RP06/04-05

Social Security System in Support of the Elderly in Poverty in Selected Places

1 June 2005

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C O N T E N T S

Executive Summary

1. The social security system in support of the elderly in poverty of Canada, Australia and Singapore were established in 1927, 1908 and 1949 respectively. This research introduces and compares these social security systems and their experience in maintaining the fiscal sustainability of the systems.

2. The design of the social security systems in support of the elderly in poverty in the selected places has the following similarities and differences. The systems in Canada and Australia are tailor-made for the elderly, but this is not the case in Singapore. In any event, the number of elderly recipients under Singapore's Public Assistance Scheme accounts for as much as 80% of all recipients. In addition, in all three selected places, the beneficiaries were screened by income and/or assets tests when the systems were initially launched. Nevertheless, the Canadian system has adopted the principle of universality since 1952. In other words, elderly people in Canada are not required to go through either income or assets test to be eligible for receiving the Old Age Security Pension.

3. The composition of the social security schemes in support of the elderly in poverty in the selected places varies. Canada's system consists of the Old Age Security Pension, which embraces the principle of universality, and various forms of income-tested supplementary benefits. The Australian system comprises the Age Pension and various kinds of living allowances for the needy (inclusive of the elderly), all of them requiring both assets and income tests. In Singapore, the elderly in poverty rely on the Public Assistance Scheme, which serves all people in poverty. To be eligible for Public Assistance, the elderly in poverty are required to not only go through both income and assets tests but also demonstrate that they have no family members to depend on.

4. One or more of the following factors determine the eligibility for the social security programmes in support of the elderly in poverty in the selected places: age, residence status, number of years of residence in the selected places, assets and/or income test, and having no family members to depend on.

5. Two approaches are used to calculate the benefit rates under the social security schemes in support of the elderly in poverty in the selected places. The first approach employs a flat rate for each type of allowance. For example, in Singapore, Public Assistance households with identical number of members receive the same level of allowances. Under the second approach, benefit rates are not standardized. For example, the level of payment under the Old Age Security Pension in Canada depends on an applicant's length of residence in Canada at the time of application.

6. Under the social security programmes in support of the elderly in poverty in the selected places, the allowances are payable to recipients residing in the corresponding places only, except for the beneficiaries of the Old Age Security Pension in Canada and those of the Age Pension in Australia, who may also receive pension benefits continuously while living abroad.

7. Concerning the taxation arrangements, payments received through the Old Age Security Pension in Canada and the Age Pension in Australia are taxable income. Since recipients of the Age Pension must pass assets and income tests, only low-income elderly are eligible. Therefore, it is unlikely that the Age Pension recipients are required to pay income tax. On the other hand, since recipients of the Old Age Security Pension are not income-tested, elderly high-income earners may also receive the Pension. Hence, it is possible that some or even all of the Old Age Security Pension payments received may return to public coffers in the form of income tax.

8. From the 1980s to the 1990s, the fiscal challenge faced by Canada's social security system became relatively significant since both the number of beneficiaries and the percentage of social security expenditures against its Gross Domestic Product had increased. Offering assistance only to those elderly who are in financial need, the fiscal pressure on Australia is relatively small. However, with an ageing population, the Australian government anticipates that the fiscal challenge will gradually grow. In Singapore, the number of Public Assistance recipients consistently accounts for less than 0.07% of the population, and the fiscal sustainability of its Public Assistance system faces a lesser challenge.

9. In view of the fiscal challenge posed by the ageing population to the social security systems, the governments of the selected places have adopted two different strategies to cope with the challenge, namely, increasing fiscal resources and containing social security expenditures. In respect of increasing fiscal resources, Canada has reformed its pension system to share out the fiscal pressure on social security. Australia has expanded the occupational superannuation scheme so that both employers and employees contribute to the financial resources required for maintaining the post-retirement lives of employees, instead of resorting to the Age Pension alone. Singapore uses the income generated by the ComCare Fund to finance programmes in support of the poor, which is another way of increasing fiscal resources.

10. In respect of containing social security expenditures, Canada focuses on restructuring the Old Age Security Pension system through tax reform, including treating Old Age Security Pension payments as taxable income to discourage middle- and high-income earners from applying for pension benefits. In addition, Canada has adopted the policy of levying Withholding Tax to reduce the expenditure on granting Old Age Security Pension benefits to those beneficiaries residing continuously abroad. If the income-tested Seniors Benefit Scheme proposed by the government to replace the Old Age Security Pension had been implemented, social security expenditures would have been contained by making some elderly ineligible for benefits.

11. As a strategy to contain social security expenditures, the Australian government gradually raises the age of eligibility for women applying for the Age Pension, thereby standardizing the age criterion for both genders. In addition, the introduction of the measure of granting only partial payments of the Age Pension to those overseas beneficiaries who have resided in Australia for less than 25 years after adulthood can also reduce costs.

12. Since the Singaporean government's strategy focuses on exploring resources at personal, family and community levels to support the elderly in poverty, public assistance has become a social safety net of the last resort. This approach is also a means to contain social security expenditures.

13. There are various views on the policy reforms in the social security systems in support of the elderly in poverty in the selected places. In Canada, although the social security system for retirement protection is expected to face fiscal pressure for the foreseeable future, it will encounter fewer problems as to ensuring pensioners' economic well-being and protecting vulnerable groups. In Australia, the expansion of the occupational superannuation scheme not only diversifies the social security system, but also reduces the expenditure on the Age Pension in the long run. In Singapore, owing to the support of the Central Provident Fund, the Public Assistance Scheme only serves as the last resort of the social safety net for the less fortunate.

Social Security System in Support of the Elderly in Poverty in Selected Places

Chapter 1 - Introduction

1.1 Background

1.1.1 At the meeting of the Panel on Welfare Services on 18 February 2005, members endorsed the research outline proposed by the Research and Library Services Division (RLSD) to conduct a research on the social security systems in support of the elderly in poverty in selected places. The research is to assist members in deliberating the forthcoming policy proposal of the Government to meet the fiscal challenges faced by the social security system[1] as a result of the ageing population.

1.2 Scope of research

1.2.1 This research covers the social security systems in support of the elderly in poverty in the following places:

(a) Canada;

(b) Australia; and

(c) Singapore.

1.2.2 The reason for selecting the Canadian, Australian and Singaporean social security systems is that they provide alternative programmes to support the elderly in poverty. Citizens and legal residents of Canada may apply for the Old Age Security Pension once they meet the age and residence requirements. In Australia, the eligibility criteria of the Age Pension designated for the elderly require applicants to meet the age and residence requirements as well as to pass income and assets tests. For the poor elderly in Singapore, if they pass both income and assets tests and are proved to have nobody to depend on, they will then be granted financial assistance under the Public Assistance Scheme specially set up for people in poverty.

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1 The social security systems referred to in this research are funded by public money and not contributions. They are pensions or public assistance systems which aim to maintain a certain level of income for the elderly. Regarding discussions on "social security", please refer to *Social Security Programs Throughout the World* published by the US Social Security Administration and the International Social Security Association.

1.2.3 In addition, these selected places have also deliberated or formulated policies on the fiscal sustainability of their social security systems. The Canadian government once considered replacing the Old Age Security Pension with the income-tested Seniors Benefit Scheme in order to control social security expenditures. The fiscal sustainability strategy of Australia lies mainly in expanding the occupational superannuation scheme, so that employers and employees share the fiscal responsibility of social security. The Singaporean government implements the Central Provident Fund system so that retired people can be financially supported by their own savings rather than by public assistance.

1.2.4 The scope of this research covers:

(a) Social security systems in support of the elderly in poverty with regard to

  (i) programmes in support of the elderly in poverty;

  (ii) eligibility requirements; and

  (iii) benefits.

(b) Fiscal sustainability strategies for social security programmes with regard to

  (i) causes for fiscal challenges; and

  (ii) strategies to address fiscal challenges.

1.3 Methodology

1.3.1 This research adopted a desk research method. Information has been collected through various available sources, such as legislation and official reports downloaded from websites of the governments concerned. The information obtained is subsequently correlated and analyzed under each topic of the research scope.

Chapter 2 - Canada

2.1 Background

2.1.1 The social security system in support of the elderly in poverty implemented by the Canadian government has a history of 78 years. Established in 1927, the system's initial objective was to provide assistance to British subjects living in Canada. In 1952, the scope of beneficiaries was extended to all the elderly in Canada. In the face of challenges to the fiscal sustainability of the social security system, the Canadian government proposed in 1996 that the elderly in Canada be subject to an income test in order to receive financial assistance. However, this proposal was shelved eventually due to objections from society and the recovery of the economy.

2.1.2 The Canadian government enacted the Old Age Pensions Act in 1927 to provide support to the elderly in poverty. The Act empowered the government to grant to the elderly a pension[2] funded by public money if they met all of the following four criteria:

(a) being a British subject who had lived in Canada for 20 years and over, or people who had been naturalized as British subjects[3] for at least 15 years and had resided in Canada for 25 years and over;

(b) having lived in the paying province for five years and over prior to the receipt of pension;

(c) aged 70 and over; and

(d) having passed an income test.

2.1.3 In 1952, the Old Age Pensions Act was replaced by the Old Age Security Act, under which the government granted a publicly-funded Old Age Security Pension to elderly people who met the following two criteria:

(a) having lived in Canada for 20 years and over; and

(b) aged 70 and over.

2 *The History of Canada's Public Pensions* (2002).
3 At that time, Canada was still under British rule.

2.1.4 An Old Age Assistance Allowance was provided to those elderly who met the following three criteria:

(a) having lived in Canada for 20 years and over;

(b) aged between 65 and 69; and

(c) having passed an income test.

