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## INFORMATION NOTE

### A Comparison of Financial Assistance for Comprehensive Social Security Assistance and Low-Income Households

#### 1. Background

1.1 According to the information provided by the Census and Statistics Department, the median monthly household income of a four-member household in the second quarter of 2005 was HK\$19,600. Among all the households surveyed, 18.3% earned an income less than 50% of the median income, or HK\$9,800. Among these low-income households, 27% were three-member and four-member households. This information note compares two examples of such low-income four-member households to a Comprehensive Social Security Assistance (CSSA) household of similar family characteristics with regard to the types and amount of financial assistance available to them.

#### 2. Amount of CSSA payable

2.1 Under the CSSA scheme, the amount of CSSA payable to an applicant is worked out according to the following formula:

$$\text{Recognized needs} \quad \text{minus} \quad \text{Assessable income} \quad = \quad \text{Amount of CSSA payment}$$

2.2 Recognized needs include the basic and special needs recognized under the CSSA Scheme in terms of various types of payment:

- (a) standard rates;
- (b) supplements; and
- (c) special grants.

2.3 Assessable income includes earnings from employment and other income (for example, rent collected, contributions from relatives/friends and regular free meals provided by employers) less the amount of earnings/training allowance that can be disregarded.

### 3. Amount of CSSA payable to an unemployed four-member household

#### Amount of CSSA payable

3.1 The four-member family taken for illustration comprises an unemployed able-bodied applicant, his wife who is a homemaker, and two children aged 16 and seven respectively. The elder child is a full-day Secondary Four student and needs to take lunch away from home while the younger child is studying in a half-day primary school. Monthly expenses of the family include rent of HK\$3,500,<sup>1</sup> water/sewage charges and fares to and from school of HK\$400 for the two children. The amount of monthly CSSA payable to this incomeless family is HK\$9,229. Table 1 shows the breakdown of the CSSA payment.

**Table 1 — Breakdown of the CSSA payment**

Recognized needs	Amount payable (HK\$)	Remarks
Standard rates	5,090	One able-bodied adult      HK\$1,145 One family-carer          HK\$1,395 Two able-bodied children    HK\$1,275 x 2
Special grants		
<i>Rent</i>	<i>3,500</i>	<i>Maximum level is HK\$3,545 per month</i>
<i>Water/sewage charges (HK\$11 x 4)</i>	<i>44</i>	<i>Amount of allowance depends on the number of persons sharing the water meter</i>
<i>Meal allowance for the student</i>	<i>195</i>	<i>Pre-determined by the Government</i>
<i>Travelling expenses to and from school</i>	<i>400</i>	<i>Actual expenses (normally by the cheapest means of available transport)</i>
<b>Total</b>	<b>9,229</b>	

Source: *Social Welfare Department*. (2005) Available from: [http://www.info.gov.hk/swd/html\\_eng/](http://www.info.gov.hk/swd/html_eng/) [Accessed December 2005].

<sup>1</sup> According to the Housing Authority, in 2003-04, the average living space per person in a public rental estate was 11.5 sq m, while the monthly rent per sq m was between HK\$22.6 and HK\$69.8. In this connection, the living space for a four-member household is estimated to be 46 sq m, and the rent payable ranges from HK\$1,040 to HK\$3,211.

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### Other grants payable under the CSSA Scheme

3.2 Apart from the assistance listed in Table 1 above, the actual monthly school fee of the elder child is also covered by the special grants of the CSSA Scheme. In 2005-06, the Gazetted fee for a Secondary Four student is HK\$5,320 per year.<sup>2</sup> Assuming that the amount is paid across 10 months, the payment for each month is HK\$532. In addition, the children are eligible for an annual flat-rate grant for selected items of school-related expenses.<sup>3</sup> In 2005-06, the amount of assistance for an Upper Secondary student is HK\$3,210, while that for a Primary student is HK\$2,505.<sup>4</sup> Where the need arises, special grants are payable to cover the examination fees for the Hong Kong Certificate of Education Examination.

### Financial assistance under other schemes

3.3 This unemployed four-member CSSA household is also eligible for a full fee waiver under the Medical Fee Waiver Mechanism in the event that members of the family need public health care services.

