

**For discussion  
on 10 November 2008**

## **LEGCO PANEL ON WELFARE SERVICES**

### **Adjustment of Payment Rates under the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme**

#### **PURPOSE**

This paper briefs Members on the following –

- (a) the latest position of the Social Security Assistance Index of Prices (SSAIP) and the estimated corresponding adjustment to the standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme and the rates under the Disability Allowance (DA) of the Social Security Allowance (SSA) Scheme from 1 February 2009; and
- (b) the proposed increase in Old Age Allowance (OAA) under the SSA Scheme from January 2009.

#### **THE ANNUAL ADJUSTMENT CYCLE**

2. On 14 November 2005, we presented to the Panel and Members noted that the standard payment rates of CSSA and rates of SSA would be adjusted regularly on an annual basis, taking into account the inflation/deflation reflected by the SSAIP with the following sequence –

- (a) presentation to the Panel on Welfare Services;
- (b) submission to Finance Committee (FC) of the Legislative Council for approval in December, on the basis of the movement of the SSAIP for the past 12 months, i.e. from 1 November of a year to 31 October of the following year; and

- (c) introduction of the new rates in February to allow sufficient time for the Social Welfare Department (SWD) to make the necessary adjustment to its computer system to make the adjusted payment to CSSA/SSA recipients.

Accordingly, in the last annual adjustment cycle, FC approved the proposed adjustment of 2.8% to the standard payment rates under the CSSA Scheme and DA under the SSA Scheme at its meeting on 14 December 2007. SWD implemented the new rates on 1 February 2008.

#### **ADDITIONAL ADJUSTMENT OF CSSA STANDARD PAYMENT RATES AHEAD OF THE ANNUAL CYCLE**

3. To ease the impact of inflation on recipients of the CSSA, the Administration adjusted the CSSA standard payment rates in accordance with the existing mechanism ahead of the normal cycle this year. As the 12-month moving average of SSAIP of May 2007 – April 2008 registered a cumulative increase of 4.4% when compared with that of November 2006- October 2007, FC approved the increase in CSSA standard payment rates by the same level at its meeting on 6 June 2008. SWD implemented the new rates on 1 August 2008.

