benefit the current generation of elders as they had not participated in the Schemes. They

could hardly accumulate adequate savings for their twilight years when they were young. Moreover, the MPF Schemes were not entirely satisfactory since an employer could offset the long service payment or severance payment as required under the Employment Ordinance with the accrued benefits derived from the contribution the employer made to his/her employees in the MPF Schemes. Hence, for most grass-root elderly, their main sources of income after retirement were invariably their own meagre savings and Government subsidies.

18. Members generally held the view that in the light of the ageing profile of the population, the Administration should come up with a comprehensive retirement protection scheme without further delay. Some Members and deputations advocated a universal retirement protection system covering persons not in employment. With retirement protection, the elderly would be able to lead an independent, dignified life in old age without having to rely on family support or CSSA/OAA. At its meeting on 8 June 2006, the Panel on Welfare Services passed a motion urging the Administration to conduct expeditiously a study on establishing a sustainable old age pension system to provide all elders with immediate payments to meet their basic and special needs arising from old age.

Heavy financial burden of medical and healthcare expenses

19. During the motion debates and Panel discussions, some Members pointed out that most elderly were suffering from chronic diseases and required regular follow-up consultation and treatment. The medical expenses and fees for hospitalisation, as well as accident and emergency services, had exerted a heavy financial burden on them. Some Members also considered that the application procedures for fee waiver were so complicated that some elderly did not know how to apply. Under the present medical fee waiver mechanism, patients who are on CSSA are granted free medical treatment at public hospitals and clinics. Non-CSSA patients having difficulties in paying the medical fees might apply for a one-off waiver. For elderly with chronic illnesses and who require frequent follow ups, a waiver for pre-scheduled appointments at General Out-patient Clinics covering a maximum period of 12 months may be issued.

20. Members also expressed concern that upon the introduction of a Standard Drug Formulary by the Hospital Authority, the financial burden of medical fees and charges to be borne by the elderly would be further increased. In addition, the introduction of a Standard Drug Formulary would plunge them into risks, such as buying the wrong drugs or being cheated by unscrupulous drug stores.

Insufficient long-term residential care and support services for the elderly

21. During past discussions, Members and deputations had pointed out that those elderly, who were singletons, disabled or chronically ill, were gravely

concerned about the provision of long-term subsidised residential care and support services. As the existing long-term residential care and support services were inadequate to meet with demand, some needy elders had to live in dilapidated private housing units with poor living conditions. For elders residing in private RCHEs, the varying service standards was also a major issue of concern. In respect of subvented places in elderly homes, some Members were of the view that the average waiting time for a subvented place of about 22 months should be shortened.

22. According to the Administration, about 3 000 frail elders are receiving subsidised home care services and another 15 700 elders receiving home care service including meal delivery, home making and escort. There are about 26 000 subsidised residential care places for the elderly, and another 22 000 elders are living in non-subsidised RCHEs by means of CSSA.

Socio-economic factors

23. During the motion debate on "Taking forward the issues of concern to the elderly" at the LegCo meeting on 23 February 2005, some Members pointed out that as the present generation of elderly could not afford to save for a retirement when they were young, they had to rely on their children for a living, if not on CSSA. However, this was not matched by the changing mentality of the younger generation as the concept and tradition of children supporting their old parents had largely vanished. Furthermore, the economic crisis in the past years had caused a severe blow to most Hong Kong people and rendered them unable to support their parents.

24. Some Members also pointed out that an increasing number of elders had to continue working in order to support their living. However, the economic restructuring in Hong Kong over the past few years had resulted in a loss of low-skilled jobs and the elders not being able to find menial jobs already taken up by middle-aged workers. Moreover, the elderly were more vulnerable to forced retirement and even dismissal.

25. Some Members considered that the housing policy, such as children of public housing tenants having to move out upon marriage, also attributed to the increasing number of singleton elders.

