

**For discussion
on 8 November 2004**

LEGCO PANEL ON WELFARE SERVICES

Comprehensive Social Security Assistance Scheme

PURPOSE

This paper provides information on the Comprehensive Social Security Assistance (CSSA) Scheme and specific reviews being undertaken to improve the system.

OBJECTIVE OF CSSA

2. As a safety net of last resort for those who cannot support themselves financially, the CSSA Scheme is non-contributory, cash-based and public revenue-funded. It has evolved from a rudimentary welfare assistance programme to become a social protection scheme with comprehensive coverage.

3. Different experts and different countries have different definitions of social security. In Hong Kong, the CSSA Scheme is devised along the following broad principles:

- (a) target resources to assist effectively those in need. For the needy elders and chronically ill/disabled, it provides financial aid to meet their basic and special needs. For the able-bodied individuals with

financial difficulties failing to meet their basic daily-living requirements, it aims to provide transitional assistance to help them springboard to self-reliance;

- (b) the scheme should complement but should not replace direct public and social services, mainly public housing, health care, education and other welfare services. In particular, CSSA recipients are now provided with free medical services (including drugs and other medical expenditure items) by the public health sector;
- (c) rules should be objective, fair, easy to understand without creating unnecessary moral hazards; and
- (d) the scheme should be financially sustainable taking into account the health of public finances and our low tax system.

CHANGING PATTERN OF CSSA CASELOAD

4. Annex gives an overall view of the changing pattern of CSSA caseloads and their nature over the past ten years. The following points can be summarized:

- (a) as at September 2004, the total number of CSSA cases amounted to 295 703, representing an increase of about 182% over that in 1994. The average growth in the number of cases per annum is 12%;
- (b) among the 295 703 cases as at September 2004, there were 534 217 recipients, representing an increase of 327% over that in 1994;
- (c) the proportion of recipients aged 60 or above decreased from 57.5% in 1994 to 34.2% in 2004. During the same period, the proportion of those aged below 60 increased from 42.5% to 65.8%, with those aged

between 15 to 59 accounting for 42.9% of the total number of CSSA recipients;

- (d) in terms of the nature of the cases, the proportion of old age/disability/ill health decreased from 84.7% from 1994 to 63.9% in September 2004. Over the same period, the proportion of unemployment/low earnings/single parent family cases increased from 11.3% to 34.5%; and
- (e) Government expenditure increased from \$3.4 billion in 1994-95 to \$17.9 billion in 2004-05. CSSA expenditure as a percentage of total government recurrent expenditure increased from 3.2% to 8.8% over the same period.

TYPES OF PAYMENT

- 5. The CSSA Scheme comprises two key elements:
 - (a) different standard rates for broad categories of recipients to meet their normal day-to-day basic needs (food, clothing and footwear, fuel and light, durable goods, etc), with higher rates going to children, elderly and people with disabilities or in ill health; and
 - (b) a wide range of special grants to meet the recipients' special needs on an individual basis. These special grants cover rent, water/sewage charge, schooling expenses, child care centre fees and burial expenses. Recipients who are old, disabled or medically certified to be in ill-health are entitled to other special grants to meet their special needs, such as glasses, dentures, medically recommended diets, removal expenses, medical and surgical appliances. Most of the special grants are made on a reimbursement basis to meet actual costs while others are paid on a flat-rate basis or up to the prescribed ceilings.

In addition, a monthly single parent supplement (\$225 per month or \$2,700 per year) is payable to single parents and an annual long-term supplement (\$1,425 for single persons, \$2,855 for families with 2-4 non able-bodied recipients, and \$3,825 for families with 5 or more non able-bodied recipients) is payable to cases involving the elderly, the disabled and those medically certified to be in ill-health.

MECHANISM FOR ADJUSTING CSSA STANDARD RATES

Annual Adjustment

6. The CSSA standard rates are reviewed annually to take account of price changes with reference to the movement of the Social Security Assistance Index of Prices (SSAIP).

7. Before 1999, the CSSA standard rates were adjusted annually, normally from the start of the financial year, in accordance with the forecast rate of increase of the SSAIP. In the light of the over-adjustments for inflation of CSSA standard rates in 1997-98 and 1998-99 and the difficulty in making predictions on price changes, with the Finance Committee's agreement, the adjustment methodology has been changed since 1999 from one based on the forecast inflation for the following year to one based on the actual price movements in the previous year.

5-Year Expenditure Review Cycle

8. A household expenditure survey for CSSA households is conducted every five years, in addition to the annual adjustment. The aim is to update the SSAIP in light of the relative importance of individual items of goods and services consumed by CSSA households, to ensure that the index can more accurately reflect the expenditure pattern of CSSA households and the impact of price changes on the purchasing power represented by the CSSA standard rates. The latest household expenditure survey for CSSA households was conducted in 1999-2000. This year, the Census and Statistics Department is conducting another household expenditure survey for 2004-05.