## **4. Amount of the total monthly income of a four-member CSSA household with monthly earning amounts to HK\$5,000**

### Amount of CSSA payable

4.1 In another example, the able-bodied applicant of a similar four-member household finds a full-time job with a monthly salary of HK\$5,000 after relying on CSSA for a certain period of time. Since his first month's income earned from the new job can be totally disregarded, the first month's salary received by him does not affect the amount of assistance payable to the family, which means that the family still receives HK\$9,229 during that month. However, the amount of CSSA payable will be reduced to HK\$6,729 starting from the following month onwards. Overall, the total monthly income of this family from the second month onwards will be increased to HK\$11,729 as illustrated in Table 2.

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<sup>2</sup> *Student Financial Assistance Agency*. (2005) Available from: <http://www.info.gov.hk/sfaa/en/> [Accessed December 2005].

<sup>3</sup> School-related expenses include books, stationery, school uniforms, miscellaneous and minor one-off expenses.

<sup>4</sup> Social Welfare Department. (2004) *A Guide to Comprehensive Social Security Assistance*.

**Table 2 — Breakdown of the total monthly income of the four-member CSSA household with monthly earning amounts to HK\$5,000**

<b>Description</b>	<b>Amount (HK\$)</b>	<b>Remarks</b>
Recognized needs	9,229	As determined in Table 1.
Assessable income	2,500	When assessing an applicant's income, the first HK\$600 and half of the next HK\$3,800 of the monthly income is disregarded. The resulting assessable income is HK\$5,000 – HK\$600 – HK\$1,900, which equals to HK\$2,500.
CSSA payment	6,729	Recognized needs minus assessable income.
Total family income	11,729	Earnings from employment plus CSSA payment (i.e. HK\$5,000 + HK\$6,729)

Other grants under the CSSA Scheme and financial assistance under other schemes

4.2 Similar to the example of the unemployed four-member CSSA household, both the monthly school fee and the examination fee of the elder child, and other school-related expenses are covered by the special grants of the CSSA Scheme. This low-income CSSA family is also eligible for a full fee waiver for the public health care services.

**5. Recognized needs of and financial assistance for a four-member household not on CSSA and with a monthly income at 50% of the median monthly household income**

Recognized needs and financial assistance available

5.1 In the third example, the recognized needs of a four-member non-CSSA household with a monthly income at 50% of the median monthly household income are assumed to be the same as those of the unemployed CSSA family specified in paragraph 3.1, i.e. HK\$5,090. This family is not eligible for CSSA payments because its assessable income (HK\$9,800) is greater than its total recognized needs (HK\$9,761).<sup>5</sup>

<sup>5</sup> The recognized needs of this family are worked out based on the recognized needs as determined in Table 1 (HK\$9,229) plus the school fee (HK\$532 per month) of the elder child as discussed in paragraph 3.2.

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5.2 However, this four-member low-income non-CSSA household is eligible for financial assistance provided under several schemes. These schemes include:

- (a) the Senior Secondary Fee Remission Scheme;
- (b) the Examination Fee Remission Scheme;
- (c) the School Textbook Assistance Scheme;
- (d) the Student Travel Subsidy Scheme; and
- (e) the Medical Fee Waiver Mechanism.

#### Amount of financial assistance under other schemes

##### *Financial assistance for secondary and primary students*

5.3 The financial assistance for both secondary and primary education depends on the Adjusted Family Income (AFI) of the household, which equals to the sum of the annual income of the parents (100%), unmarried siblings (30%) and the applicant (100%), less medical expenses of chronically-ill household members, divided by the number of members in the household plus a factor of one. The lower AFI is, the greater is the percentage of financial assistance provided to the applicant. In 2005-06, applicants with AFI below HK\$19,332 are eligible for full grant, while applicants with AFI exceeding HK\$51,360 are not eligible for any financial assistance.<sup>6</sup> Those in between are eligible for half grant.

5.4 In this example, AFI is HK\$23,520 (i.e. HK\$9,800 x 12 / (4 + 1)). Therefore, the assistance payable is half grant. Table 3 lists the financial assistance available to the two children of this low-income non-CSSA household.

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<sup>6</sup> *Student Financial Assistance Agency*. (2005) Available from: <http://www.info.gov.hk/sfaa/en/> [Accessed December 2005].