2.1.5 The Old Age Assistance Allowance was abolished in 1970[4] when the eligible age for the Old Age Security Pension was reduced to 65.

2.1.6 On top of the Old Age Security Pension, the Canadian government has gradually introduced various types of supplementary allowance for the elderly who have passed the corresponding income test. Spouses/partners of eligible elderly people could also receive benefits. Such supplementary allowances include[5]:

(a) Guaranteed Income Supplement: Although the Canada Pension Plan was established in 1967, the Pension payments would not be available until 1977. Hence, the government introduced the Guaranteed Income Supplement in the same year, i.e. 1967, to help the elderly who had retired and would retire before payments of the Canada Pension Plan became available. This scheme was intended to be a temporary measure but the government made it permanent in 1971.

(b) Allowance/Allowance for the Survivor: The Spouse's allowance was established in 1975 for Guaranteed Income Supplement recipients' spouses aged 60-64. In 1985, the benefit was extended to widowed spouses aged 60-64, which was known as the Widowed Spouse's Allowance. In 2000, cohabiting partners of the same sex or opposite sex could also apply for the Spouse's Allowance or the Widowed Spouse's Allowance, which were renamed the Allowance and the Allowance for the Survivor respectively.

2.1.7 In short, the Canadian social security system in support of the elderly in poverty consists of two components: the non-income-tested Old Age Security Pension and the various types of income-tested supplementary allowances, with the Guaranteed Income Supplement being the major one.

4 *The History of Canada's Public Pensions* (2002).
5 Ibid.

2.2 Old Age Security Pension

2.2.1 The Old Age Security Pension is a monthly allowance granted to eligible elderly people by Social Development Canada[6] in accordance with the Old Age Security Act. The eligibility requirements for and details of this pension are set out in the following paragraphs.

Eligibility requirements

2.2.2 To be eligible for the Old Age Security Pension, applicants living in or outside Canada have to meet the following three criteria:

(a) aged 65 or older;

(b) being citizens or legal residents of Canada; and

(c) applicants in Canada and overseas applicants having lived in Canada for at least 10 years and 20 years respectively since their 18th birthday[7].

2.2.3 As Canada has entered into social security agreements with 44 countries, certain elderly people may be qualified for the Old Age Security Pension even if they do not fully meet the above criteria. For instance, the social security agreements allow immigrants to convert their residence period in their places of origin into the residence period in Canada. Therefore, some elderly people are considered eligible even though they have not fulfilled the residence requirement in Canada.[8]

2.2.4 Once an application is approved, no renewal is necessary. In addition, recipients of the Old Age Security Pension can forgo their continuous right to receive the pension.[9]

6 In 2003, Human Resources Development Canada was split into Social Development Canada and Human Resources and Skills Development Canada.
7 Social Development Canada (2004b), pp.5-6.
8 Schedule of *Old Age Security Regulations* and Social Development Canada (2004b), p.6.
9 Social Development Canada (2004b), p.16 and *Old Age Security Program* (2004).

Benefit rates

2.2.5 The residence period in Canada determines not only the eligibility (see paragraph 2.2.2(c)) of an applicant, but also his or her qualification for a full or partial pension. To obtain the full rate of the Old Age Security Pension, i.e. CAN$474 (HK$ 3,004)[10], recipients must[11]:

(a) have lived in Canada for at least 40 years after their 18th birthday; or

(b) meet the following criteria:

(i) born before 1 July 1952;

(ii) living in Canada at some point between their 18th birthday and 1 July 1977; and

(iii) having lived in Canada for the 10 years immediately before their applications are approved. If they have not lived in Canada for all of those 10 years, it is necessary for them to have lived in Canada in the year immediately before their applications are approved, and to have lived in Canada (after their 18th birthday) for a duration at least three times as long as the period of their residence outside Canada during those 10 years.

2.2.6 Those who do not meet the requirements mentioned in paragraph 2.2.5 qualify for a partial pension only. The formula for calculating the amount receivable is as follows[12]:

$$\text{Full pension} \times \frac{\text{Residence period in Canada upon application}}{40} = \text{Amount receivable}$$

For example, if an applicant has lived in Canada for 20 years upon filing an application, he/she will receive half of the full pension. Once this proportion is approved, it will not change with the increase of his/her residence period in Canada.

[10] Figures as at April, 2005, *Income Security Programs Information Card* (2005).
[11] Social Development Canada (2004b), pp.9-10.
[12] Social Development Canada (2004b), pp.10-11.

Place of residence for entitlement

2.2.7 For those elderly people who have emigrated to places outside Canada, unless they meet the criteria for a long term entitlement to the Old Age Security Pension abroad (see paragraph 2.2.2(c)), they receive their pension outside Canada only for the month of their departure and for six months thereafter. Afterwards, the pension payments will be suspended. When they return to Canada, the benefit will be reinstated from the month of their arrival.[13]

Taxation

2.2.8 The Old Age Security Pension payment is a taxable income[14]. When the total income of an elderly person reaches a certain level, he/she must repay part or all of his/her Old Age Security Pension to the government treasury in the form of income tax. For 2005, pensioners with an annual income over CAN$60,806 (HK$385,956) and below CAN$98,660 (HK$625,672) have their pension partially returned to the public coffers in the form of income tax. Pensioners with an annual income of CAN$98,660 (HK$625,672) and over have their full pension returned to the public coffers in the form of income tax.[15]

2.3 Guaranteed Income Supplement

2.3.1 The Guaranteed Income Supplement is a monthly allowance paid to the eligible elderly by Social Development Canada in accordance with the Old Age Security Act. The eligibility requirements for and details of the Supplement are set out in the following paragraphs.

Eligibility requirements

2.3.2 To be eligible for the Guaranteed Income Supplement, applicants must meet the following two criteria[16] :

(a) living in Canada and receiving the Old Age Security Pension; and

(b) having passed an income test.

13 Social Development Canada (2004b), p.15 and *Old Age Security Program* (2004).
14 Non-taxable before 1989.
15 Social Development Canada (2004b), pp.17-18 and *Income Security Programs Information Card* (2005).
16 Human Resources Development Canada (2002), p.4 and *Old Age Security Program* (2004).

2.3.3 Applicants of the Guaranteed Income Supplement are required to report their income for the previous year as well as that of their spouses/cohabiting partners. Assessable income includes the actual income from employment, investment, superannuation and other sources.[17]

2.3.4 Income limits for various categories of applicants for the Guaranteed Income Supplement as at April 2005 are listed below.

Table 1 - Income limit under Guaranteed Income Supplement

Marital and family status	Upper limit of annual family income
Single	CAN$13,512 (HK$85,689)
Spouse or cohabiting partner being a non-Old Age Security Pensioner	CAN$32,736 (HK$207,602)
Spouse or cohabiting partner being an Old Age Security Pensioner	CAN$17,616 (HK$111,715)
Spouse or cohabiting partner being an Allowance recipient	CAN$32,736 (HK$207,602)

Source: *Income Security Programs Information Card* (2005).

2.3.5 Recipients of the Guaranteed Income Supplement must re-apply for the Supplement each year so that the authority can determine their eligibility and the amount to be granted to them.[18]

<u>Benefit rates</u>

2.3.6 The calculation of the Guaranteed Income Supplement is based on the following characteristics of the applicant[19]:

(a) marital status;

(b) previous year's total income of the applicant and his or her spouse/cohabiting partner; and

(c) amount of the Old Age Security Pension he/she is entitled to.

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17 Human Resources Development Canada (2002), p.10 and Social Development Canada (2004a), p.13.

18 Human Resources Development Canada (2002), p.7 and *Old Age Security Program* (2004).

19 Human Resources Development Canada (2002), p.8 and *Old Age Security Program* (2004).

2.3.7 Various categories of the benefit rates of the Guaranteed Income Supplement as at April 2005 are listed below.

Table 2 - Benefit rates of Guaranteed Income Supplement

Marital and family status	Maximum monthly rate
Single	CAN$563 (HK$3,570)
Spouse or cohabiting partner being a non-Old Age Security Pensioner	CAN$563 (HK$3,570)
Spouse or cohabiting partner being an Old Age Security Pensioner	CAN$367 (HK$2,325)
Spouse or cohabiting partner being an Allowance recipient	CAN$367 (HK$2,325)

Source: *Income Security Programs Information Card* (2005).

Place of residence for entitlement

2.3.8 The Guaranteed Income Supplement is granted only to the Old Age Security Pensioners living in Canada. If the recipients leave Canada, they receive the Supplement payments outside Canada for the month of their departure and for six months thereafter. Afterwards, the Supplement payments will stop. Upon returning to Canada, their may re-apply for the Supplement.[20]

Taxation

2.3.9 The Guaranteed Income Supplement payment is not a taxable income. However, recipients are required to report this income every year in their personal income tax returns for re-assessment by the authorities concerned.[21]

2.4 Allowance/Allowance for the Survivor

2.4.1 The Allowance and the Allowance for the Survivor are monthly benefits granted to the eligible elderly by Social Development Canada in accordance with the Old Age Security Act. The eligibility requirements for and details of the Allowances are set out in the following paragraphs.

[20] Human Resources Development Canada (2002), pp.13-14 and *Old Age Security Program* (2004).
[21] Human Resources Development Canada (2002), p.15 and *Old Age Security Program* (2004).

Eligibility requirements

2.4.2 Applicants for the Allowance and the Allowance for the Survivor have to meet five criteria, four of which are the same[22]:

(a) aged between 60 and 64;

(b) being citizens or legal residents of Canada;

(c) having lived in Canada for at least 10 years since their 18th birthday; and

(d) having passed an income test.