CHANGES TO STANDARD RATES SINCE 1996

Real increases in the standard rates for specific categories of recipients in April 1996

9. The current CSSA standard rates take their basis from a comprehensive review of the CSSA Scheme completed in 1996. One of the main objectives of the review was to ensure that what CSSA recipients would get would be sufficient to meet their basic needs. A basket of goods and services was drawn up and costed with the help of experts such as dieticians to ensure that CSSA rates were sufficient to ensure a basic livelihood.

10. As a result of the review, among other improvements, the standard rates for specific categories of recipients identified to be in need of additional financial support were increased in real terms by between 9% and 57% in April 1996. No downward adjustment was, however, made to the standard rates for other categories of recipients (for example, single elderly, severely disabled adults, children), even though the rates were found to be more than enough to meet their basic needs.

Inflationary adjustments in 1997-98 and 1998-99

11. In 1997-98 and 1998-99, the CSSA standard rates were increased by 6.5% and 4.8% across the board from the start of the financial year on the basis of the forecast SSAIP. However, the SSAIP increased only by 4.2% and 0.3% respectively during these periods and thereafter registered negative changes.

Real increase in the standard rates for elderly recipients in April 1998

12. In addition to the inflationary adjustment, the CSSA standard rates for all categories of elderly recipients were increased by \$380 in real terms in April 1998 as a result of a survey commissioned by the Social Welfare Department (SWD).

13. The increase was meant to help elderly CSSA recipients meet their psycho-social needs such as eating out, consulting Chinese herbalists, reading newspapers and magazines.

Tightening of payments for able-bodied recipients in June 1999

14. In response to growing public concern about the rapid growth in the CSSA caseload and expenditure, the high levels of CSSA benefit for larger families as compared with market wages, and the sharp increases in the number of able-bodied adults turning to CSSA, the Administration conducted a review of the CSSA Scheme in late 1997, focusing on how to encourage and help unemployed CSSA recipients to rejoin the workforce and move towards self-reliance, and published a public consultation report entitled 'Support for Self-reliance' in December 1998.

15. After extensive public consultation, a package of measures were implemented on 1 June 1999. These included the implementation of the Support for Self-reliance Scheme to provide active employment assistance for unemployed recipients, measures to enhance gate-keeping and to strengthen controls to prevent fraud and abuse, and the following payment-related measures:

- (a) extending the provision of total disregard of the first month's income from a full-time job to employable able-bodied adults;
- (b) tightening the payment of the annual long-term supplement and cutting down the types of special grants for able-bodied recipients to those which are absolutely essential; and
- (c) reducing the standard rates for able-bodied recipients by 10% in household comprising three able-bodied members and by 20% in household comprising more than three able-bodied members taking into consideration the economy of scale of a larger household.

16. The improvement to the provision of disregarded earnings was intended to provide greater incentive for able-bodied recipients to find full-time employment whereas the tightening of the payment of the annual long-term supplement and special grants for able-bodied recipients was meant to guard against reliance on CSSA becoming a preferred option for those who can work.

Deflationary adjustment from June 2003 for able-bodied recipients and two-phase deflationary adjustment from October 2003 and from October 2004 for non-able-bodied recipients

17. As a result of the over-adjustment for inflation of CSSA standard rates in 1997-98 and 1998-99 and continuous deflation thereafter, there was an overshoot of 12.4% up to March 2002. In February 2003, the Executive Council approved the following adjustments to CSSA standard rates, among other things:

- (a) to adjust downwards from 1 June 2003 the CSSA standard rates for able-bodied recipients by 11.1%; and
- (b) to adjust downwards the CSSA standard rates for non-able-bodied recipients (i.e. the elderly, the disabled and those medically certified to be in ill-health) by 11.1% in two phases over two years: by 6% from 1 October 2003 and by 5.4% from 1 October 2004.

The two-phase adjustment for non-able-bodied recipients was to allow them more time to adjust their budgeting.

18. At the Panel meeting on 11 November 2002, the Administration briefed the Panel on the over-adjustment and the potential for adjusting downwards. The Legislative Council approved the provision for CSSA for 2003-04 and 2004-05 on the basis of the adjusted rates in enacting the 2003 and 2004 Appropriation Bills in April 2003 and April 2004 respectively.

19. The estimated average payments to CSSA households of different sizes after the adjustments is appended below -

Household Size	Estimated average monthly CSSA payments w.e.f. 1.10.2004
1	\$ 3,424
2	\$ 5,739
3	\$ 7,665
4	\$ 9,004
5	\$10,662
6 or above	\$13,302

20. The implementation of the 11.1% reduction in the CSSA standard rates for able-bodied recipients in June 2003 was accompanied by a package of intensified support for self-reliance measures to encourage and help able-bodied recipients to find employment and move towards self-reliance. One of the measures was to increase the maximum level of monthly disregarded earnings under the CSSA Scheme from \$1,805 to \$2,500 for all categories of recipients in cases which have been on CSSA for not less than three months.

