

**For information  
on 19 December 2006**

## **LEGCO PANEL ON WELFARE SERVICES**

### **Subcommittee on Review of the Comprehensive Social Security Assistance Scheme**

#### **Review of the standard payment rates under the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme**

#### **PURPOSE**

This paper provides information on the standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme and the Social Security Allowance (SSA) Scheme.

#### **BACKGROUND**

#### **THE CSSA AND SSA SCHEMES**

##### *CSSA Scheme*

2. The CSSA Scheme is a safety net of last resort for those who cannot support themselves financially. It comprises three key elements :

- (a) different standard rates for broad categories of recipients to meet their normal day-to-day basic needs (food, clothing and footwear, fuel and light, durable goods, etc), with higher rates going to children, elderly and people with disabilities or in ill health;
- (b) a wide range of special grants to meet the recipients' special needs on an individual basis. These special grants cover rent, water/sewage charge, schooling expenses, child care centre fees and burial expenses. Recipients who are old, disabled or

medically certified to be in ill-health are entitled to other special grants to meet their special needs, such as glasses, dentures, medically recommended diets, removal expenses, medical and surgical appliances. Most of the special grants are made on a reimbursement basis to meet actual costs while others are paid on a flat-rate basis or up to the prescribed ceilings; and

- (c) a monthly single parent supplement of \$225 per month is payable to single parents, a monthly community living supplement of \$100 is payable to severely disabled persons not living in institutions and an annual long-term supplement (\$1,430 for single persons, \$2,865 for families with 2-4 non able-bodied recipients, and \$3,825 for families with 5 or more non able-bodied recipients) is payable to cases involving the elderly, the disabled and those medically certified to be in ill-health.

3. The amount of assistance is determined by the monthly income and needs of a family. The difference between the total assessable monthly income of a family and its total monthly needs as recognized under the Scheme in terms of various types of payment will be the amount of assistance payable. When assessing a family's monthly income, earnings from employment and training/retraining allowance can be disregarded up to a prescribed level so as to provide an incentive to work and training/retraining. The current average monthly CSSA payments for different household sizes are given in the table below :

| <b>Number of eligible member</b> | <b>Average monthly CSSA payments *<br/>(November 2005 – October 2006)</b> |
|----------------------------------|---|
| 1                                | \$3,506   |
| 2                                | \$5,843   |
| 3                                | \$7,846   |
| 4                                | \$9,263   |
| 5                                | \$10,995  |
| 6 or above                       | \$13,762  |

Note : \* Refer to the situation when CSSA cases do not have income other than CSSA payment.

SSA Scheme

4. The aim of Disability Allowance (DA) and the Old Age Allowance (OAA) under the Social Security Allowance (SSA) Scheme is to provide a monthly allowance to help the severely disabled and the elders to meet special needs arising from disability and old age, and to encourage family support for members with disability or of old age.

5. Four allowances are payable under this Scheme as follows :

(a) **Normal Disability Allowance (NDA)**

For severely disabled persons who, broadly speaking, suffer from a 100% loss of earning capacity, or who are profoundly deaf.

(b) **Higher Disability Allowance (HDA)**

For severely disabled persons who require constant attendance from others in their daily life but are not receiving such care in a government or subvented residential institution.

(c) **Normal Old Age Allowance (NOAA)**

For persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels.

(d) **Higher Old Age Allowance (HOAA)**

For persons aged 70 or above.

The current monthly payments for DA and OAA are given in the tables below :

| <b>Type of Allowances</b> | <b>Existing Monthly Rate</b> |
|---------------------------|------------------------------|
| NDA                       | \$1,125                      |
| HDA                       | \$2,250                      |
| NOAA                      | \$625                        |
| HOAA                      | \$705                        |

6. Both schemes are non-contributory and funded by the general revenue. The CSSA Scheme is means-tested. Applicants for SSA are not subject to means test except that persons aged between 65 and 69 applying for the Normal Old Age Allowance have to declare that their income and assets do not exceed the prescribed levels. A person can receive either assistance under the CSSA Scheme or one of the allowances under the SSA Scheme.

CSSA Standard Rates

7. The current CSSA standard rates are meant to cover the basic needs of recipients and are reviewed annually to take account of price changes with reference to the movement of the Social Security Assistance Index of Prices (SSAIP), which is specially compiled by the Census and Statistics Department (C&SD), to reflect the impact of price changes experienced by recipients of CSSA. It consists of the same items as other Consumer Price Indices (CPIs) compiled by the C&SD except that items which are covered by special grants under the CSSA Scheme (such as rent) or provided free by the Government (such as medical services) are excluded.

8. The CSSA standard rates, as shown below, are paid to different categories of applicants to meet their basic needs.

| <u>Category</u>                                | <u>Standard Rates</u>     |                      |
|--|---------------------------|----------------------|
|  | (\$ per person per month) |                      |
|  | <u>Single person</u>      | <u>Family member</u> |
| <u>Elderly person aged 60 or above</u>         |                           |                      |
| Able-bodied/50% disabled                       | 2,280                     | 2,150                |
| 100% disabled                                  | 2,760                     | 2,440                |
| Requiring constant attendance                  | 3,885                     | 3,560                |
| <u>Ill-health/Disabled adult aged under 60</u> |                           |                      |
| Ill-health/50% disabled                        | 1,930                     | 1,750                |
| 100% disabled                                  | 2,410                     | 2,085                |
| Requiring constant attendance                  | 3,530                     | 3,205                |
| <u>Disabled child</u>                          |                           |                      |
| 50% disabled                                   | 2,570                     | 2,240                |
| 100% disabled                                  | 3,050                     | 2,725                |
| Requiring constant attendance                  | 4,165                     | 3,850                |

|  | <u>Single person</u> | <u>In a family comprising not more than 2 able-bodied adults/ children</u> | <u>In a family comprising 3 able-bodied adults/ children</u> | <u>In a family comprising 4 or more able-bodied adults/ children</u> |
|--|----------------------|--|--|--|
| <u>Able-bodied adult aged under 60</u> |                      |  |  |  |
| Single parent/Family carer             | —                    | 1,750  | 1,580  | 1,400  |
| Other adult                            | 1,610                | 1,435  | 1,295  | 1,150  |
| <u>Able-bodied child</u>               |                      |  |  |  |
|  | 1,930                | 1,600  | 1,440  | 1,280  |