2.4.3 In addition to paragraph 2.4.2, to qualify for the Allowance, applicants have to meet the condition that their spouses or cohabiting partners are currently receiving or are eligible for the Old Age Security Pension and the Guaranteed Income Supplement. For applicants of the Allowance for the Survivor, it is necessary that their spouses or cohabiting partners are deceased.[23]

2.4.4 People applying for the Allowance/Allowance for the Survivor are required to report their income for the previous year plus that of their spouses or cohabiting partners, including the actual income from employment, investment, superannuation and other sources.

2.4.5 The upper limits of annual income prescribed under the Allowance and the Allowance for the Survivor as at April 2005 were CAN$25,200 (HK$159,811) and CAN$18,504 (HK$117,347) respectively.[24]

2.4.6 Recipients of the Allowance and the Allowance for the Survivor must re-apply for the benefits each year so that the authority can determine their eligibility and the amount to be granted to them. At the age of 65, the recipients have to switch to apply for the Old Age Security Pension and the Guaranteed Income Supplement.[25]

[22] Social Development Canada (2004a), pp.4-5.
[23] Social Development Canada (2004a), p.4.
[24] *Income Security Programs Information Card* (2005).
[25] Social Development Canada (2004a), pp.20-21.

<u>Benefit rates</u>

2.4.7 The methods for calculating the Allowance and the Allowance for the Survivor are based on the applicants' and their spouses' or cohabiting partners' income for the previous year. As at April 2005, the maximum monthly rates of the Allowance and the Allowance for the Survivor were CAN$840 (HK$5,329) and CAN$928 (HK$5,883) respectively.[26]

<u>Place of residence for entitlement</u>

2.4.8 The Allowance and the Allowance for the Survivor are granted to the eligible elderly living in Canada only. If the recipients leave Canada, they receive the benefits outside Canada for the month of their departure and for six months thereafter. Afterwards, the payments will stop. Upon returning to Canada, they may re-apply for the benefits.[27]

<u>Taxation</u>

2.4.9 Neither the Allowance nor the Allowance for the Survivor is considered taxable income. However, recipients are required to report this income every year in their personal income tax returns for re-assessment by the authorities concerned.[28]

2.5 Strategies for maintaining the fiscal sustainability of the social security programmes

<u>Introduction</u>

2.5.1 The following paragraphs present the causes for the fiscal challenges to the social security programmes, and the government's measures to maintain the fiscal sustainability of the social security programmes.

[26] Social Development Canada (2004a), p.12 and *Income Security Programs Information Card* (2005).
[27] Social Development Canada (2004a), pp.17-18.
[28] Social Development Canada (2004a), p.23.

Causes for fiscal challenges

2.5.2 The fiscal challenges encountered by Canada in running its social security programmes during the late 1980s to the mid-1990s sprang from two causes. Firstly, the continuously rising number of recipients of social security benefits incurred a corresponding increase in government expenditures. The table below shows the number of recipients and expenditures of related social security programmes in selected years.

Table 3 - Number of recipients and expenditures of related social security programmes in selected years

Year	Number of Old Age Security Pension recipients	Number of Guaranteed Income Supplement recipients	Number of Allowance/ Allowance for the Survivor recipients	Expenditures of related social security programmes	Expenditures as % of GDP
1975	1 925 000	1 069 000	7 000	CAN$3,802 million (HK$24.165 billion)	2.19%
1980	2 259 000	1 191 000	81 000	CAN$7,123 million (HK$45.281 billion)	2.26%
1985	2 595 000	1 290 000	100 000	CAN$12,329 million (HK$78.375 billion)	2.53%
1990	3 036 000	1 325 000	121 000	CAN$16,957 million (HK$107.831 billion)	2.49%
1995	3 447 000	1 338 000	104 000	CAN$20,950 million (HK$133.206 billion)	2.58%

Source: Office of the Chief Actuary (2002).

2.5.3 If Canada had maintained a healthy economy and the percentage of related social security expenditures against its GDP had been low, the fiscal burden could have been alleviated. However, Table 3 shows that the percentage of social security expenditures against GDP was overall on the rise during the selected period, causing the fiscal pressure on the government to increase. Hence, it was imperative for the Canadian government to formulate measures to tackle the fiscal challenge.

Strategies to address fiscal challenges

Seniors Benefit Scheme proposal

2.5.4 In its 1995 budget, the Canadian government listed the following principles for reforming the Old Age Security Pension and the Guaranteed Income Supplement[29]:

(a) undiminished protection for all elderly who were less well off;

(b) continuation of full indexation of benefits to protect the elderly from inflation;

(c) provision of the Old Age Security Pension on the basis of family income, as was the case with Guaranteed Income Supplement;

(d) greater progressivity of benefits by income level; and

(e) control of the Old Age Security Pension programme costs.

2.5.5 Based on the principles in the 1995 budget, the Seniors Benefit Scheme was proposed in the 1996 budget. The proposal mainly comprised[30]:

(a) replacing the Old Age Security Pension and the Guaranteed Income Supplement benefits with the Seniors Benefit Scheme;

(b) requiring recipients of the Seniors Benefit Scheme to pass an income test;

(c) making the Seniors Benefit Scheme a monthly payment;

(d) exempting the Seniors Benefit Scheme from taxable income; and

(e) implementing the Seniors Benefit Scheme in 2001.

[29] *Budget Info* (2002).
[30] Government of Canada (1996).

2.5.6 The most important change brought about by the Seniors Benefit Scheme proposal, if it had been implemented, would have been the abolition of the non-income-tested Old Age Security Pension. As such, the entire social security system in support of the elderly in poverty would have rested on the principle that granting of financial assistance was subject to income test. The government hoped that the endorsement of this principle could help screen out middle- and high-income elderly people so as to control social security expenditures.

2.5.7 There were heated discussions around the country after the Seniors Benefit Scheme proposal was announced. Eventually, the then Finance Minister officially declared on 28 July 1998, " … *in light of the structural enhancements to the public pension system, the turnaround in the country's economic prospects, and because of our commitment to sound fiscal management, the government is today announcing that the proposed Seniors Benefit will not proceed. The existing OAS/GIS system will be fully maintained.*"[31]

Taxation arrangements

2.5.8 Since 1989, the Old Age Security Pension payments have been treated as taxable income. Those recipients living in Canada, when completing income tax returns, are required to include these payments in their total income. Hence, when a recipient's income reaches a certain level, he/she must repay part or all of his/her Old Age Security Pension to the government treasury in the form of income tax. Since 1996, this measure has been extended to the Old Age Security Pension recipients living abroad.[32]

2.5.9 In 1996, another taxation arrangement targeting the Old Age Security Pension recipients living abroad was also introduced. The Withholding Tax is applicable to the Old Age Security Pension recipients living abroad. For those living in places that do not have social security agreements with Canada, 25% of their Old Age Security Pension payments are withheld as the Withholding Tax prior to delivery. For those living in places which have entered into social security agreements with Canada, the withholding tax rates are lower and even as low as 0%.[33]

Reforms of the Canada Pension Plan

2.5.10 Since 1998, the Canadian government has implemented a series of measures to reform the Canada Pension Plan so that it can share out the fiscal pressure incurred by social security programmes. Such reform measures include[34]:

31 Department of Finance (1998).
32 *The History of Canada's Public Pensions* (2002).
33 Social Development Canada (2004c).
34 *1998 Changes to the Canada Pension Plan* (2004).

(a) exploring new sources of funding for the Canada Pension Plan, such as increasing the contribution rates;

(b) establishing a Canada Pension Plan Investment Board to assist the Canada Pension Plan in making investment;

(c) employing stringent criteria in the calculation and delivery of pensions, such as freezing the rates of some payment items; and

(d) promoting greater accountability, such as issuing regular reports to contributors on their contributions.

2.6 Policy evaluation

2.6.1 According to the estimation of the Office of the Chief Actuary, since the Old Age Security Pension payment has changed to a taxable personal income, about 5% of the Old Age Security pensioners are affected by such change. Although the repayment accounts for only some 3% of the total amount of the pension payable, the absolute amount remains significant. For example, the estimated expenditure of the Old Age Security Pension for the financial year 2005-2006 is CAN$22.2 billion (HK$142 billion). The amount of the Old Age Security Pension returning to the public coffers in the form of income tax is estimated to be CAN$700 million (HK$4.5 billion).[35]

2.6.2 The Office of the Chief Actuary also estimates that the expenditure of the various programmes in support of the elderly in poverty will reach a peak in 2030 as this generation ages. By then, the annual related expenditure as a percentage of GDP will reach 3.2%. As each cohort of new retirees in the following years is anticipated to be wealthier than the preceding one, the recipient rates for benefits will decrease. As such, the annual expenditure as a percentage of GDP is expected to fall from the peak in 2030 to 2.1% in 2075.[36]

2.6.3 Research conducted on nine developed countries[37] by the Organisation for Economic Co-operation and Development points out that Canada will encounter fewer problems as to ensuring pensioners' economic well-being and protecting vulnerable groups.[38] The policy advantage of Canada's diversified social security system for retirement protection is also endorsed by the Organisation.

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35 Office of the Chief Actuary (2002), p.26 and Social Development Canada (2005), p.4.
36 Office of the Chief Actuary (2002), p.36.
37 The nine countries are Canada, Finland, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States.
38 Organisation for Economic Co-operation and Development (2001), p.15.