Measures to alleviate and assist elderly in poverty

26. To alleviate and assist elderly in poverty, Members had put forth the following recommendations –

- (a) *Enhancing financial assistance for the needy elderly*
These included –

- (i) relaxing the limit of absence for OAA from 240 to 360 days in a year;
 - (ii) extending the Portable CSSA Scheme to all places outside Hong Kong where the elderly recipients chose to take up permanent residence;
 - (iii) raising the asset limits for elderly CSSA applicants; and
 - (iv) allowing elders to apply for CSSA on an individual basis, irrespective of whether they were singleton-elderly.
- (b) *Strengthening medical services for the elderly*
These included –
- (i) streamlining the application procedures for medical fee waivers to facilitate non-CSSA recipients to receive timely medical treatment. A waiver valid for at least one year should be granted; and
 - (ii) providing free medical treatment and subsidised Chinese medicine treatment to all elders.
- (c) *Enhancing care and support services for the elderly*
These included –
- (i) formulating a comprehensive long-term care policy and establishing a mechanism for long-term planning of care services for the elderly, with a view to addressing the psycho-social and development needs of elders and their carers;
 - (ii) strengthening the provision of subsidised home care services, including personal nursing care, physiotherapy, meal delivery, home making and escort services;
 - (iii) providing infirmary care services for medically stable infirm elders in a non-hospital setting, so as to provide elders with more homely and socialised environment; and
 - (iv) providing adequate community support services to encourage and facilitate healthy elders to live in their homes.
- (d) *Enhancing residential care services for the elderly*
These included –
- (i) increasing the number of subvented places in elderly homes;
 - (ii) providing direct subsidies to elders in the form of "voucher" to enable them to receive residential care services at aged homes of their own choice;
 - (iii) monitoring the service standards of private aged homes; and
 - (iv) constructing more small self-contained public housing units for the needy elderly.

- (e) *Providing retirement protection for the elderly*
These included –
- (i) providing a universal retirement protection scheme covering persons not in employment;
 - (ii) establishing an old age pension scheme for all elders with immediate payments; and
 - (iii) adopting a co-ordinated approach to deal with retirement protection.
- (f) *Promoting financial security in old age*
These included –
- (i) relaxing the eligibility criteria for public rental housing so that elderly owner-occupiers of old buildings could apply for public housing. These elders could then put their properties under the trusteeship of non-governmental organisations and use the rental income to pay for their living expenses; and
 - (ii) studying the feasibility of introducing "reverse mortgage". Under the arrangement, the property owner would mortgage the net asset value of his property to either a bank or an insurance company and receive a monthly sum to meet the living expenses until the mortgaged value was reached.
- (g) *Enhancing the productivity and capability of the elderly*
These included –
- (i) promoting the concept of "ageing in the community" and life-long education; and
 - (ii) introducing legislation against age discrimination at work so that elders with capacity and desire could continue to work.

Relevant papers

27. A list of relevant papers and documents is in the **Appendix** for members' easy reference. The papers and documents are available on the Council's website at <http://www.legco.gov.hk>.

Appendix

Relevant Papers/Documents

| <u>Meeting</u> | <u>Meeting Date</u> | <u>Papers/Motion Debate</u> |
|---------------------------|---------------------|---|
| Legislative Council | 23 February 2005 | Taking forward the issues of concern to the elderly |
| | 28 June 2006 | Policy on care for the elderly |
| Panel on Welfare Services | 14 March 2005 | Paper provided by the Administration LC Paper No. CB(2)1022/04-05(03) Minutes of meeting LC Paper No. CB(2)1193/04-05 |
| | 20 April 2005 | Legislative Council Brief Ref : HWF CR 2/4821/58 Minutes of meeting LC Paper No. CB(2)1425/04-05 |
| | 13 June 2005 | Paper provided by the Administration LC Paper No. CB(2)1828/04-05(03) Research report prepared by Research and Library Services Division of LegCo on "Social Security System in Support of the Elderly in Poverty in Selected Places" RP06/04-05 Minutes of meeting LC Paper No. CB(2)2203/04-05 |
| | 8 June 2006 | Paper provided by the Administration LC Paper No. CB(2)2248/05-06(01) Minutes of special meeting LC Paper No. CB(2)3014/05-06 |

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| <p>Subcommittee to Study the Subject of Combating Poverty</p> | <p>21 July 2005</p> | <p>Research report prepared by Research and Library Services Division of LegCo on " Social Security System for Retirement Protection in Selected Places" RP09/04-05</p> <p>Minutes of meeting LC Paper No. CB(2)2543/04-05</p> |
| <p>Subcommittee on Review of the Comprehensive Social Security Assistance Scheme</p> | <p>26 June 2006</p> | <p>Paper provided by the Administration LC Paper No. CB(2)2504/05-06(01)</p> <p>Minutes of meeting LC Paper No. CB(2)2917/05-06</p> |