[Note : For the purpose of payment of standard rates, a child is defined as one aged below 15 or aged 15-21 receiving full-time education (students receiving post-secondary education are normally not eligible under the Scheme), while an ill-health or disabled person must obtain medical certification on his/her health condition from a doctor of a public hospital or clinic.]

### Findings of the latest Household Expenditure Survey (HES) on CSSA Households

9. On top of the regular monitoring on the changes of the SSAIP, the weighting system of the SSAIP (i.e. the relative expenditure shares of individual items of good and services covered by the index) is updated every five years on the basis of the findings of the HES on CSSA Households.

10. The HES on CSSA Households was conducted between October 2004 and September 2005. All CSSA cases with at least one eligible member receiving the standard rate and living in local domestic households are covered in the survey.

11. A key finding of the 2004/05 HES on CSSA Households is that when compared with 1999/2000-based SSAIP, the weights of 2004/05 based SSAIP remained fairly stable. Apart from a decrease of 1.2 percentage point for meals bought away from home and an increase of 2.0 percentage points for electricity, gas and water, the differences for other sections of goods and services were within one percentage point. Furthermore, the average CSSA monthly payment is higher than the average monthly CSSA household expenditure. The table below shows the details of the comparison :

**Comparison of Average Monthly CSSA Payment\* and Average Monthly Household Expenditure during April 2005 to March 2006 by Number of Household Members**

| Number of household members | Average monthly CSSA payment * (Apr 05 – Mar 06) (\$) | Average monthly CSSA household expenditure ^ (at Apr 05 – Mar 06 prices) (\$) | Difference  |             |
|-----------------------------|---|---|-------------|-------------|
|                             |   |   | Amount (\$) | %           |
|                             | (a)   | (b)   | (c)=(a)-(b) | (d)=(c)/(a) |
| 1                           | 3,477   | 3,095   | 382         | 11.0        |
| 2                           | 5,798   | 5,562   | 236         | 4.1         |
| 3                           | 7,779   | 7,635   | 144         | 1.9         |
| 4                           | 9,172   | 8,777   | 395         | 4.3         |
| 5                           | 10,896  | 10,287  | 609         | 5.6         |
| 6 or over                   | 13,646  | 12,734  | 912         | 6.7         |

Notes : (1) \* Refer to the situations when CSSA households do not have income other than CSSA payment. The figures are compiled based on CSSA cases and the number of household members refers to those eligible for CSSA.

(2) ^ The data are extracted from the 2004/05 CSSA Household Expenditure Survey adjusted by the 2004/05-based Consumer Price Index (CPI(A)) for the period Apr 2005 – Mar 2006 and the number of household members refers to those receiving CSSA standard rate.

12. In the aforementioned survey, we found that CSSA household had also used their monthly payments to cover items such as mobile telephone, internet charges, spectacles, services of Chinese medicine practitioners, etc. As CSSA is a cash grant, the recipients can choose to spend the money on goods and services based on their personal preference.

SSA Standard Rates

13. The SSA Scheme comprising the DA and OAA was first introduced in 1973. The rate of DA was linked to 100% of the single person basic rate under the Public Assistance (PA) (now CSSA) Scheme which was adjusted in accordance with the movement of the Public Assistance Index of Prices (now SSAIP). The rate of the OAA was fixed at 50% of DA. In 1988, a higher rate of OAA (i.e. HOAA) for persons aged 70 or above was introduced, the amount of which was set at about 114% that of the NOAA. In the same year, a higher

rate of DA (i.e. HDA) was introduced and the rate was set at twice that of the NDA. Both DA and OAA rates are adjusted annually according to the movement of the SSAIP. (However, OAA has been frozen in the 2003, 2005 and 2006 annual adjustment exercise. This is because we did not adjust the OAA allowance downwards despite the overshoot in previous adjustments and the persistent drop in SSAIP from 1999 to 2003. There is still room for a downward adjustment by around 9.7%).

*Annual Adjustment Timetable for the CSSA and SSA Standard Payment Rates*

14. The Administration sought the views of the Subcommittee on Review of the CSSA Scheme (the Subcommittee) under the Panel on 22 July and 22 November 2005 on, amongst others, an annual adjustment cycle of the CSSA and SSA standard payment rates that took into account the SSAIP movement for the past 12 months ending in October each year and then submission to the Finance Committee (FC) for approval in December, and the new rates be effected in February of the following year.

15. We further advised the Subcommittee that if movements in the SSAIP and other economic indicators pointed to persistent high inflation, consideration could be given to seeking approval for additional inflationary adjustments to the standard payment rates ahead of the new annual adjustment cycle.

16. To tie in with the annual adjustment cycle as stated in paragraph 15, we have proposed to increase, with effect from 1 February 2007, by 1.2% of the standard payments under the CSSA Scheme and the DA under the SSA Scheme.

17. Members may wish to note that content of this paper.

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