Chapter 3 - Australia

3.1 Background

3.1.1 The social security system in support of the elderly in poverty implemented by the Australian government has a history of 97 years. Established in 1908, the system's initial objective was to provide assistance to those who were born in Australia or had been naturalized for at least three years. Later, the system was gradually extended to cover other people living in Australia. The Social Services Act was introduced in 1947, which consolidated the social security legislation aiming at providing assistance to the elderly in poverty and other social security legislation. In 1991, the Social Services Act was renamed the Social Security Act.[39]

3.1.2 The Australian government introduced in 1908 the Invalid and Old-Age Pensions Act to provide support to the elderly in poverty. The Act authorized the government to grant to the elderly a pension funded by public money if they met the following five criteria[40]:

(a) then residing in Australia and having continuously resided in Australia for at least 20 years；

(b) born in Australia or having been naturalized for at least 3 years;

(c) aged 65 years or above (for able-bodied male applicants) or 60 years or above (for female applicants or male applicants who were permanently incapacitated for work);

(d) being of good character and having never deserted or failed to maintain their spouse or any children under 14 years of age without just cause in the preceding five years; and

(e) having passed income and assets tests.

3.1.3 In 1947, the Old-Age Pension was renamed the Age Pension. Since the establishment of the social security system in 1908, the principle that assistance is provided to recipients who pass the income and assets tests has remained virtually unchanged (except in the period between 1976 and 1985, in which the assets test was removed).[41]

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39 Department of Social Security (1971) and *Social Security Payments for the Aged, People with Disabilities and Carers 1909 to 2004 – part 1*.

40 *Social Security Payments for the Aged, People with Disabilities and Carers 1909 to 2004 – part 1*.

41 Department of Social Security (1971) and *Social Security Payments for the Aged, People with Disabilities and Carers 1909 to 2004 – part 1*.

3.1.4 On top of the Age Pension, the Australian government has gradually added various types of allowances for the needy elderly as well as their spouses. Such allowances include[42]:

(a) Funeral Benefit: Introduced in 1943, those elderly whose spouses had died could apply for it. In 1990, this benefit was replaced by the Bereavement Allowance for which all people whose spouses had died could apply;

(b) Wife's Allowance: Introduced in 1943, it was granted to the incapacitated aged pensioners' wives who had not received a pension. Since 1995, this scheme has ceased to accept new applications.

3.1.5 Apart from various kinds of allowances for the elderly, old people, like other recipients of social security benefits, may apply for the following living allowances:

(a) Pharmaceutical Allowance;

(b) Telephone Allowance;

(c) Remote Area Allowance; and

(d) Rent Assistance.

3.1.6 In short, the Australian social security system in support of the elderly in poverty consists of two components: the Age Pension and various kinds of elderly allowances (for old people who have passed income and assets tests); and the living allowances (for all people in poverty who have passed income and assets tests).

3.2 Age Pension

3.2.1 The Age Pension is a monthly allowance granted to the eligible elderly people under the Social Security Act. The Department of Health and Ageing is the responsible authority for the Age Pension. The Centrelink[43], a government agency, is delegated with the responsibility of distributing the Age Pension payments. The eligibility requirements for and details of Age Pension are set out in the following paragraphs.

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42 *Social Security Payments for the Aged, People with Disabilities and Carers 1909 to 2004 – part 1.*
43 The Centrelink is responsible for co-ordinating the collection of service charges and the distribution of allowances delegated to it by various departments.

<u>Eligibility requirements</u>

3.2.2 To be eligible for the Age Pension, applicants have to meet the following four criteria[44]:

(a) aged 65 or over for male applicants, or aged 60 or over for female applicants (gradually escalated to 65 or over in 2014);

(b) Australian residents living in Australia, who are:

   (i) Australian citizens;

   (ii) Permanent Australian Visa holders; or

   (iii) Special Category Visa holders (for example, persons who arrived on a New Zealand passport and are residing in Australia);

(c) having resided in Australia for：

   (i) 10 years continuously;

   (ii) more than 10 years and at least half of them being continuous; or

   (iii) two years or above immediately prior to claim if an applicant is a widow, and she is and her deceased partner was an Australian citizen; and

(d) having passed income and assets tests.

3.2.3 As Australia has entered into social security agreements with 17 countries, certain elderly people may be qualified for the Age Pension even if they do not fully meet the above criteria. For example, applicants may convert the residence period in their places of origin into the residence period in Australia.[45]

3.2.4 Applicants of the Age Pension are required to report their income and assets as well as those of their spouses/partners to the authority for assessment. Assessable income includes not only the actual income from employment, investments and pensions, but also deemed income. Deemed income is the expected income derived from the reported assets of the applicants and those of their spouses/partners, as assessed by the authority.[46]

44 Centrelink (n.d.), p.1.
45 Centrelink (2004), p.117 and p.167.
46 Centrelink (n.d.), pp.6-7.

3.2.5 In addition to property, cash and value of business, assessable assets include gifts above an allowable amount such as gifts to family members in the form of property or cash in substantial amount. This serves to prevent people from making use of gifts in order to pass the assets test.[47]

3.2.6 Income and assets limits for various categories of applicants for the Age Pension as at March 2005 are listed below:

Table 4 - Income and assets limits under Age Pension

Income test	
Marital status	**Maximum family income per fortnight**
Single	AUS$1,327 (HK$7,922)
Couple/partnered	AUS$2,219 (HK$13,246)
Assets test	
Marital and family status	**Maximum family assets**
Single, homeowner	AUS$313,750 (HK$1,872,881)
Single, non-homeowner	AUS$424,250 (HK$2,533,319)
Couple/partnered, homeowner	AUS$485,000 (HK$2,896,218)
Couple/partnered, non-homeowner	AUS$595,500 (HK$3,556,077)

Source：*Retirement Payment Rates* (2005).

3.2.7 Applicants are obliged to notify the authorities of any changes in their personal particulars such as income, assets and employment so that their eligibility can be assessed. The authorities may also conduct sample checks to prevent abuse.[48]

Benefit rates

3.2.8 Based on the information provided by an applicant in the income and assets test form, the amount of the Age Pension payment under each test is calculated and the lower rate applies.[49]

3.2.9 As at March 2005, the maximum amount of Age Pension for the single elderly was AUS$476 (HK$2,861) per fortnight, and AUS$398 (HK$2,392) per fortnight each for elderly couples or partners.[50]

[47] Centrelink (n.d.), p.8.
[48] Centrelink (n.d.), pp.16-17 and *Centrelink* (2005).
[49] *Centrelink* (2005).
[50] *Retirement Payment Rates* (2005).

3.2.10 The rate of the Age Pension for pensioners residing abroad remains unchanged for the first 26 weeks of absence. Afterwards, a proportional rate is calculated based on the duration of time the person spent in Australia between aged 16 and the Age Pension qualification age. The recipients who have at least 25 years of residence receive full pension. For those recipients who have less than 25 years of residence, the following formula is used to calculate the amount of their pension[51]:

$$\text{Rate on leaving Australia} \times \frac{\text{Number of months of residence in Australia between 16 and Age Pension qualification age}}{\text{300 months (i.e. 25 years)}} = \text{Amount receivable}$$

Place of residence for entitlement

3.2.11 The recipients of the Age Pension may receive pension payments continuously while living abroad and the amount of pension is calculated according to paragraph 3.2.10.

Taxation

3.2.12 The Age Pension payment is a taxable income.[52]

3.3 Pension Loans Scheme

3.3.1 The Pension Loans Scheme is a loan scheme that assists the eligible elderly to attain a standard of living comparable to that of the Age Pension recipients. Under the Scheme, the government makes loans regularly to applicants, with the loans being secured by their owner-occupied properties. The eligibility requirements for and details of the Scheme are set out in the following paragraphs.

Eligibility requirements

3.3.2 The Pension Loans Scheme caters for the applicants who cannot pass either the income or assets test of the Age Pension.

3.3.3 To be eligible for the loans under the Scheme, the applicants must:

(a) meet the age requirement for the Age Pension; and

(b) have an owner-occupied property in Australia, against which the loan to be secured.[53]

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51 Centrelink (2004), pp.164-165.
52 Centrelink (2004), p.155.
53 *Pension Loans Scheme* (n.d.), Centrelink (n.d.), p.9 and Centrelink (2004), p.119.

Amount of loan

3.3.4 The maximum amount of loan cannot exceed the maximum fortnightly Age Pension benefit amount. The loan is interest-bearing.[54]

Place of residence to receive the loan

3.3.5 The loan must only be received in Australia.[55]

Taxation

3.3.6 Loans made under the Pension Loans Scheme are not taxable.[56]

Repayment

3.3.7 A borrower under the Pension Loans Scheme can make repayment at any time. He/she may also choose to deduct the loan and its accrued interest from his/her estate.[57]

3.4 Living Allowances

3.4.1 Similar to the recipients of other social security payments, the recipients of the Age Pension may apply for living allowances. Borrowers under the Pension Loans Scheme may obtain loans for certain items covered by the living allowances. However, the total loan amount, i.e. the amount of loans under the Pension Loans Scheme and those for living allowances, should not exceed the maximum Age Pension rate.

3.4.2 Living allowances are paid to recipients in Australia only and are not taxable. Other details about living allowances are set out in the following paragraphs.

54 *Pension Loans Scheme* (n.d.) and Centrelink (2004), p.152.
55 *Pension Loans Scheme* (n.d.).
56 Ibid.
57 Ibid.

