

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 179 Comprehensive social security assistance scheme

Subhead 180 Social security allowance scheme

Members are invited to –

- (a) approve the revised standard payment rates under the Comprehensive Social Security Assistance Scheme and the revised rates of the Disability Allowance under the Social Security Allowance Scheme with effect from 1 February 2009;
- (b) approve the revised rates of the Old Age Allowance under the Social Security Allowance Scheme as from January 2009;
- (c) note the additional financial implications arising from (a) and (b) above, estimated at \$2,588 million in annual recurrent expenditure; and
- (d) approve supplementary provision of \$341 million under Head 170 Social Welfare Department Subhead 180 Social security allowance scheme.

/PROBLEM

PROBLEM

The standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme and the rates of the Disability Allowance (DA) under the Social Security Allowance (SSA) Scheme are due for annual adjustment. We also need to adjust the rates of the Old Age Allowance (OAA) under the SSA Scheme as announced by the Chief Executive (CE) on 24 October 2008 and seek supplementary provision for the SSA Scheme to meet the anticipated expenditure in the remaining months of 2008-09.

PROPOSAL

2. We propose to –
 - (a) increase with effect from 1 February 2009 –
 - (i) the standard payment rates under the CSSA Scheme by 4.7%; and
 - (ii) the rates of the DA under the SSA Scheme by 9.3%;
 - (b) increase as from January 2009 the rates of Normal Old Age Allowance (NOAA) and Higher Old Age Allowance (HOAA) under the SSA Scheme to \$1,000 per month; and
 - (c) provide supplementary provision of \$341 million under Head 170 Social Welfare Department Subhead 180 Social security allowance scheme.

3. If Members approve the proposal to increase the CSSA standard payment rates and SSA rates, the relevant rates will be revised as follows –

/A.

A. CSSA Standard Rates

1. Standard rates for elderly persons aged 60 or above and non able-bodied recipients

Category	Existing (per month) (\$)		Proposed (per month) (\$)	
	Single person	Family member	Single person	Family member
(a) Elderly person aged 60 or above				
Able-bodied/50% disabled	2,475	2,335	2,590	2,445
100% disabled	3,000	2,650	3,140	2,775
Requiring constant attendance	4,220	3,870	4,420	4,050
(b) Ill-health/Disabled adult aged under 60				
Ill-health/50% disabled	2,100	1,900	2,200	1,990
100% disabled	2,620	2,265	2,745	2,370
Requiring constant attendance	3,830	3,480	4,010	3,645
(c) Disabled child				
50% disabled	2,795	2,435	2,925	2,550
100% disabled	3,310	2,960	3,465	3,100
Requiring constant attendance	4,525	4,180	4,740	4,375

/2.

2. Standard rates for able-bodied recipients

Category	Existing (per month) (\$)	Proposed (per month) (\$)
(a) Able-bodied adult aged under 60		
<i>Single parent/Family carer</i>		
– in a family comprising not more than two able-bodied adults/children	1,900	1,990
– in a family comprising three able-bodied adults/children	1,715	1,795
– in a family comprising four or more able-bodied adults/children	1,520	1,590
<i>Others</i>		
Single person	1,750	1,830
Family member		
– in a family comprising not more than two able-bodied adults/children	1,555	1,630
– in a family comprising three able-bodied adults/children	1,405	1,470
– in a family comprising four or more able-bodied adults/children	1,255	1,315
(b) Able-bodied child		
Single person	2,100	2,200
Family member		
– in a family comprising not more than two able-bodied adults/children	1,740	1,820
– in a family comprising three able-bodied adults/children	1,560	1,635
– in a family comprising four or more able-bodied adults/children	1,390	1,455

B. Supplements under CSSA Scheme

	Existing (\$)	Proposed (\$)
1. Annual long-term supplement (for those who are old, disabled or medically certified to be in ill-health and who have received CSSA for 12 months or more)		
Single person	1,550	1,625
Family comprising two to four such members	3,110	3,255
Family comprising five or more such members	3,825	3,825¹
2. Monthly single parent supplement	245	255
3. Monthly community living supplement (for severely disabled persons who are medically certified to be 100% disabled or in need of constant attendance and who are not living in residential institutions)	110	115
4. Monthly transport supplement (for severely disabled persons aged between 12 and 64 who are medically certified to be 100% disabled or in need of constant attendance)²	200	210

C. Special Grants under CSSA Scheme

	Existing (\$)	Proposed (\$)
Meal allowance per month (for students attending full-day school and taking lunch away from home)	210	220

/D.