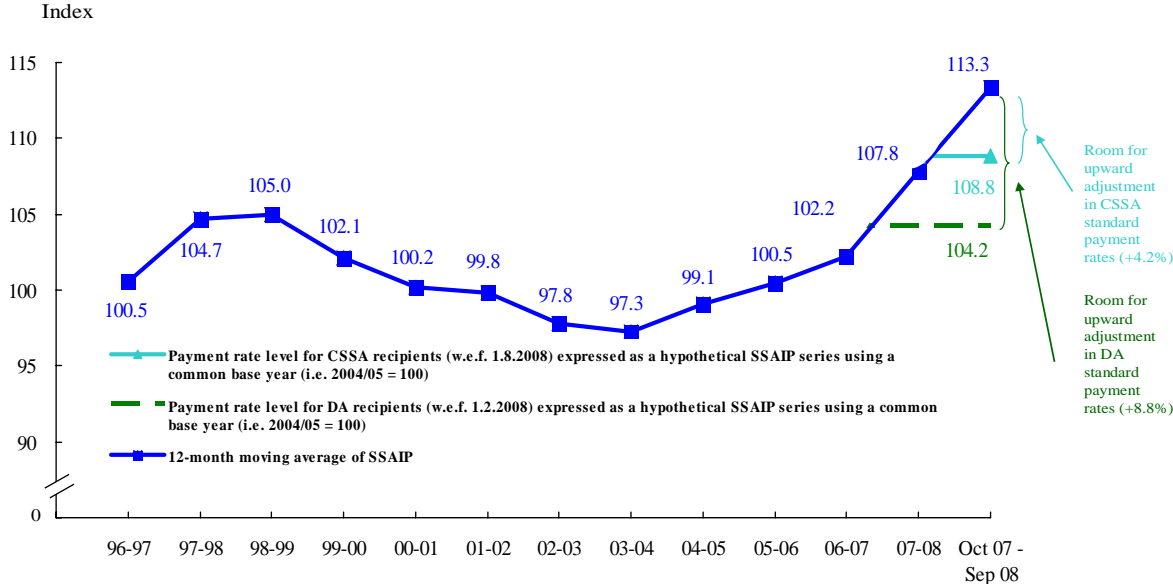
#### **ADJUSTMENT OF CSSA STANDARD PAYMENT RATES**

4. In view of the above adjustment ahead of the annual cycle, when considering the further adjustment in CSSA standard payment rates in the normal cycle this year, we will compare the 12-month moving average of SSAIP of November 2007 – October 2008 with that of May 2007 – April 2008. Up to September 2008, the 12-month moving average of SSAIP registered a cumulative increase of 4.2% when compared with the period of May 2007 – April 2008. The figure for October 2008 (which will form the basis for our submission to FC) will only be available by end-November.

**ADJUSTMENT OF RATES OF DA UNDER SSA**

5. For DA, in line with the annual adjustment cycle as set out in paragraph 2, the 12-month moving average of SSAIP up to September 2008 (i.e. October 2007 – September 2008) registered a cumulative increase of 8.8% when compared with that of the period November 2006 – October 2007. Similar to the adjustment of CSSA standard payment rates, we will adopt the figure for October 2008 for our submission to FC.

Chart 1: Room for upward adjustments to the CSSA/DA standard payment rates



**ADJUSTMENT OF OAA RATES**

6. As announced by the Chief Executive on 24 October 2008, it is proposed that the monthly rates for NOAA and HOAA should increase from \$625 and \$705 respectively to \$1,000 across-the-board. The current means test criteria for NOAA will be maintained. In line with the established adjustment mechanism, the new \$1,000 rate will be adjusted with the movement of SSAIP on the basis of the annual adjustment cycle for social security schemes from 2009/10 onwards.

## FINANCIAL IMPLICATIONS

7. As the latest SSAIP figure for the past 12 months ending 31 October 2008 will not be available until end-November, the exact financial implications and effect on CSSA standard payment rates and rates of DA will only be known in early December. For reference, increasing the standard rates by 4.2% for 475 000 CSSA recipients and 8.8% for 125 000 DA recipients would involve additional social security expenditure of about \$745 million a year. The current average monthly CSSA payments for different household sizes and the monthly rates for DA (comprising Normal Disability Allowance (NDA) and Higher Disability Allowance (HDA)) are set out in the tables below –

Number of eligible member	Estimates on average monthly CSSA payments * (with an increase of 4.4% in standard payment rates with effect from 1.8.2008)
1	\$3,706
2	\$6,065
3	\$8,048
4	\$9,480
5	\$11,165