Rent Assistance

Eligibility requirements

3.4.3 Elderly people applying for rent assistance must rent their accommodation in the private rental market and pay for[58]:

(a) rent for accommodation to a private landlord;

(b) boarding and lodging fees;

(c) rental fees for motor home or tent which serve as their principal home and the site fees for these mobile homes;

(d) mooring fees for a vessel which serves as their principal home;

(e) rental fees for a place in a hostel for the retired elderly; or

(f) rental fees for a place in a non-government-funded care-and-attention home for the elderly.

Benefit rates

3.4.4 The rate of rent assistance is calculated according to the household type of and rent paid by each applicant. The maximum amounts of rent assistance payments as at March 2005 are listed in the following table:

Table 5 – Benefits rates of Rent Assistance

Marital and family status	Maximum payment per fortnight
Single, no children	AUS$98 (HK$585)
Single no children, sharer	AUS$65 (HK$390)
Couple (no children)	AUS$92 (HK$552)
One of a couple who are separated due to illness (no children)	AUS$98 (HK$585)
One of a couple who are temporarily separated due to other reasons (no children)	AUS$92 (HK$552)

Source: *Retirement Payment Rates* (2005).

58 *Rent Assistance: Helping you pay your rent* (2005).

Remote Area Allowance[59]

Eligibility requirements

3.4.5 Applicants must be residing in specified remote areas in Australia.

Benefit rates

3.4.6 The benefits rates as at March 2005 are listed in the following table.

Table 6 – Benefit rates of Remote Area Allowance

	Payment per fortnight
Single	AUS$18 (HK$109)
Couple	AUS$16 (HK$93) per person
Dependent	AUS$7 (HK$44) per person

Source: *Remote Area Allowance Payment Rates* (2005).

Pharmaceutical Allowance[60]

Eligibility requirements

3.4.7 The recipients of the Age Pension are automatically granted Pharmaceutical Allowance.

Benefit rates

3.4.8 The benefit rates of Pharmaceutical Allowance as at March 2005 are listed in the following table.

59 *Remote Area Allowance Payment Rates* (2005).
60 Centrelink (2004), p.130.

Table 7 – Benefit rates of Pharmaceutical Allowance

Marital and family status	Payment per fortnight
Single	AUS$5.8 (HK$35)
Couple living together	AUS$2.9 (HK$17) per person
One of a couple who are separated due to illness	AUS$5.8 (HK$35) per person

Source: *Retirement Payment Rates* (2005).

Telephone Allowance[61]

Eligibility requirements

3.4.9 Applicants are required to have a telephone or a mobile phone connected in Australia under the names of their own or their partners.

Benefit rates

3.4.10 Elderly people may obtain assistance to cover the rental fees of a telephone.

3.5 Strategies for maintaining the fiscal sustainability of social security programmes

Introduction

3.5.1 Between the early 1980s and the early 1990s, income support for retired persons and the elderly in Australia was a focal public policy issue. In 1987, the Senate asked the Senate Standing Committee on Community Affairs to inquire into the retirement income provision in Australia.[62] The following paragraphs outline the fiscal challenge manifested by the results of the inquiry and the suggested strategies to cope with it, as stated in the report advising the Senate of the Committee's findings.

61 Centrelink (2004), p.131.
62 *Income Support for the Retired and the Aged: An Agenda for Reform,* p.xxxiii.

Causes for fiscal challenges

3.5.2 The deliberation of reforms in the social security system in Australia between the early 1980s and the early 1990s was not out of a need to alleviate imminent fiscal pressures. Instead, it was out of a desire to find alternatives for various social strata to share out the possible future fiscal challenges. As the population was expected to continue ageing and the expenditures on social security would increase accordingly, if these expenses were paid out of the public coffers alone, the fiscal pressures would be borne by the tax payers. Therefore, the issue that had to be dealt with at the time was how to share out the expected fiscal pressures to various social strata.[63]

Strategies to address fiscal challenges

3.5.3 The report of the Senate Standing Committee on Community Affairs contained recommendations to reform the occupational superannuation scheme, so that the sources of income to support the retired and the aged would not hinge solely on the Age Pension. Accordingly, the fiscal pressure on the publicly-funded Age Pension would be alleviated. The Australian government adopted the recommendations of the Committee, and formulated and implemented sequentially policies to expand the occupational superannuation scheme. The reform proposals for the occupational superannuation scheme are outlined below.

Coverage

3.5.4 In the post Second World War period, the occupational superannuation scheme in Australia was implemented mainly in the public sector. The development of the occupational superannuation scheme in the private sector was rather slow. As at 1987, 61.3% of the employees in the public sector joined the occupational superannuation scheme while only 30.8% of the private sector employees did so. Consequently, the reform proposals recommended that the coverage of occupational superannuation be expanded so that more private sector employees would participate. To achieve this end, the proposals suggested that the government could require through regulation that employers provided occupational superannuation for all employees, including part-time and temporary employees.[64]

Employers' contributions

3.5.5 The recommended superannuation scheme required that employers made a certain amount of contribution so that they could be eligible for superannuation taxation concessions. All employees aged 30 and over who had completed one year of service or employees aged between 18 and 29 who had completed five years of service could achieve 100% vesting. Employees not meeting the above conditions could obtain partial vesting.[65]

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63 *Income Support for the Retired and the Aged: An Agenda for Reform*, p.xxxv.
64 *Income Support for the Retired and the Aged: An Agenda for Reform*, pp.160-161 and p.233.
65 *Income Support for the Retired and the Aged: An Agenda for Reform*, p.268.

Preservation of contributions

3.5.6 To ensure that contributions were utilized to support retirement, the reform proposals recommended the introduction of legislation requiring that the contributions, in principle, be withdrawn by contributors only when employees had reached retirement age.[66]

Taking benefits

3.5.7 To ensure that the superannuation would not be consumed at an early stage during retirement, the reform proposals recommended two modes of taking benefits[67]:

(a) employee contributions could be withdrawn in a lump sum; and

(b) contributions eligible for superannuation taxation concessions, including employers' contributions, should be paid by instalments.

Government's response

3.5.8 Since 1992, the relevant legislation has required that employers make Superannuation Guarantee contributions for employees aged between 18 and 70 who are earning a monthly salary of AUS$450 (HK$2,689) or more. At present, Superannuation Guarantee contributions are set at 9% of an employee's income.[68]

3.5.9 To encourage employees to save for their retirement, the government implements the Super Co-contribution Scheme. If an employee earns less than AUS$58,000 (HK$350,645) a year, the government would make contributions to the employee's contribution on a sliding scale. Take an employee earning AUS$42,000 (HK$253,906) a year as an example, if he/she makes a personal superannuation contribution of AUS$1,000 during a year, he/she will be entitled to a government contribution of AUS $800 (HK$4,838) in the same year.[69]

3.5.10 In Australia, the minimum retirement age is 55. Employees retiring after 55 are entitled to their superannuation.[70]

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66 *Income Support for the Retired and the Aged: An Agenda for Reform*, p.276.
67 *Income Support for the Retired and the Aged: An Agenda for Reform*, p.289.
68 *Superannuation Guarantee (Administration) Act 1992* and *Superannuation Guarantee Benefit rates* (2005).
69 Australian Taxation Office (2005).
70 *What is Superannuation?* (2005).

3.6 Policy evaluation

3.6.1 The Treasury of Australia estimates that although the population eligible for the Age Pension grows as a result of the ageing population, the number of people eligible for the maximum Age Pension will decline. Such decline is due to the fact that Age Pension applicants are subject to income and assets tests. As they receive pension from the occupational superannuation scheme after retirement, their chance of receiving the maximum Age Pension payment is reduced.[71]

3.6.2 Research carried out by the Organisation for Economic Co-operation and Development points out that the development of a diversified social security system for retirement protection in Australia is in the right direction. As the occupational superannuation scheme develops, the fiscal pressure on retirement protection is shared by general revenue and occupational superannuation, and the expenditure on the Age Pension will decrease.[72]

[71] 2002-03 Budget.
[72] *Organisation for Economic Co-operation and Development* (2000), p.52.

Chapter 4 - Singapore

4.1 Background

4.1.1 Singapore does not have any pension scheme funded by public money. The Singaporean government financially supports people in poverty, including the elderly, through the Public Assistance Scheme. The elderly in poverty, like other needy people, must go through an investigation process to determine whether they are in genuine financial need, and whether they have family members to depend on. Given that the number of Public Assistance recipients accounts for only a very small proportion of the entire population, the problem of fiscal sustainability faced by the Public Assistance Scheme is relatively less significant in comparison with the schemes in the other selected places.

4.1.2 When the Public Assistance Scheme was introduced in Singapore in 1949, it aimed at offering assistance to those Singaporeans who had no one to depend on. An elderly person was eligible for assistance if he/she met the following three criteria[73]:

(a) aged 65 or above and aged 60 or above for male and female applicants respectively;

(b) having resided in Singapore for no fewer than 20 years; and

(c) having passed a means test.

4.1.3 When Singapore became a sovereign state in 1965, the Public Assistance System was retained and administered by the Social Welfare Department. Subsequently, the administration of the system was delegated to the National Council of Social Services. Since 1 April 2001, the administration of the Public Assistance Scheme has been taken over by the Community Development Councils (CDCs)[74] while the Ministry of Community Development, Youth and Sports is the responsible authority for policy formulation.

73 Social Welfare Department (1951), pp.30-31 and Thomas, P.T.(1976) pp.315-318.

74 There are five CDCs in Singapore. Each of them is headed by a mayor. They are responsible for promoting civic consciousness and community self-reliance in the community by working closely with district organizations, such as grassroots organizations.