¹ With regard to the Long-term Supplement (LTS), the 1996 Review of the CSSA Scheme revealed that the annualised expenditure on replacement of major durable items by larger families (i.e. those with five or more members) is much less than the corresponding annual LTS and is in effect not significantly different from that of families with two to four members. The Review concluded that we should freeze the rate for such larger households at the then newly revised 1996-97 level until it equated with that for families with two to four members. The annual LTS rate for families with five or more members has been retained at \$3,825 since 1997-98. In accordance with the conclusion of the Review, we propose that the annual LTS rate for a family with five or more members should continue to remain unchanged in this exercise.

² Notwithstanding that the monthly transport supplement was only introduced in July 2008, we propose to cover it in the present exercise by revising the current rate in accordance with the proposed adjustment to CSSA standard payment rates.

D. Rates under the SSA Scheme

	Existing (per month) (\$)	Proposed (per month) (\$)
Disability Allowance		
Normal rate	1,170	1,280
Higher rate ³ (for those in need of constant attendance)	2,340	2,560
Transport supplement ⁴ (for those aged between 12 and 64)	200	210
Old Age Allowance		
Normal rate	625	1,000
Higher rate	705	1,000

JUSTIFICATION**Adjustment to the CSSA Standard Payment Rates and DA Rates**

4. The CSSA Scheme aims to provide a safety net for those who cannot support themselves financially to meet their basic needs. The provision of DA and OAA under the SSA Scheme aims to provide a monthly allowance to Hong Kong residents who are severely disabled or who are 65 years of age or above to meet their special needs arising from disability or old age. The CSSA Scheme is means-tested whilst SSA applicants are largely not subject to any means test. An explanatory note is at the Enclosure.

Encl.

5. Based on the established adjustment mechanism, the CSSA standard payment rates and SSA rates are adjusted annually according to the movement of the Social Security Assistance Index of Prices (SSAIP) for the past 12 months ending in October each year over that for the previous 12-month period. The Index, which reflects the expenditure pattern of CSSA households, is specially compiled

/by

³ In line with past practice, the proposed rate of the Higher DA is derived by doubling the proposed rate of the Normal DA (i.e. \$1,280 x 2).

⁴ The monthly transport supplement for eligible DA recipients is the same as that offered to eligible CSSA recipients under item B4 in paragraph 3 above. As proposed in footnote 2, we will adjust the rate in accordance with the proposed adjustment to CSSA standard payment rates.

by the Census and Statistics Department on a monthly basis to measure inflation/deflation experienced by CSSA households. It consists of the same items as the Consumer Price Index, except that items which are covered by special grants under the CSSA Scheme (for example, rent) or provided free by the Government (for example, medical treatment at public hospitals or clinics in Hong Kong) are excluded.

6. In the last annual adjustment cycle for 2007-08, the Finance Committee (FC) approved at its meeting on 14 December 2007 the proposed annual adjustment to the standard payment rates under the CSSA Scheme and the DA rates under the SSA Scheme in accordance with the above mechanism⁵. We implemented the new rates on 1 February 2008.

7. To ease the impact of inflation on CSSA recipients in the first part of 2008, the Financial Secretary proposed in the 2008-09 Budget to adjust the CSSA standard payment rates in accordance with the existing mechanism ahead of the normal cycle. As the 12-month moving average of SSAIP between May 2007 and April 2008 registered a cumulative increase of 4.4% when compared with that between November 2006 and October 2007, FC approved an increase in CSSA standard payment rates by the same percentage at its meeting on 6 June 2008. We implemented the new rates on 1 August 2008.

8. In view of the above special mid-year adjustment ahead of the annual cycle in August this year, we will need to compare the 12-month moving average of SSAIP between November 2007 and October 2008 with that between May 2007 and April 2008 in assessing the further adjustment to the CSSA standard payment rates under the normal cycle this year. Up to 31 October 2008, the 12-month moving average of SSAIP registered a cumulative increase of 4.7% when compared with the period between May 2007 and April 2008. We therefore propose a corresponding upward adjustment of 4.7% to the CSSA standard payment rates with effect from 1 February 2009.

