

Bills Committee on Minimum Wage Bill

Eligibility Criteria for Low Earnings Category and Provision of Disregarded Earnings under Comprehensive Social Security Assistance Scheme

Purpose

At the meeting of the Bills Committee held on 13 October 2009, a Member requested the Administration to provide information on the eligibility criteria for the category of low earning cases and the provision of Disregarded Earnings (DE) under the Comprehensive Social Security Assistance (CSSA) Scheme. This paper provides the required information.

Eligibility criteria for CSSA

2. To be eligible for CSSA, apart from meeting the other eligibility criteria, including the residence requirements and assets test, an applicant's assessable monthly income must be insufficient to meet the recognised needs under the CSSA Scheme.

3. The amount of assistance payable to applicants is worked out according to the following formula:

$$\begin{array}{ccccccc} \text{Recognised} & & \text{Assessable} & & \text{Amount of} \\ \text{Needs} & \text{minus} & \text{Income} & = & \text{CSSA payment} \end{array}$$

4. Recognised needs include the basic and special needs recognised under the CSSA Scheme in terms of various types of payment, including standard rates, supplements and special grants.

5. Assessable income includes earnings from employment and other income (for example, rent collected, contributions from relatives/friends) less the amount of DE.

Provision of DE under the CSSA Scheme

6. The provision of DE allows CSSA recipients who work to be financially better off than those relying entirely on CSSA, thus encouraging those CSSA recipients with working ability to find and remain in employment.

7. The arrangements of DE are as follows:

(a) CSSA recipients' monthly earnings can be partially disregarded up to a maximum of \$2,500. The first \$800 of their monthly earnings and 50% of their remaining monthly earnings are disregarded until the total amount of monthly DE reaches \$2,500:

Earnings	Level of disregard	Maximum amount to be disregarded
First \$800	100%	\$800
Next \$3,400	50%	\$1,700
\$4,200 or above	The first \$800 and half of next \$3,400	\$2,500

(b) Recipients who have been on CSSA for not less than two months can benefit from the provision of DE.

(c) To provide recipients with greater incentives to take up employment, the first month's income from a new employment can be totally disregarded on condition that the recipient has not benefited from this provision during the past two years.

(d) For illustration, an example on the DE arrangements is set out at the Annex.

8. Members are invited to note the information provided in this paper.

Example on DE Arrangements

A 3-member single-parent family comprises the mother and two children aged 14 and 12 respectively. The mother is a full-time housewife. The two children attend full-day secondary school and take lunch away from home. Monthly expenses of the family include rent of \$3,200, water / sewage charges and fares to and from school of \$450 for the two children. The amount of monthly assistance payable to this incomeless family is:

<u>Recognised needs under CSSA :</u>	<u>(\$)</u>
♦ Standard rates (for 1 single parent and 2 able-bodied children)	5,065
♦ Single parent supplement	255
♦ Special grants for	
> rent	3,200
> water/ sewage charges	29.4
> meal allowance for the students	440
> travelling expenses to and from school	450
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= Assistance payable	9,439
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(rounded down to the nearest dollar)

After relying on CSSA for one year, the single parent decides to take up a part-time cleansing job in the morning with a monthly wage of \$1,800 since her two children are attending full-day secondary school. As her first month's income earned from a new job can be totally disregarded, the first month's salary received by her does not affect the amount of assistance payable to the family (i.e. \$9,439). The total monthly income of the family starting from the following month is:

<u>Recognised needs under CSSA :</u>	<u>(\$)</u>
♦ Standard rates (for 1 single parent and 2 able-bodied children)	5,065
♦ Single parent supplement	255
♦ Special grants for	
> rent	3,200
> water/ sewage charges	29.4
> meal allowance for the students	440
> travelling expenses to and from school	450
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	9,439.4
Minus	
<u>Assessable income :</u>	
\$1,800 – \$1,300 (income disregarded)*	500
* income disregarded : $\$800 + (\$1,800 - \$800) \div 2 = \$1,300$	
	<hr/>
= Assistance payable	8,939
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	<i>(rounded down to the nearest dollar)</i>
Total family income = Earnings from employment + CSSA payment	
(i.e. \$1,800+ \$8,939)	<hr/> <hr/> 10,739