4.2 Public Assistance Scheme

4.2.1 In accordance with the People's Association (Community Development Councils) Rules 1997, CDCs grant monthly allowances to eligible persons under the Public Assistance Scheme. Paragraph 14(2)(b) of the Rules stipulates that "*One of the powers and functions of a CDC is to administer Government-assistance schemes for deserving residents in the District.*" The eligibility requirements for and details of the Scheme are set out in the following paragraphs.

<u>Eligibility requirements</u>

4.2.2 To be eligible for the assistance, applicants must meet the following three criteria[75]:

(a) being Singaporean citizens or permanent residents;

(b) suffering from old age, illness or unfavourable family circumstances; and

(c) having no means of subsistence and no family members to depend on.

4.2.3 The elderly Public Assistance recipients are not required to renew their applications, but the staff of CDCs review from time to time whether or not these elderly still have a need for the Public Assistance.

<u>Public Assistance rates</u>

4.2.4 The following table shows the rates of the Public Assistance payable to eligible persons according to the types of households.

[75] *Public Assistance* (2005) and *Community Development Councils* (2005).

Table 8 - Rates of Public Assistance

Types of households	Monthly rates
1 adult	S$260 (HK$1,221)
1 child	
2 adults	S$445 (HK$2,089)
1 adult, 1 child	S$535 (HK$2,512)
2 children	
3 adults	S$510 (HK$2,394)
2 adults, 1 child	S$600 (HK$2,818)
1 adult, 2 children	S$675 (HK$3,170)
3 children	
4 adults	S$590 (HK$2,771)
3 adult, 1 child	S$680 (HK$3,193)
2 adults, 2 children	S$755 (HK$3,545)
1 adult, 3 children	S$825 (HK$3,873)
4 children	
5-person household or above	

Source: *Public Assistance* (2005).

Other living allowances

4.2.5 Apart from the Public Assistance, people in poverty, including the elderly in poverty, are also granted with other living allowances, such as rent assistance, according to their actual needs.

Place of residence for entitlement

4.2.6 The Public Assistance payments are paid to the recipients living in Singapore only.

Taxation

4.2.7 The Public Assistance payments are not taxable income.

4.3 Strategies for maintaining the fiscal sustainability of social security programmes

Introduction

4.3.1 Given the very small proportion of Public Assistance recipients among the entire population, the problem of fiscal sustainability faced by the Public Assistance Scheme is relatively less significant in comparison with the schemes in the other selected places. The following table shows the total number of Public Assistance recipients in selected years. It can be observed from the table that the number of recipients accounts for less than 0.07% of the population, and the number of elderly recipients accounts for as much as 80% of all recipients.

Table 9 - Number of Public Assistance recipients

Year	Total population	Total number of recipients*	Total number of elderly recipients	Percentage of elderly recipients against all recipients
1993	3 315 400	2 220 (0.07%)	1 915	86.3%
1998	3 922 000	2 070 (0.05%)	1 687	81.5%
1999	3 950 000	2 238 (0.06%)	1 789	79.9%
2000	4 017 700	2 409 (0.06%)	1 930	80.1%
2001	4 131 200	2 630 (0.06%)	2 181	82.9%
2002	4 171 300	2 565 (0.06%)	2 148	83.7%
2003	4 185 200	2 551 (0.06%)	2 191	85.9%

Source: Singapore Department of Statistics (2004a).
* Figures in brackets denote the percentages against total population

4.3.2 The essence of the policy in support of the elderly in poverty in Singapore is that government assistance is provided only under such circumstances where no assistance is available at the levels of individual, family and community. On the other hand, various policies have been implemented by the Singaporean government to safeguard against the elderly falling into poverty. One of the most prominent examples in this respect is the establishment of the Central Provident Fund. In reference to Central Provident Fund, the former Prime Minister of Singapore, Mr LEE Kwan-yew, once said that *"it is fairer and sounder to have each generation pay for itself and each person save for his own pension fund."*[76]

[76] Lee Kwan Yew (2000), p.104.

Central Provident Fund

4.3.3 The Central Provident Fund system was established in Singapore in 1955. After Singapore became a sovereign state in 1965, the Central Provident Fund system has been retained and expanded. As a compulsory savings scheme for individuals, one of the objectives of the Central Provident Fund is to assist Singaporeans to save money for retirement.

4.3.4 Employers and employees jointly contribute to the personal accounts of employees. The Central Provident Fund Board, a statutory body, is responsible for administering all the contributions. In 2005, the contribution rates range between 8.5% and 33% of the employees' monthly salaries, with the employers accounting for 3% to 13% and the employees' share covering 5% to 20%. The contribution rate is inversely proportional to the age of employees. For example, the contribution rate for employees aged 35 and above is 20% while that for employees aged 65 and above is 5%.[77]

4.3.5 The monthly Central Provident Fund contributions, according to prescribed ratios, go into three specific accounts under the names of individual employees[78]:

(a) Ordinary Account, accounting for about 60% to 75% of the Central Provident Fund, is used for home buying and investment;

(b) Special Account, accounting for about 10% to 20% of the Central Provident Fund, is reserved for post-retirement use after the age of 55; and

(c) Medisave Account, accounting for about 15% to 20% of the Central Provident Fund, is used for meeting medical expenses.

Tribunal for the Maintenance of Parents

4.3.6 The Singaporean government set up the Tribunal for the Maintenance of Parents in 1996 under the Maintenance of Parents Act. It provides a legal channel through which parents who are unable to maintain themselves adequately may request their children, who can afford to maintain their parents but refuse to do so, to pay for their maintenance.

77 *Central Provident Fund Board* (2005).
78 Ibid.

4.3.7 To be eligible for applying maintenance orders, parents must meet the following three criteria[79] :

(a) aged 60 or above, or aged below 60 and suffering from infirmity of mind or body;

(b) residing in Singapore; and

(c) being unable to maintain themselves adequately.

4.3.8 Under the following two circumstances, the Tribunal for the Maintenance of Parents may issue maintenance orders to offspring, requiring them to pay maintenance for their parents[80]:

(a) the offspring are able to provide maintenance for their parents after their own requirements and those of their spouses and children have been supplied; and

(b) the parents are unable, in spite of their efforts, to maintain themselves through work or from their properties or from any other sources.

<u>ComCare Fund</u>

4.3.9 The Prime Minister of Singapore, Mr LEE Hsien-loong, announced at the parliamentary sitting held on 19 January 2005 that the Singaporean government would restructure the Community Assistance Fund into the ComCare Fund. The ComCare Fund has started off with S$500 million (HK$2.35 billion), and over time the Fund will be built up to S$1 billion (HK$4.7 billion). The income from the Fund can then be used to finance various social assistance programmes.[81]

4.3.10 A ComCare Supervisory Committee will be set up to supervise the use of the ComCare Fund by the Community Development Councils to meet local needs. The government will also consolidate the existing social assistance schemes into three schemes financed by the ComCare Fund. One of the schemes is ComCare EnAble will focus on the needy elderly as well as others who need long-term assistance, such as people with disability. ComCare EnAble will provide them with various assistance, such as the Public Assistance, to meet their basic needs.[82]

79 *Maintenance of Parents Act.*
80 Ibid.
81 *Speech by the Prime Minister in Parliament on 19 January 2005: Singapore is Opportunity.*
82 *Speech by the Minister of State for Community Development, Youth and Sports at the Committee of Supply, Ministry of Community Development, Youth and Sports on 11 March 2005.*

4.4 Policy evaluation

4.4.1 At the end of 2004, the Singaporean government conducted a study on the Public Assistance Scheme, with a view to improving the Scheme to make it easier to comprehend and administer; and minimize the number of people slipping through the cracks of the system.[83] The introduction of the ComCare Fund by the government is a result of the study.

4.4.2 The three schemes financed by the ComCare Fund are: ComCare SelfReliance, ComCare Grow and ComCare EnAble. While ComCare SelfReliance focuses on those people who need temporary assistance in order to return to self-reliance, ComCare Grow aims at providing support for children from low-income families. Only ComCare EnAble focuses on those people who need long-term assistance, including the elderly in poverty. In essence, the Singaporean government continues to uphold the underlying philosophy of acting as the last resort in providing welfare services.

4.4.3 A research report by the World Bank points out that as the Singaporean government holds the view that social security is the responsibility of individuals and families, the government's policy focuses on developing the Central Provident Fund system. The Public Assistance Scheme is regarded as the last resort of a social safety net for the less fortunate, such as the destitute elderly and the disabled.[84]

[83] *Social Safety Nets in Singapore* (2005).
[84] Khan (2001), pp.12-18.

Chapter 5 - Analysis

5.1 Introduction

5.1.1 The following is a comparative analysis of the social security systems of the three selected places in support of the elderly in poverty. It also summarizes their experience in handling the issue of fiscal sustainability of their social security systems. To facilitate the comparison with Hong Kong's system, the information on the situation of Hong Kong is covered in this chapter.

5.2 Social security systems in support of the elderly in poverty

5.2.1 With regard to the social security systems of the selected places in support of the elderly in poverty, comparison can be made in the following three aspects:

(a) principles underlying the design of the systems;

(b) composition of the programmes; and

(c) operational mechanism of the programmes.

<u>Principles underlying the design of the systems</u>

5.2.2 The systems in Canada and Australia are tailor-made for the elderly, but this is not the case in Singapore. In any event, the number of elderly recipients under Singapore's Public Assistance Scheme accounts for as much as 80% of all recipients.

5.2.3 In all three countries, namely Canada, Australia and Singapore, the beneficiaries were screened by an income and/or assets test when their systems in support of the elderly in poverty were initially launched. Nevertheless, the Canadian system has adopted the principle of universality since 1952. Elderly people in Canada are no longer required to go through an income test before they are qualified to receive pension benefits. In 1996, the Canadian Government, in view of future financial concerns, proposed a new programme, the Seniors Benefit Scheme, in an attempt to revise the above principle. However, due to opposition from society and the economic recovery, the principle of universality has been retained.