9. We propose to adjust the DA rates in line with the annual adjustment cycle set out in paragraph 5. When compared with the previous 12-month period between November 2006 and October 2007, the 12-month moving average of SSAIP up to 31 October 2008 registered a year-on-year increase of 9.3%. We therefore propose a corresponding 9.3% upward adjustment to the DA rates with effect from 1 February 2009.

/Adjustment

⁵ In the last annual adjustment exercise, no adjustment was made to the OAA rates under the SSA Scheme, having regard to the overshoot in previous adjustments and the persistent drop in SSAIP from 1999 to 2003.

Adjustment to OAA Rates

10. As announced by the CE on 24 October 2008, we propose to increase the monthly rates for NOAA and HOAA from \$625 and \$705 respectively to \$1,000 across-the-board. The current means test criteria for NOAA will be maintained. Subject to Members' approval, we will implement the revised rates with effect from January 2009. In line with the established adjustment mechanism, the new \$1,000 rate will be adjusted in accordance with the movement of SSAIP on the basis of the annual adjustment cycle for social security schemes from 2009-10 onwards.

Supplementary Provision Required

11. In view of the proposed adjustment to the rates of DA to reflect the movement of the SSAIP with effect from 1 February 2009 and the proposed increase in OAA rates with effect from January 2009, we estimate that the approved provision for the SSA Scheme is likely to be inadequate to meet the anticipated expenditure in the remaining months of 2008-09. We need to seek supplementary provision for the SSA Scheme to ensure that adequate funds will be available to make payments on time.

FINANCIAL IMPLICATIONS

Adjustment to the CSSA Standard Payment Rates and SSA Rates

12. Based on the up-to-date caseload statistics, we estimate that the total increase in the recurrent expenditure will be \$2,588 million per year with breakdowns as follows –

	\$ million
(a) 4.7% increase in CSSA standard payment rates	629
(b) 9.3% increase in DA rates	194
(c) increase of OAA rates to \$1,000 per month	<u>1,765</u>
Total	<u>2,588</u>

/Supplementary

Supplementary Provision

13. As stated in paragraph 11 above, we need supplementary provision of \$341 million for the SSA Scheme to meet the anticipated expenditure in the remaining months of 2008-09. Taking into account the projected payments under the CSSA Scheme, we intend to offset the supplementary provision sought by deleting a provision of \$292 million under Head 170 Social Welfare Department Subhead 179 Comprehensive social security assistance scheme and a provision of \$49 million under Head 106 Miscellaneous Services Subhead 251 Additional commitments.

14. Our latest estimates on the CSSA and SSA Schemes are as follows –

CSSA	\$ million
Approved provision ⁶	19,373
<i>Less:</i>	
Actual expenditure from 1 April 2008 to 31 October 2008	11,745
Estimated expenditure from 1 November 2008 to 31 March 2009	<u>7,336</u>
Estimated surplus	292
SSA	\$ million
Approved provision ⁷	8,619
<i>Less:</i>	
Actual expenditure from 1 April 2008 to 31 October 2008	5,858
Estimated expenditure from 1 November 2008 to 31 March 2009	<u>3,102</u>
Estimated shortfall	(341)
Net estimated shortfall	(49)

PUBLIC CONSULTATION

15. We briefed the Legislative Council Panel on Welfare Services (the Panel) on the proposals on 10 November 2008. Members had no objection to the funding proposals. Nevertheless, some Members urged the Administration to

/conduct

⁶ The approved provision includes supplementary provisions approved by FC on 16 May 2008 and 18 July 2008 for one-off additional payments and provision of transport supplement for eligible CSSA recipients.

⁷ The approved provision includes supplementary provisions approved by FC on 16 May 2008 and 18 July 2008 for one-off additional allowances for SSA recipients and provision of transport supplement for eligible DA recipients.

conduct a review on the CSSA Scheme. We explained at the meeting that SWD had started preparatory work for conducting a new round of the Household Expenditure Survey on CSSA households in 2009-10 with a view to updating the latest expenditure patterns of CSSA households and the weighting of SSAIP.