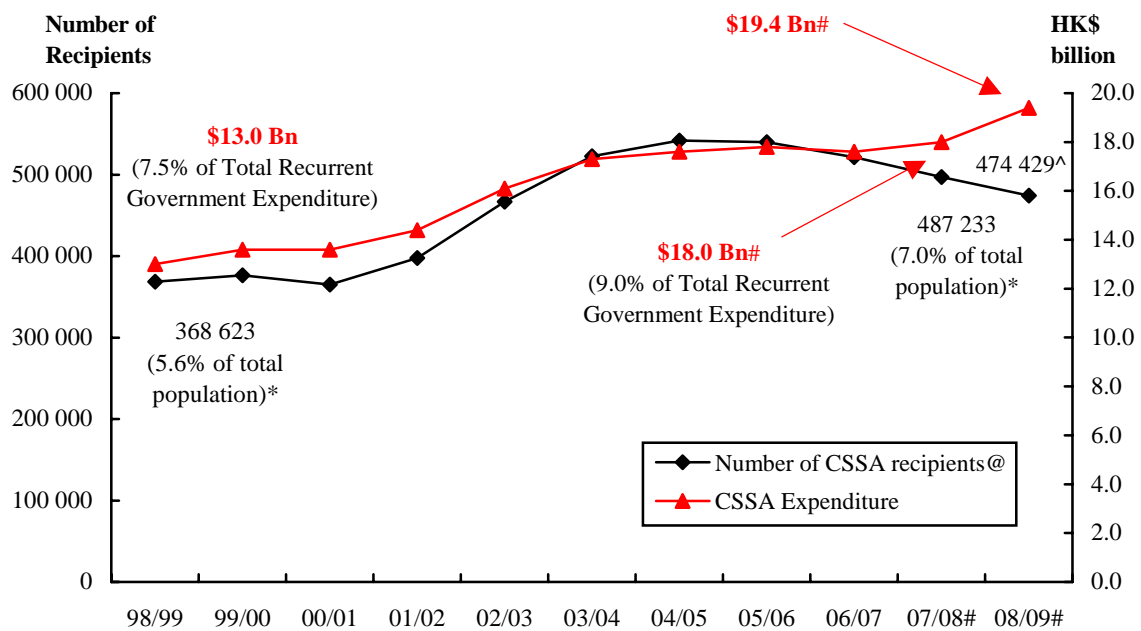
Note : \* Refer to the situation when CSSA cases do not have incomes other than CSSA payment. The estimate is based on CSSA cases during May 2007 – April 2008 and adjusted in accordance with CSSA rates implemented as from 1 August 2008.

Type of DA	Existing Monthly Rate
NDA	\$1,170
HDA	\$2,340

8. For OAA, the proposed increase in the monthly rates to \$1,000 across-the-board from January 2009 will increase the expenditure on OAA by around \$511 million in 2008-09, on the basis of the latest estimated take-up rates.

9. Overall, the government expenditure on CSSA rose from \$13.0 billion in 1998-99 to \$18.0 billion<sup>1</sup> in 2007-08. The estimated expenditure on CSSA in 2008-09 is \$19.4 billion<sup>2</sup>. The CSSA expenditure as a percentage of total recurrent government expenditure increased from 7.5% to 9.0%<sup>3</sup> over the period between 1998-99 and 2007-08.

Chart 2: Overall CSSA Expenditure and Recipients in the Past Decade



Notes : # CSSA expenditure on 2007-08 (provisional figure) includes one additional month of standard rate payment for CSSA cases and that of 2008-09 (approved provision) includes two additional months of standard rate payment for CSSA cases and provision of transport supplement for eligible recipients.

\* Figures refer to end 1998 and mid 2008 respectively.

@ The number of CSSA recipients refer to end of the calendar year.

^ Number of CSSA recipients as at end-Sep 2008.

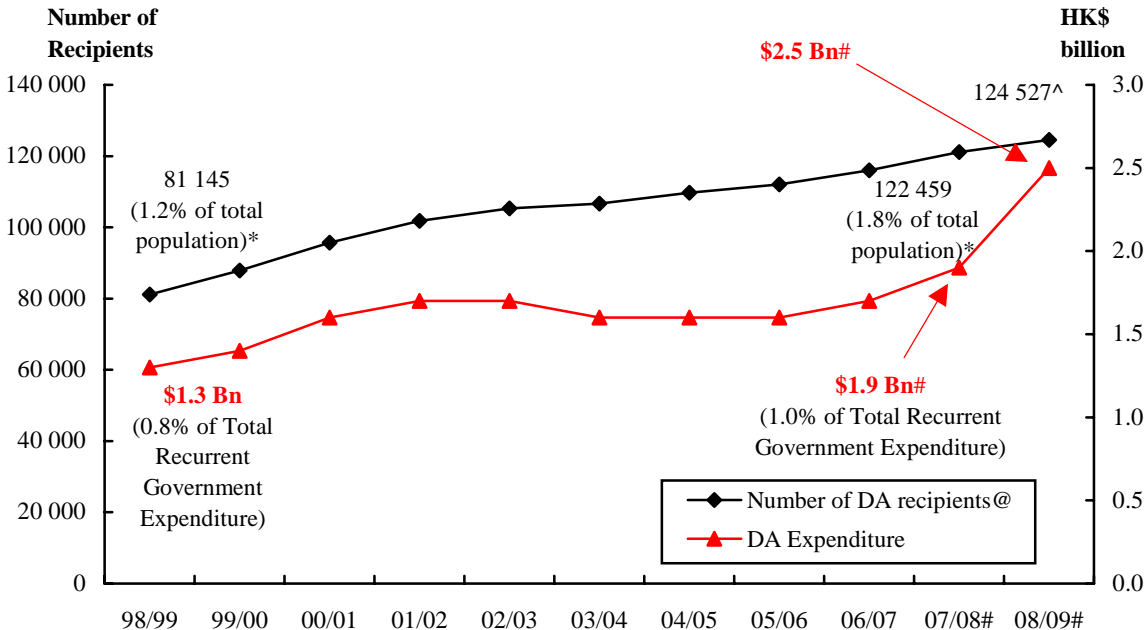
<sup>1</sup> Figure for 2007-08 is provisional (including one additional month of standard rate payment for CSSA recipients).