5.2.4 Since the introduction of the public assistance scheme in Hong Kong in 1971, income and assets tests have been used to screen for recipients. The screening tests tie in with the objective of the Comprehensive Social Security Assistance Scheme, which is to "*provide financial assistance to bring the income of needy individuals and families up to a prescribed level to meet their basic needs.*"[85]

[85] Social Welfare Department (2004), p.2.

Composition of the programmes

5.2.5 The composition of the programmes of the selected places in support of the elderly in poverty varies from one another. In Canada, the programme consists of two components. The first is the Old Age Security Pension, which embraces the principle of universality and is, in principle, payable to all elderly people. The other component, mainly the Guaranteed Income Supplement, comprises various forms of income-tested supplementary benefits.

5.2.6 In Australia, the programme in support of the elderly in poverty also consists of two components. The first is the Age Pension, which is specially designed for the elderly, while the other is the provision of various allowances for all people in poverty. In Australia, the elderly in poverty have to pass income and assets tests to become eligible for the Age Pension and other allowances. Under the Pension Loans Scheme, an elderly person who cannot pass the income or assets tests but is in need of urgent cash to support his/her living can offer his/her owner-occupied property as security to get a loan from the government. The loan, however, cannot exceed the maximum amount of the Age Pension.

5.2.7 In Singapore, the elderly in poverty rely mainly on the Public Assistance system which targets all people in poverty. To be eligible for the Public Assistance, the elderly in poverty are required to not only go through income and assets tests, but also demonstrate that they have no family members to depend on. The established policy of the Singaporean government is that public assistance is offered as a social safety net of the last resort, while individuals, families and the community all take responsibility for preventing the occurrence of destitute elderly and supporting them. Accordingly, the Singaporean government has put in place a number of measures, namely the Central Provident Fund Scheme which is a compulsory savings scheme, and the Tribunal for Maintenance of Parents, and entrusts the administration of the Public Assistance Scheme at the district level to the Community Development Councils.

5.2.8 Hong Kong offers assistance to people in poverty, inclusive of the elderly, through the Comprehensive Social Security Assistance Scheme. To be eligible for financial assistance, the people in poverty must pass income and assets tests. In addition, the elderly not receiving the Comprehensive Social Security Assistance may apply for the Social Security Allowance which includes Normal Old Age Allowance and Higher Old Age Allowance. The Social Security Allowance Scheme is designed to provide an allowance to the elderly to meet the special needs arising from old age.[86]

[86] *Social Security* (2005).

Operational mechanism of the programmes

5.2.9 Discussion on the operational mechanism of the programmes covers the following four areas:

(a) eligibility requirements;

(b) benefit rates;

(c) places of residence for entitlement; and

(d) taxation arrangements.

Eligibility requirements

5.2.10 The following factors determine the eligibility for the social security programmes in support of the elderly in poverty in the selected places:

(a) age;

(b) residence status;

(c) number of years of residence in the selected places;

(d) passing an assets and/or income test; and

(e) having no family member to depend on.

5.2.11 In Canada, the first three conditions mentioned above determine whether an applicant can receive the Old Age Security Pension. In Australia, the eligibility criteria for the Age Pension include not only these three conditions, but also assets and income tests. The Public Assistance Scheme in Singapore is not a scheme designated for the elderly, and therefore the eligibility requirements do not include the age criterion. One special feature of the Singaporean scheme is the requirement that an eligible applicant must have no family member to depend on. In other words, applicants are eligible for the Public Assistance only in those circumstances where the applicants have no means of subsistence and no assistance is available at the family and community levels.

5.2.12 The elderly in poverty in the selected places may be eligible for certain allowances if they meet specific requirements. For example, the Remote Area Allowance is payable only to those who reside in certain specified remote areas in Australia. In Canada, the Guaranteed Income Supplement is granted to recipients of the Old Age Security Pension who have passed the income test.

5.2.13 In Hong Kong, the elderly who satisfy the residence requirements and have passed the income and assets tests may be eligible for the Comprehensive Social Security Assistance. To be eligible for the Normal Old Age Allowance under the Social Security Allowance Scheme, an elderly applicant shall be aged between 65 and 69, meet the relevant residence requirements and have passed the income and assets tests. Applicants for the Higher Old Age Allowance shall be aged 70 or above and meet the residence requirements but are not required to pass an income and/or assets test.[87]

Benefit Rates

5.2.14 The formulae for calculating the benefit rates under the programmes in support of the elderly in poverty in the selected places also vary. The benefit rates of Canada's Old Age Security Pension and Australia's Age Pension are not standardized. The former depends on the length of residence of the applicants in Canada at the time of application, while the latter is determined by the level of assets and income of the applicants. In Australia, if an Age Pension recipient lives abroad continuously, whether the level of pension benefits payable at the time of his/her departure from Australia can be maintained depends on the length of residence of the recipient in Australia during his/her adulthood.

5.2.15 The Public Assistance in Singapore, the Guaranteed Income Supplement and other supplementary benefits in Canada, as well as various allowances in Australia, are all flat rate payments, i.e. the same rate for each category of recipients for the respective allowance. For example, in Singapore, all two-adult households in receipt of the Public Assistance receive the same payment, i.e. S$445 (HK$2,089).

5.2.16 In Hong Kong, the benefit rates of the Comprehensive Social Security Assistance and the Social Security Allowance are basically on a flat-rate basis. For example, those elderly aged 60 or above are classified into three categories and a flat monthly rate per person is applied to each category of recipients. In the same way, the monthly payment of the Normal Old Age Allowance per person under the Social Security Allowance Scheme is also a flat rate.[88]

87 *Social Security* (2005).
88 Ibid.

Place of residence for entitlement

5.2.17 The recipients of the Old Age Security Pension in Canada and those of the Age Pension in Australia may receive pension benefits abroad continuously if they meet some stringent requirements. In other words, the recipients must have resided in Canada/Australia for a period longer than the required length of residence stipulated in the eligibility requirements. For example, in Canada, an applicant who has lived in Canada for at least 10 years since his/her 18th birthday is generally eligible for the Old Age Security Pension. However, only those pensioners who have lived in Canada for at least 20 years after their 18th birthday can continuously receive their Old Age Security Pension payments abroad.

5.2.18 The Public Assistance in Singapore and various types of supplementary benefits in Canada and Australia are not paid to those recipients who continuously reside abroad because these benefits are meant to support the living of the elderly in poverty residing in the selected places.

5.2.19 In Hong Kong, the Social Security Allowance is not paid to those recipients who continuously reside in places outside Hong Kong. However, those elderly Comprehensive Social Security Assistance recipients who have joined the Portable Comprehensive Social Security Assistance Scheme may continue to receive the benefit concerned if they choose to retire permanently in Guangdong Province. According to the 2005 Policy Address, the Scheme will be extended to Fujian Province.[89]

Taxation

5.2.20 Old Age Security Pension payments in Canada and Age Pension payments in Australia are taxable income. Since recipients of the Age Pension in Australia must pass assets and income tests, only the low-income elderly are eligible for the Age Pension. Therefore, it is unlikely that Age Pension recipients are required to pay income tax. On the other hand, since the recipients of the Old Age Security Pension in Canada are not income-tested, elderly high-income earners may also receive the Pension. Hence, it is possible that some or even all of the Old Age Security Pension payments received may return to public coffers in the form of income tax.

5.2.21 The Public Assistance payments in Singapore and the various types of allowances and benefits in both Canada and Australia are non-taxable income. In Hong Kong, Comprehensive Social Security Assistance and Social Security Allowance payments are non-taxable income.

[89] Social Welfare Department (2004) pp.36-37 and Health, Welfare and Food Bureau (2005b).

5.3 Experience in maintaining the fiscal sustainability of social security systems

5.3.1 The experience of the selected places in maintaining the fiscal sustainability of the social security systems can be compared in the following two aspects:

(a) fiscal challenge to the social security systems; and

(b) fiscal sustainability strategies.

Fiscal challenge to social security systems

5.3.2 The sustainability of the social security systems into future generations hinges upon the amount of fiscal resources available and the number of beneficiaries. From the 1980s to the 1990s, Canada's social security system faced a relatively significant challenge since both the number of beneficiaries and the percentage of social security expenditures against its GDP had increased. The fiscal pressure on the Australian system is relatively small because Australia offers assistance only to those elderly who are in financial need. However, with an ageing population, the Australian government anticipates that the fiscal challenge will gradually grow. In Singapore, the number of Public Assistance recipients consistently accounts for less than 0.07% of the population, and thus the fiscal sustainability of its Public Assistance system faces a lesser challenge.

5.3.3 The Hong Kong Government has pointed out that with an increasing number of the elderly in the population, the number of elderly people relying on the Comprehensive Social Security Assistance and the Social Security Allowance will increase correspondingly, which may cause the public expenditures on social security to escalate. The Government is reviewing the social security programmes for the elderly, and the objective is to *"develop a long-term sustainable financial support system that better targets resources at elders most in need."*[90]

Fiscal sustainability strategies

5.3.4 In view of the fiscal challenge posed by the ageing population to the social security systems, the governments of the selected places have adopted different strategies to cope with the challenge. These strategies can be categorized into two types: to increase fiscal resources and to contain social security expenditures.

[90] Health and Welfare Bureau (2001), Health, Welfare and Food Bureau (2004), and Health, Welfare and Food Bureau (2005a).