BACKGROUND

16. In July and November 2005, the Administration sought the views of the Subcommittee on Review of the CSSA Scheme (the Subcommittee) under the Panel on an annual adjustment cycle of the CSSA standard payment rates and DA rates. The annual cycle takes into account the movement of SSAIP for the past 12 months ending in October each year. A submission will then be made to the FC for approval in December, with the new rates to be effected in February of the following year. The Subcommittee had no objection to this annual adjustment mechanism. The present funding submission is prepared following the above arrangement.

Labour and Welfare Bureau
December 2008

Social Security System

Introduction

Our social security system provides a safety net for individuals and families who are unable to support themselves financially because of age, disability, illness, low earnings, unemployment or family circumstances. The aim of the Comprehensive Social Security Assistance (CSSA) Scheme is to provide financial assistance to individuals or families in need to meet their basic and essential needs. The aim of the Social Security Allowance (SSA) Scheme is to provide monthly allowance to the severely disabled or elders to meet their special needs arising from disability or old age. A person can receive either assistance under the CSSA Scheme or one of the allowances under the SSA Scheme.

Eligibility

2. Both Schemes are non-contributory. The CSSA Scheme is means-tested. Applicants for SSA are not subject to means test except that the income and assets of persons aged between 65 and 69 applying for the Old Age Allowance (OAA) must not exceed the prescribed levels.

3. There are residence requirements for both Schemes. In addition, able-bodied CSSA applicants who are unemployed or working part-time but available for full-time work are required to actively seek work and participate in the Support for Self-reliance Scheme as a condition of receiving assistance.

4. Elderly persons aged 60 or above who have been in receipt of CSSA continuously for not less than 12 months may join the Portable CSSA Scheme whereby they are allowed to continue to receive their monthly standard rates and annual long-term supplement should they choose to take up permanent residence in Guangdong or Fujian.

/Payment

Payment

CSSA Scheme

5. 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 recognised 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 –

Number of eligible member(s)	Estimated average monthly CSSA payments⁽¹⁾
1	\$3,706
2	\$6,065
3	\$8,048
4	\$9,480
5	\$11,165

6. CSSA payments can be broadly classified into three types –

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

Under the CSSA Scheme, different standard rates are applicable to different categories of recipients. In addition, an annual long-term supplement is paid to those who are old, disabled or medically certified to be in ill-health and have been receiving assistance continuously for 12 months or more for the replacement of household and durable goods. Monthly supplements are also paid to single parents in recognition of the special difficulties they face in bringing up families on their own without the support of spouses, to severely disabled persons who are not

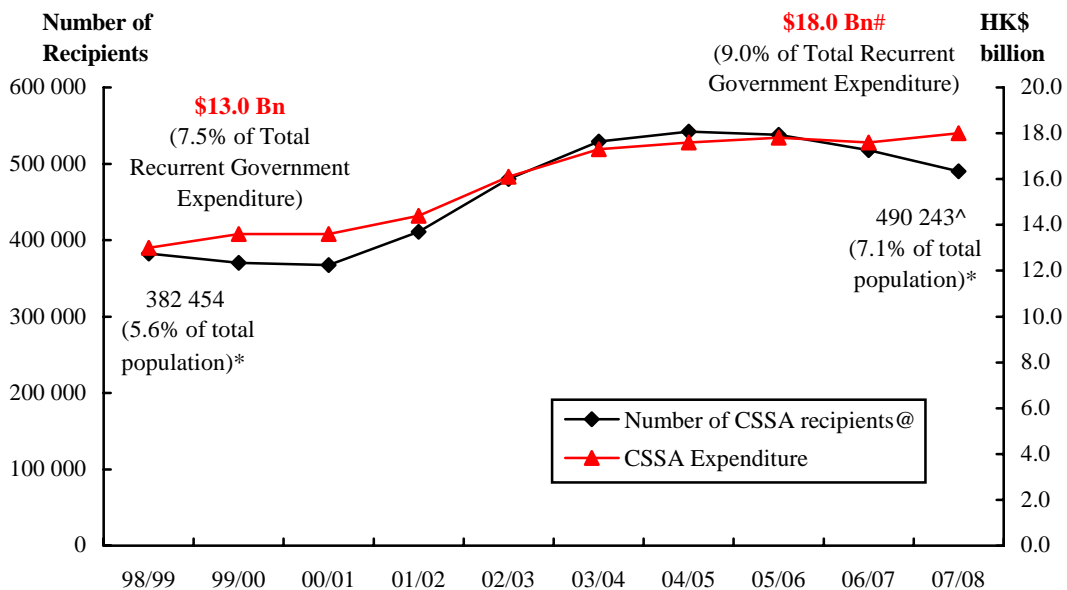
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⁽¹⁾ Refer to the situation when CSSA cases do not have income other than CSSA payment. The estimate is compiled based on CSSA cases during May 2007 – April 2008 and adjusted in accordance with 4.4% upward adjustment to CSSA standard payment rates as from 1 August 2008.