<sup>2</sup> 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 standard rate payment for CSSA recipients and provision of transport supplement for eligible recipients.

<sup>3</sup> The total recurrent government expenditure used in the calculation of the percentage is the revised estimate for 2007-08.

10. As to DA under the SSA Scheme, there were 124 527 DA cases in September 2008, of which 108 942 were NDA cases and 15 585 HDA cases. Over the last decade, the increase in DA caseload was 53.5%, with the number of NDA cases rising relatively more significantly. The expenditure on DA as a percentage of total recurrent government expenditure increased from 0.8% to 1.0%<sup>4</sup> over the period between 1998-99 and 2007-08. In terms of the government expenditure on DA, it increased from \$1.3 billion in 1998-99 to \$2.5 billion<sup>5</sup> (projected) in 2008-09, representing an increase of 85.9%.

Chart 3: Overall DA Expenditure and Recipients in the Past Decade

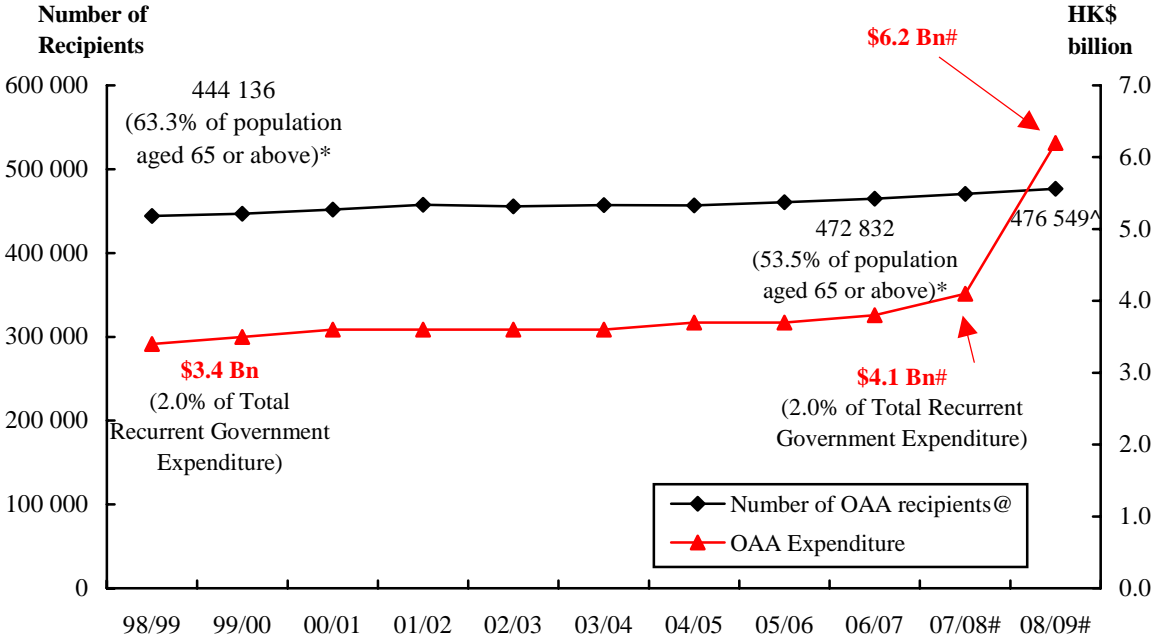


Notes : # DA expenditure on 2007-08 (provisional figure) includes one additional month of allowance for DA recipients and that of 2008-09 (approved provision) includes two additional months of allowance for DA recipients and provision of transport supplement for eligible recipients.  
 \* Figures refer to end 1998 and mid 2008 respectively.  
 @ The number of DA recipients refer to end of the calendar year.  
 ^ Number of DA recipients as at end-Sep 2008.

<sup>4</sup> The total recurrent government expenditure used in the calculation of the percentage is the revised estimate for 2007-08.  
<sup>5</sup> 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.

11. As to OAA under the SSA Scheme, there were 476 549 OAA recipients in September 2008, of whom 67 881 were NOAA recipients and 408 668 HOAA recipients. Over the last decade, the increase in OAA recipients was 7.3%. The expenditure on OAA as a percentage of total recurrent government expenditure was 2.0%<sup>6</sup> in 2007-08, the same as 1998-99. In terms of government expenditure on OAA, it increased from \$3.4 billion in 1998-99 to \$6.2 billion<sup>7</sup> (projected) in 2008-09, representing an increase of 80.4%.

Chart 4: Overall OAA Expenditure and Recipients in the Past Decade



Notes : # OAA expenditure on 2007-08 (provisional figure) includes one additional month of allowance for OAA recipients and that of 2008-09 (approved provision) includes the one-off grant of \$3,000 and two additional months of allowance for OAA recipients.  