**Table 3 — Financial assistance for the secondary and primary student members of the low-income non-CSSA household**

Financial scheme	Amount of financial assistance	Remarks
Senior Secondary Fee Remission Scheme	HK\$2,660 per year	Half of the Gazetted fee (HK\$5,320 per year).
Hong Kong Certificate of Education Examination Fees	Half of the actual fees, depending on the number of subjects registered.	
School Textbook Assistance Scheme		Half of the Government's prescribed rate of HK\$2,468 for Secondary Four and HK\$2,124 for Primary School.
Secondary Four	HK\$1,234	
Primary school	HK\$1,062	
Student Travel Subsidy Scheme	HK\$200	Half of the average unit fare (HK\$400) which the children are required to travel to and from school.

Source: *Student Financial Assistance Agency*. (2005) Available from: <http://www.info.gov.hk/sfaa/en/> [Accessed December 2005].

#### *Financial assistance for public health care services*

5.5 As patients with a monthly household income not greater than 50% of the median monthly household income are eligible for a full waiver of their medical fees at public clinics and hospitals, members of this low-income non-CSSA family do not need to pay for the medical fees in the event that they use the public health care services.

#### *Financial assistance for housing*

5.6 Tenants of public rental housing facing temporary financial hardship and cannot afford the rent may apply for rent assistance under the Rent Assistance Scheme. The level of assistance is fixed at 50% of the total rent. However, this low-income non-CSSA family is not eligible for the rent assistance because its monthly household income exceeds 50% of the Waiting List Income Limit which equals to HK\$7,527 in 2005-06.<sup>7</sup>

<sup>7</sup> *Housing Authority*. (2005) Available from: <http://www.housingauthority.gov.hk/en/> [Accessed December 2005].

Shortfall of income in meeting daily expenses

5.7 As illustrated in Table 4 below, the minimum out-of-pocket monthly expenditure for this family is HK\$4,205. Since the income of this family is at 50% of the median monthly household income, i.e. HK\$9,800, the amount left for daily expenses is HK\$9,800 minus HK\$4,205, which equals to HK\$5,595 or HK\$505 (HK\$5,595 – HK\$5,090) above the daily expenses measured in terms of the CSSA standard rates.

5.8 In the event that this family earns a monthly income below HK\$9,295 (HK\$9,800 - HK\$505) and does not apply for CSSA, it will have a shortfall in meeting its daily expenses. The situation of this family is worse off than that of the CSSA family with a monthly earning of HK\$5,000 because the total monthly income of the latter amounts to HK\$11,729 as illustrated in Table 2.

**Table 4 — Minimum out-of-pocket expenditure of the four-member non-CSSA household with a monthly income at 50% of the median monthly household income**

Recognized needs		Financial assistance	Out-of-pocket expenditure	Remarks
Item	HK\$	HK\$	HK\$	
Rent	3,500	Nil	3,500	Not eligible for rent assistance even if the applicant resides in a public rental unit because the applicant's household income exceeds 50% of the Waiting List Income Limit.
Water/sewage charges (HK\$11 x 4)	44	Nil	44	No water/sewage charges subsidy as those provided for the CSSA recipients.
School fee for the elder child	532	266	266	Subsidized by the Senior Secondary Fee Remission Scheme. The amount of assistance subsidized is half of the Gazetted fee, which is HK\$5,320 per year. Assuming that the amount is paid across 10 months, the payment for each month is HK\$532.
Meal allowance for the elder child	195	Nil	195	No meal subsidy as those provided for the CSSA recipients.
Travelling expenses to and from school of the two children	400	200	200	Subsidized by the Student Travel Subsidy Scheme. The amount of assistance subsidized is half of the average unit fare.
<b>Total</b>	<b>4,671</b>	<b>466</b>	<b>4,205</b>	

**References**

1. *Housing Authority.* (2005) Available from:  
<http://www.housingauthority.gov.hk/en/> [Accessed December 2005].
2. Social Welfare Department. (2004) *A Guide to Comprehensive Social Security Assistance.*
3. *Social Welfare Department.* (2005) Available from:  
[http://www.info.gov.hk/swd/html\\_eng/](http://www.info.gov.hk/swd/html_eng/) [Accessed December 2005].
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