living in residential institutions in recognition of the heavier expenses they may incur while living in the community and to severely disabled persons aged between 12 and 64 to meet the transport expenses to encourage them to participate more in activities away from home. Apart from these standard payments, a wide range of non-standard payments in the form of special grants are payable to meet the specific needs of an individual or family. They include payments to cover such expenses as rent, school fees and other educational expenses, medically recommended diets, spectacles and dentures.

7. As at end-October 2008, there were 475 318 recipients under the CSSA Scheme. The estimated expenditure of CSSA Scheme for 2008-09 is \$19.4 billion⁽²⁾. Overall, the CSSA expenditure increased from \$13.0 billion in 1998-99 to \$18.0 billion⁽³⁾ in 2007-08, representing an increase of 38.5% over the ten years.

Overall CSSA Expenditure and Recipients in the Past Decade



- Notes : # CSSA expenditure for 2007-08 includes one additional month of standard rate payment for CSSA recipients.
 * Figures refer to end 1998 and end 2007 respectively.
 @ The number of CSSA recipients refers to end of the financial year.
 ^ As at end-October 2008, the figure is 475 318.

/SSA

⁽²⁾ Figure for 2008-09 is approved provision in the 2008-09 Estimates plus supplementary provisions approved by the Finance Committee (FC) on 16 May 2008 and 18 July 2008 for two additional months of standard rate payment for CSSA recipients and provision of transport supplement for eligible recipients.

⁽³⁾ Figure for 2007-08 includes one additional month of standard rate payment for CSSA recipients.

SSA Scheme

8. Four allowances are payable under this Scheme as follows –

(a) Normal Disability Allowance

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

(b) Higher Disability Allowance

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 or a medical institution under the Hospital Authority.

(c) Normal Old Age Allowance

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

(d) Higher Old Age Allowance

For persons aged 70 or above.

9. As at end-October 2008, there were 604 559 recipients under the SSA Scheme, of whom 125 180 were Disability Allowance (DA) recipients and 479 379 were OAA recipients. The estimated expenditures of the DA and OAA for 2008-09 are \$2.5 billion⁽⁴⁾ and \$6.2 billion⁽⁵⁾ respectively. Overall, DA expenditure increased from \$1.3 billion in 1998-99 to \$1.9 billion⁽⁶⁾ in 2007-08, representing an increase of 45.7% over the ten years. OAA expenditure increased from \$3.4 billion in 1998-99 to \$4.1 billion⁽⁷⁾ in 2007-08, representing an increase of 20.1% over the ten years.

/Overall

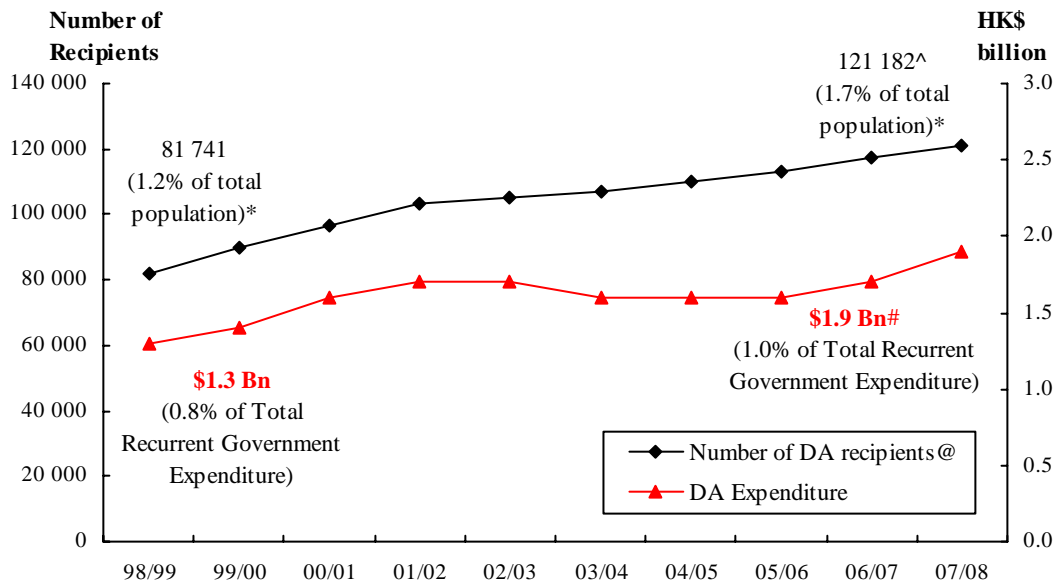
⁽⁴⁾ Figure for 2008-09 is approved provision in the 2008-09 Estimates plus supplementary provisions approved by FC on 16 May 2008 and 18 July 2008 for two additional months of allowance for DA recipients and provision of transport supplement for eligible recipients.