 \* Figures refer to end 1998 and mid 2008 respectively.  
 @ The number of OAA recipients refer to end of the calendar year.  
 ^ Number of OAA recipients as at end-Sep 2008.

<sup>6</sup> The total recurrent government expenditure used in the calculation of the percentage is the revised estimate for 2007-08.  
<sup>7</sup> 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.

## **SUPPLEMENTARY PROVISION REQUIRED**

12. The approved provisions for CSSA and SSA for 2008-09 are \$19,373 million and \$8,619 million respectively<sup>8</sup>. As at end-August 2008, the cumulative expenditure on CSSA and SSA for the first five months of this financial year was \$8,058 million and \$4,027 million respectively, representing 41.6% and 46.7% of the approved provision.

13. CSSA and SSA are non-cash-limited schemes and payment should not be withheld from or delayed to the concerned recipients. In view of the increased payments ahead of the annual adjustment cycle, the adjustment to the standard payment rates of CSSA and rates of DA to reflect the movement of the SSAIP with effect from 1 February 2009, the proposed increase in OAA rates from January 2009 and the possible associated addition of new cases, and the possible impact of the uncertain economic environment on applications of CSSA, we may need to seek supplementary provision for the social security schemes. We will assess the magnitude of the fund required on the basis of the latest SSAIP figure for the 12 months ending 31 October 2008 and seek the approval of FC for the further supplementary provision required so as to ensure that adequate funds will be available for SWD to make payments.

## **THE WAY FORWARD**

14. To tie in with the annual adjustment cycle as stated above, we will seek the approval of FC for the revised CSSA standard payment rates and rates of DA on the basis of the latest available SSAIP figure in December 2008, together with the enhanced rate of OAA and the supplementary provision required based on our latest estimate. The new rates of CSSA and DA so approved by FC will be implemented with effect from 1 February 2009, while that of OAA from January 2009.

15. Members are invited to support a submission to the FC as outlined above.

## **Labour and Welfare Bureau November 2008**

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<sup>8</sup> The approved provisions include supplementary provisions approved by FC on 16 May 2008 and 18 July 2008 for one-off additional payment/allowance for CSSA, OAA and DA recipients.