Strategies for increasing fiscal resources

5.3.5 The Canadian government has reformed the Canada Pension Plan to share out the fiscal pressure on social security. Australia has expanded the occupational superannuation scheme to make both employers and employees contribute to the financial resources required for maintaining the post-retirement lives of employees, instead of resorting to the Age Pension alone. Singapore uses the income generated by the ComCare Fund to finance programmes in support of the poor, which is another way to increase fiscal resources.

5.3.6 Hong Kong's strategy to increase fiscal resources is based primarily on the establishment of the Mandatory Provident Fund Scheme under which both employers and employees contribute to the financial resources required for maintaining the post-retirement lives of employees. The Government expects the introduction of this Scheme to reduce the reliance on the Comprehensive Social Security Assistance and the Social Security Allowance. Nevertheless, the Mandatory Provident Fund Scheme will take some 30-40 years to mature and will have limited effect in the interim in supporting the elderly in poverty.[91]

Strategies for containing social security expenditures

5.3.7 The selected places have employed various strategies to contain social security expenditures. The Canadian government has adopted the strategy of treating Old Age Security Pension payments as taxable income to discourage middle- and high-income earners from applying for pension benefits. In addition, Canada has adopted the policy of levying Withholding Tax in order to reduce the expenditure on those Old Age Security pensioners who are residing continuously abroad. Under the income-tested Seniors Benefit Scheme proposed by the government but subsequently shelved, the government attempted to reduce social security expenditures by screening out some of the elderly recipients through the income test.

5.3.8 One of the strategies adopted by the Australian government is to gradually lift the age of eligibility for women applying for the Age Pension from 60 to 65, thereby standardizing the age criterion for both men and women. Regarding the Age Pension beneficiaries residing abroad continuously, the Australian government has introduced the measure of granting partial Age Pension payments to beneficiaries who have resided in Australia for less than 25 years after adulthood. This measure can also reduce costs.

5.3.9 Since the Singaporean government's strategy focuses on mobilizing resources at personal, family and community levels to support the elderly in poverty, public assistance has become a social safety net of the last resort. This approach is also a means to contain social security expenditures.

[91] Health, Welfare and Food Bureau (2001) and Chi (2004).

5.3.10 The main strategies adopted by the Hong Kong Government in this respect are to stipulate a longer period of residence requirement under the Comprehensive Social Security Assistance and the Social Security Allowance Schemes, and to make deflationary adjustment to the rates of the Comprehensive Social Security Assistance payments.[92]

5.4 Policy evaluation

5.4.1 There have been assessments and reforms on the social security systems in support of the elderly in poverty in the selected places. The body responsible for assessments can be the department that implements the relevant policies, or other government agencies, such as the Audit or Actuary departments. Assessments may result in reforms in the operational mechanism. For example, the Australian government is gradually raising the age of eligibility for women applying for the Age Pension, thereby standardizing the age criterion for both genders. Assessments may also result in the restructuring of the entire system, such as the restructuring of the social assistance schemes by the Singaporean government. Further, assessments may lead to the removal of the system, such as the suggestion of replacing the Old Age Security Pension and the Guaranteed Income Supplement with the Seniors Benefit Scheme put forward by the Canadian government.

5.4.2 There are various views on the policy reforms in the social security systems in support of the elderly in poverty in the selected places. In Canada, although the social security system for retirement protection is expected to face fiscal pressure for the foreseeable future, it will encounter fewer problems as to ensuring pensioners' economic well-being and protecting vulnerable groups. In Australia, the expansion of the occupational superannuation scheme not only diversifies the social security system for retirement protection, but also reduces the expenditure on the Age Pension in the long run. In Singapore, owing to the support of the Central Provident Fund, the Public Assistance Scheme only serves as the last resort of the social safety net for the less fortunate.

5.4.3 Professor Iris CHI of the Sau Po Centre on Ageing, the University of Hong Kong, has pointed out that despite the implementation of the Mandatory Provident Fund Scheme, retirement protection for this generation and the next is still insufficient as the Mandatory Provident Fund Scheme will take some 30-40 years to mature. Consequently, she recommends setting up a publicly-funded retirement scheme and improving the Mandatory Provident Fund Scheme, for example, allowing the non-working population to join the Scheme.[93]

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[92] Health, Welfare and Food Bureau/Social Welfare Department (2004) and Health, Welfare and Food Bureau/Social Welfare Department (2005).

[93] Chi (2004) pp.12-13.

Chapter 6 - Conclusion

6.1 Introduction

6.1.1 Chapters 2 to 4 provide information on the social security systems of Canada, Australia and Singapore in support of the elderly in poverty and their experience in maintaining the fiscal sustainability of the social security systems. Chapter 5 presents a comparative analysis of the systems and experiences of the three selected places and provides the relevant information in Hong Kong. This chapter tabulates the key points of the previous chapters for Members' easy reference.

Table 10 – A comparison of the social security systems of selected places in support of the elderly in poverty

	Canada	Australia	Singapore	Hong Kong
Relevant legislation	• Old Age Security Act	• Social Security Act	• People's Association (Community Development Councils) Rules 1997	• Nil • Social security programme is an administrative scheme
Responsible bodies and their duties	• Social Development Canada is responsible for executing the Act • It is also responsible for administering various social security programmes	• The Department of Health and Ageing is responsible for executing the Act • Centrelink is authorized to administer the allowances payable under various social security programmes	• The Ministry of Community Development, Youth and Sports is responsible for formulating policies • The Community Development Councils are responsible for administering various social security programmes	• The Health, Welfare and Food Bureau is responsible for formulating policies • The Social Welfare Department executes social security policies

Table 10 – A comparison of the social security systems of selected places in support of the elderly in poverty (cont'd)

	Canada	Australia	Singapore	Hong Kong
Social security programmes	• Old Age Security Pension (OAS) • Guaranteed Income Supplement • Allowance /Allowance for the Survivor	• Age Pension • Pension Loans Scheme • Living allowances	• Public Assistance Scheme	• Comprehensive Social Security Assistance (CSSA) Scheme • Social Security Allowance (SSA)
Composition of the programmes	• All programmes are specially designed for the elderly	• Apart from living allowances, all programmes are specially designed for the elderly	• The elderly are one of the beneficiaries under the Public Assistance Scheme	• The elderly are one of the beneficiaries under the CSSA Scheme • SSA Scheme is specially designed for the elderly
Underlying principles	• Apart from OAS Pension, beneficiaries are screened by an income test for all programmes	• Beneficiaries are screened by income and assets tests for all programmes	• Beneficiaries are screened by income and assets tests	• Beneficiaries are screened by income and assets tests, except for Higher Old Age Allowance (OAA)
Eligibility requirement	• Age • Residence status • Number of years the applicant has resided in Canada • Passing an income test (not applicable to OAS Pension)	• Age • Residence status • Number of years the applicant has resided in Australia • Passing income and assets tests	• Residence status • Passing income and assets tests • Having no family member to depend on	• Residence status • Number of years the applicant has resided in Hong Kong • Passing income and assets tests (not applicable to Higher OAA) • Age (only applicable to Normal OAA)

Table 10 – A comparison of the social security systems of selected places in support of the elderly in poverty (cont'd)

	Canada	Australia	Singapore	Hong Kong
Benefit rates	• Rate of OAS Pension is determined by the length of residence in Canada • Rates of other benefits are determined by the level of income	• Rate of Age Pension is determined by the level of assets and income of the applicant • Rate of Age Pension receivable by a recipient living abroad is determined by the length of residence in Australia	• Flat rate for each category of recipients for the respective allowance	• Flat rate for each category of recipients for the respective allowance
Place of residence for entitlement	• Only OAS Pension may be paid to beneficiaries residing abroad continuously	• Only Age Pension may be paid to beneficiaries residing abroad continuously	• Not payable to beneficiaries residing abroad	• Only those elderly CSSA recipients who choose to retire permanently in Guangdong Province may continue to receive CSSA
Taxation	• Only OAS Pension payment is taxable income	• Only Age Pension payment is taxable income	• Non-taxable income	• Non-taxable income
Strategies for increasing fiscal resources	• Reforming the Canada Pension Plan to share out the fiscal pressure on social security	• Expanding the occupational superannuation scheme to facilitate contributions from both employers and employees	• Establishing the ComCare Fund to generate income	• Establishing the Mandatory Provident Fund Scheme to facilitate contributions from both employers and employees

Table 10 – A comparison of the social security systems of selected places in support of the elderly in poverty (cont'd)

	Canada	Australia	Singapore	Hong Kong
Strategies for containing social security expenditures	• Treating OAS Pension payment as taxable income so that part of the pensions may return to public coffers • Levying Withholding Tax to reduce expenditure on granting pension to recipients living abroad	• Raising the age criterion for female applicants to standardize the age criterion for both genders • Reducing expenditure on granting pension to recipients living abroad by linking the benefit rates of pensions with the length of residence in Australia	• Relying upon resources at personal, family and community levels to support the elderly in poverty, so as to keep the number of public assistance recipients at a low level	• Making deflationary adjustment to CSSA rates • Stipulating a longer period of residence requirements
Policy evaluation	• Face a rising fiscal pressure for the foreseeable future, but will encounter fewer problems as to ensuring pensioners' economic well-being and protecting vulnerable groups	• Expanding the occupational superannuation scheme not only diversifies the social security system but also reduces the expenditure on the Age Pension in the long run	• The Public Assistance Scheme only serves as the last resort of the social safety net for the less fortunate	• Prof. Iris CHI recommends setting up a publicly-funded retirement scheme and improving the Mandatory Provident Fund Scheme

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