21. Cases with any member who is in paid work and eligible for the benefit of disregarded earnings enjoy higher monthly disposable incomes. Take a 4-person case as an example. The estimated average monthly CSSA payment for a 4-person household without income is now \$9,000. If one of the members of the family was earning, say, \$4,500 a month, the family's total monthly disposable income (i.e. the family's monthly CSSA entitlement plus the applicant's earnings from employment) would amount to \$11,500 as \$2,500 of the monthly earnings could be disregarded.

SPECIAL GRANTS

22. From time to time, there have been suggestions that to avoid misuse of public money by irresponsible recipients, special grants such as rent allowance

should be paid directly by SWD to those to whom they are due. SWD has looked into the feasibility of such an approach and has received legal advice that a CSSA recipient's consent must be obtained for such a direct payment arrangement. In the case of hardcore rent defaulters who are public housing tenants, a special arrangement has already been made for the rent allowance to be paid directly to the Housing Department, subject to the consent of individual recipients concerned. However, to extend the arrangement to other CSSA recipients and other payments would pose considerable difficulties for the Department given the volume of CSSA cases and the variance in the specific circumstances of individual cases. Rent allowance received that has not been used for rent payment can be recouped as an overpayment. Basically, we consider that it is the personal responsibility of individual CSSA recipients to abide by the law and manage their CSSA payments.

23. While there is a theoretical case for introducing a voucher system under the CSSA Scheme for such items as school uniforms, textbooks to prevent misuse of public money, such a system would be immensely complex to administer.

WAY FORWARD

24. The Administration has kept the CSSA system under constant review in response to the community's aspirations and the changing circumstances of our society.

25. With the implementation of the Support for Self-reliance Scheme and other accompanying measures since June 1999, our social security system has been providing not only cash assistance but also services and opportunities for people to be better equipped to be off benefit and lead a more fulfilling life. Since 2001, SWD has also commissioned non-governmental organizations (NGOs) to run intensive employment assistance programmes for able-bodied CSSA recipients so that we can mobilize the capabilities of the NGO sector to help us to achieve our aims.

26. In spite of our low tax regime, we have built and sustained a robust social service system of universal health care, extensive public housing, and comprehensive social services and social security. Our spending on these social service programmes (which constitute public social expenditure according to the

Organisation for Economic Co-operation and Development's (OECD) definition) as a ratio of our tax revenue compares favourably with OECD economies. In fact, at 0.79, the ratio of our public social expenditure to total tax revenue is higher than all OECD economies except Switzerland, with the OECD average being 0.57.

27. Our social security system is facing substantial pressures associated with economic and social changes, and the need for prudent public finance management. We have a responsibility to ensure that our social security system is sustainable and within our means while maintaining an effective safety net for those who need it, avoiding welfare dependency and promoting welfare to work to build up the resilience of those who can work. Against the above backdrop, we have in hand the following major tasks.

Future rate adjustments

28. After the 5.4% reduction for non-able-bodied recipients from October 2004, the CSSA standard rates still have an overshoot of 1.7% according to the movement of the SSAIP up to September 2004. We have no plan to further adjust the CSSA standard rates downwards. We will keep a close watch on the inflation trend and its impact on CSSA recipients as reflected by the movement of the SSAIP to ensure that the CSSA rates are adjusted in time to maintain their purchasing power.

29. As mentioned in paragraph 8, we will update the weighting system of the SSAIP on the basis of the findings of the 2004-05 household expenditure survey for CSSA households, to ensure that the index can accurately reflect the expenditure pattern of CSSA recipients. Initial results are expected to be available in late 2005.

Reviews

30. In view of the fast growth in cases involving able-bodied adults over the past years, our emphasis at the moment is on continuing our efforts to help able-bodied recipients move into work. We are now conducting:

- (a) an evaluation of the intensive employment assistance projects implemented since October 2003 to help employable CSSA recipients

and the 'near-CSSA' unemployed move into work; and

- (b) a review of existing CSSA arrangements and related services for single parent families on CSSA.

The findings of both these reviews are expected to be available within the first half of 2005.

31. We will also review the provision of disregarded earnings under the CSSA Scheme. The findings of the review are expected to be available in mid 2005.

32. There is always room for improving our social security system in response to priorities and challenges of the day. We will take into account Members' views and those of other sectors of the community, and consult Members and the Social Welfare Advisory Committee on relevant issues.

**Health, Welfare and Food Bureau/Social Welfare Department
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