

**For information
on 17 February 2005**

LEGCO PANEL ON WELFARE SERVICES

**Subcommittee on review of the
Comprehensive Social Security Assistance Scheme**

**Response to the Basic Needs Study by
the Hong Kong Council of Social Service (HKCSS)**

PURPOSE

As requested by the Subcommittee on review of the Comprehensive Social Security Assistance, this paper aims to provide an initial response to the draft report of the Basic Needs Study conducted by the HKCSS, the draft of which was passed to the Administration in January 2005.

BACKGROUND

2. At the last meeting of the Subcommittee held on 10 January 2005, HKCSS referred to the findings of its Basic Needs Study. The Administration was requested by the Subcommittee to provide a written response, particularly on the five new items of basic need for children. As the HKCSS' report was provided to the Administration in draft, the Administration is not in a position to make definitive comments on the proposals at this stage. Nonetheless, to respond to the Subcommittee's request, we have attempted some preliminary observations in the following paragraphs.

METHODOLOGY

3. We note that HKCSS has adopted the “Budget Standards Approach” in the study to determine the assistance level to meet a perceived ‘minimum standard of living acceptable to the community’, which is defined as between the subsistence level and the prevailing level of living in Hong Kong, reflecting a combination of the concepts of ‘absolute poverty’ and ‘relative poverty’ with considerations on the quality of life (c.f. paragraph 2.9.3 of the draft report). The approach involves specifying a basket of goods and services, composition of which reflects a certain level of standard of living. This approach requires careful consideration. Some of our concerns are elaborated in the following paragraphs.

4. According to the researcher, the results of the study could be taken as reference for setting Comprehensive Social Security Assistance (CSSA) standard rates to enable different categories of recipients to meet a ‘minimum standard of living acceptable to the community’. In this respect, we note HKCSS’ sample size consisted of 55 CSSA recipients and 35 members of the public, with views collected through focus group discussions. Eight focus group meetings were held, with an average attendance of 11. We further understand that the baskets of goods and services so defined have in general made no reference to the actual incomes in the community. Nor has any detailed comparison been made between the proposed consumption requirements, and the actual expenditure patterns of CSSA families and those not on CSSA.

5. Out of the 290 CSSA households randomly drawn with the assistance of Social Welfare Department (SWD), only 22 CSSA recipients accepted HKCSS’ invitation to join the focus groups. To make up for this, another 33 CSSA recipients and 35 non-CSSA recipients were then selected through the help of NGOs using a purposive sampling method to join the focus groups. A total of 90 respondents participated in the focus groups. We consider that both the small number of respondents and low response rate may cast doubts on the representativeness and reliability of the findings from these focus group discussions (paragraphs 3.2.3a and 3.2.3b of the draft report).

6. As such, we consider the findings so derived to be more of an exploratory nature, and are not suitable to be taken as representative of the views of CSSA recipients and the non-CSSA public.

7. HKCSS has noted in its draft report that there are limitations in the study, including some subjective judgement, difficulties in accommodating diverse views, and limitations in data sources (paragraph 3.5 of the draft report). In the absence of quantitative information on the views expressed by different focus groups of people, it is difficult for us to assess how such subjective judgment may impact on the report's final recommendations.

DEBATABLE BASIC NEED ITEMS

8. Table 1 to Table 27 at the Annex of the HKCSS' draft report list the proposed items and the corresponding payments to be made for different categories of CSSA recipients. Some of the proposed new items by HKCSS may be subject to debate as to whether or not they should be recognized as 'basic' needs. A few examples are provided below -

- a) religious ritual commodities such as incense and sacrifices (paragraph 4.6.1. of the draft report);
- b) expenses for attending friends' and relatives' funerals (paragraph 4.6.1. of the draft report);
- c) "herbal tea" for infants to neutralize the effects after taking milk powder (paragraph 5.1.3 of the draft report);
- d) special infant milk powder (as opposed to whole milk powder) for children aged 1-5 (paragraph 5.1.5 of the draft report); and
- e) transport expenses for young children aged 1-2 (paragraph 5.2.10 of the draft report).

9. The rationale as to why the life span of some durable goods is shortened has also not been clearly stated. For example, as compared with the Basic Need Study conducted by the Administration in 1996, the lifespan of a shower curtain is shortened from 5 years to 1 year, an electric fan from 10 years to 4 years, a rubbish bin/mirror/chopping board/rice cooker from 10 years to 5 years, a colour TV/radio-cassette recorder from 10 years to 6 years, and a washing machine from 8 years to 6 years (annex 2 of the draft report).

FINANCIAL IMPLICATION OF HKCSS' RECOMMENDATIONS

10. Over the past decade, the CSSA scheme has evolved from a rudimentary welfare assistance programme to become a social protection scheme with comprehensive coverage. Whereas assistance was normally given in kind (such as rations) prior to 1970, nowadays CSSA recipients receive non-accountable, standard cash payments to meet their 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 ill health. Meanwhile, a wide range of special grants is available to meet recipients' special needs, covering rent, water/sewage charge, schooling expenses, childcare 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. In addition, a monthly single parent supplement is payable to single parents and an annual long term supplement is payable to cases involving the elderly, the disabled and those medically certified to be in ill health.

11. It is worth noting that CSSA expenditure has increased drastically over the past decade, from \$3,427 million in 1994-95 to \$17,306 million in 2003-04. The average annual growth rate was 19.7% during the period. CSSA expenditure as a percentage of total government recurrent expenditure increased from 3.2% to 8.7% over the same period. As at January 2005, the total number of CSSA cases amounted to 295 847, representing an increase of about 182.3% over that in 1994; the total number of recipients stood at 543 224, representing an increase of 334.4% over that in 1994. The proportion of expenditure on unemployment/low earnings/single parent family cases which involve mainly able-bodied recipients increased from 16.0% in 1994-95 to 41.4%. The CSSA take up rate to Hong Kong's total population has increased from 2% in 1994/95 to 8% in 2004/05.