⁽⁵⁾ Figure for 2008-09 is approved provision in the 2008-09 Estimates plus supplementary provisions approved by FC on 16 May 2008 and 18 July 2008 for the one-off grant of \$3,000 and two additional months of allowance for OAA recipients.

⁽⁶⁾ Figure for 2007-08 includes one additional month of allowance for DA recipients.

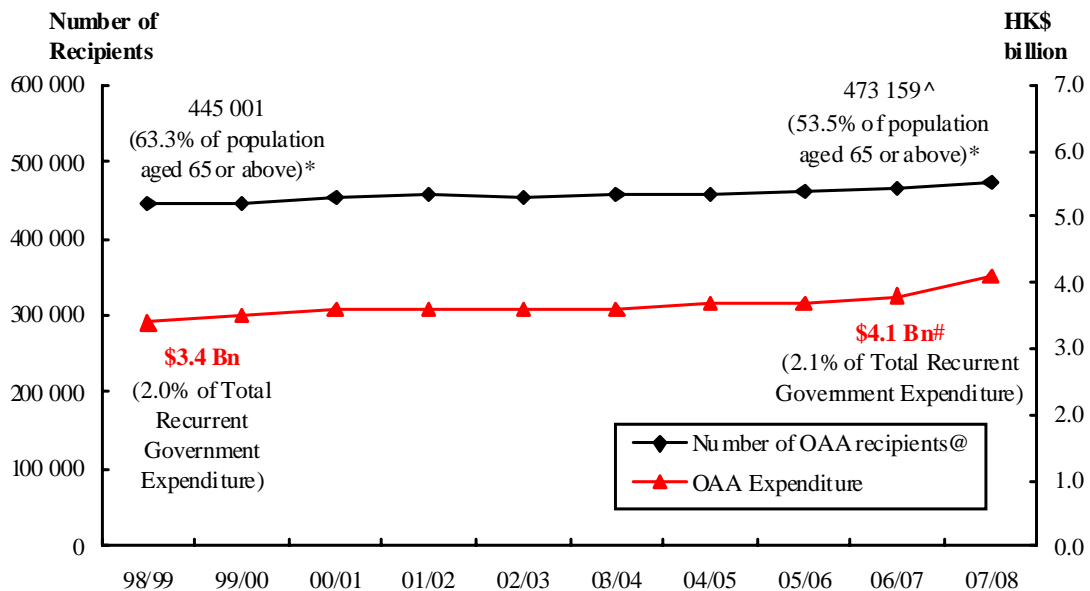
⁽⁷⁾ Figure for 2007-08 includes one additional month of allowance for OAA recipients.

Overall DA Expenditure and Recipients in the Past Decade



Notes : # DA expenditure for 2007-08 includes one additional month of allowance for DA recipients.
 * Figures refer to end 1998 and end 2007 respectively.
 @ The number of DA recipients refers to end of the financial year.
 ^ As at end-October 2008, the figure is 125 180.

Overall OAA Expenditure and Recipients in the Past Decade



Notes : # OAA expenditure for 2007-08 includes one additional month of allowance for OAA recipients.
 * Figures refer to end 1998 and end 2007 respectively.
 @ The number of OAA recipients refers to end of the financial year.
 ^ As at end-October 2008, the figure is 479 379.