12. Based on the existing profile of CSSA recipients, it is estimated that if the HKCSS' recommendations on new standard rates are accepted, an additional \$5.5 billion recurrent CSSA expenditure will be required annually (about 31% of annual CSSA expenditure in 2004-05, or about 3% of total Government recurrent expenditure). In addition, 320,000 additional households may fall below the higher income thresholds for receiving CSSA due to the increased CSSA rates,¹ and be potentially eligible for CSSA. We also note that while a 4-person CSSA family now

¹ In the absence of the asset profile of domestic households, it is **not** possible to assess how many of these additional households will become eligible for receiving CSSA.

receives an average \$9,000 CSSA payment a month, it is estimated that the same 4-person family may receive \$13,000 with the HKCSS standard rates. We need to be very cautious in considering both the affordability and sustainability of our non-contributory social security system.

OBJECTIVE OF CSSA

13. We wish to reiterate that the primary objective of the CSSA Scheme is to provide financial assistance to the needy individuals and families in our community to meet their basic and special needs. The recognized needs of the individuals and families are already met through a range of different standard rates for individuals, supplements for families of different circumstances, and special grants addressing the special needs of children, elderly, those who are disabled and ill, and families. All CSSA recipients also receive free medical service at public hospitals and clinics, in addition to support in public housing, free education, etc. We believe that the existing CSSA rates and grants, with their regular review mechanism, can meet the basic needs of CSSA families. In exceptional cases, additional assistance can be provided.

14. In trying to establish the basic needs of the financially vulnerable in our society, we believe we should have due regard to the income and expenditure of the lower income groups of our society so that we maintain a balance between caring for the needy and not demotivating people to be self-reliant. In this regard, we note with concern that a rough assessment of the standard rates proposed in HKCSS' study shows that the resulting CSSA payments will be higher than the average income of non-CSSA households in the lowest 50% income group.

OTHER FORMS OF ASSISTANCE

15. While HKCSS' proposal makes a useful contribution to the debate on the adequacy of assistance to the vulnerable groups in our community, we need to differentiate between what are 'basic needs' which are catered for under the safety net, and 'developmental needs' which may be catered for elsewhere. The Administration has all along committed to developing a comprehensive network of highly subsidized services, such as housing, education, medical services, etc to help people in need. Many of HKCSS' requests have in fact been met in one way or the other through channels other than CSSA.

16. For example, HKCSS' requests for five new items on the basic needs of children are already covered in the following way –

Newspapers and telephone

These items are covered under the standard rate, and their price changes are reflected in the basket of goods and services covered by the Social Security Assistance Index of Prices (SSAIP).

Computers and Internet fees

The Administration provided \$200 million in 2001 through the Digital Bridge Project to provide over 21 000 computers and free Internet service for 453 secondary schools to loan to needy students for use at home. We have also provided subsidy to schools to extend the opening hours of computer rooms so that students could use the facilities during after-school hours. At present, most schools in receipt of this subsidy extend the opening hours of their computer facilities by about two hours after school, and on average on a school day such facilities are used by about 18 students in a primary school, and about 26-28 students in a secondary school. In addition, we are working with NGOs to recycle used computers by giving them to students who cannot afford to have their own computers at home.

The Administration has also partnered with NGOs in setting up Cyber Centres in Wan Chai and Tin Shui Wai respectively. Personal computers, equipped with Internet access and word processing software, are available for public use. IT courses are also conducted at those centres to promote IT knowledge and awareness in the community. A new district Cyber Centre will commence its operation in Kwun Tong at the end of this year. We have also set up 90 Community Cyber Points at Community Halls, District Offices, Building Management Resource Centres and non-government organizations, providing 231 personal computers (connected with Internet) for public use. Services at the Centre are free of charge and the public could access those facilities for a period of 30 minutes per session. Moreover, over 1,410 multi-media workstations are currently set up in the public libraries to enable public access to the multi-media materials and the Internet.

Private doctors

CSSA recipients already receive free medical service from public hospitals and clinics (including western and Chinese medical consultations, and medicine).

Extra-curricular activities

In 2002, a Life-wide Learning Fund was set up with a sum of \$140 million from the Hong Kong Jockey Club Charities Trust to support needy students to participate in co-curricular activities organized by schools. The average amount of assistance is \$160 yearly for a primary school student, and \$240 for a secondary school student. Students in financial need may also get assistance or fee waiver for joining uniform groups.

In recognition of the need for children and youth to develop their physical, mental and social competence through participation in extra-curricular activities, children from CSSA families are also eligible to concessionary arrangements for use of a variety of cultural and sports facilities provided by the Leisure and Cultural Services Department.

17. The 2005 Policy Address has also set out new initiatives to strengthen developmental service for needy children such as the Head Start Programme on Child Development. For children aged 6-12, more resources will be allocated to schools and youth organizations to strengthen support services and co-operation at the local level to organize suitable after-school learning and interest activities in such areas as languages, computing, music and arts. We are of the view that it may not be appropriate for the CSSA scheme alone to address all needs and aspirations through direct financial payment. The CSSA scheme is the safety net of last resort, and other needs can be met through targeted services.

WAY FORWARD

18. The above sets out the Administration's preliminary views on HKCSS' draft report. We stand ready to discuss with the HKCSS further in the light of their final report to be published.

Health, Welfare and Food Bureau/Social Welfare Department
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