

**Extract from Minutes of meeting of
Panel on Welfare Services held on 10 November 2008**

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IV. Adjustment of payment rates under the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme

[LC Paper Nos. CB(2)190/08-09(03) and (04)]

10. Secretary for Labour and Welfare (SLW) said that to ease the impact of inflation on the CSSA recipients, the Administration had adjusted upwards the standard payment rates ahead of the normal cycle by 4.4% with effect from 1 August 2008. As the CSSA rates had been adjusted upwards by 2.8% from 1 February 2008, there had been a cumulative increase of 7.3% in the standard payment rates. SLW further said that up to September 2008, the 12-month moving average of the Social Security Assistance Index of Prices (SSAIP) of October 2007 to September 2008 registered an increase of 4.2% when compared with the period of May 2007 to April 2008. For DA, the 12-month moving average of SSAIP up to September 2008 registered an increase of 8.8% when compared with that of the period November 2006 to October 2007. SLW added that in line with the annual adjustment cycle, the Administration would take into account the SSAIP figure for October 2008, which would only be available by end-November 2008, in its submission to the Finance Committee (FC).

11. SLW said that as announced by the Chief Executive (CE) on 24 October 2008, it was proposed that the monthly rates for the Normal Old Age Allowance (OAA) and Higher OAA would be increased to \$1,000 across-the-board. SLW added that the new rates of CSSA and DA so approved by FC would be implemented with effect from 1 February 2009, while that of OAA from January 2009.

12. Mr LEE Cheuk-yan opined that the funding proposal was an annual regular exercise taking into account the inflation/deflation reflected by the 12-month moving average of SSAIP. It did not review the adequacy of the CSSA standard payment rates in meeting the basic needs of the recipients. As the payment rates were determined based on the findings of a review on the CSSA Scheme conducted more than 10 years ago, the day-to-day basic items covered under the Scheme were incompatible with present needs. Coupled with the abolition of a number of special grants in 1998, the CSSA recipients had to

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meet the expenses on essential items, e.g. internet charges, within the standard payment rates. Mr LEE strongly urged the Administration to conduct a comprehensive review on the adequacy of CSSA standard payment rates expeditiously.

13. SLW responded that the CSSA Scheme was a safety net of last resort for those who could not support themselves financially. The Administration had all along attached great importance to the livelihood of the welfare recipients. To ease the impact of inflation on the recipients, the Administration had adjusted upwards the CSSA standard payment rates by 4.4% ahead of the normal cycle in 2008. SLW said that on top of the regular monitoring on the changes of SSAIP, the weighting system of SSAIP was updated once every five years on the basis of the findings of the Household Expenditure Survey (HES) on CSSA households. The last round of HES on CSSA households was conducted in 2004-2005, and the next round would be conducted in 2009-2010.

14. Expressing similar views with Mr LEE Cheuk-yan, Mr WONG Sing-chi said that the needs and expenditure patterns of CSSA households had changed in the past decade. In his view, the Administration should keep pace with present needs in determining the items and their relative importance covered by SSAIP, and the level of CSSA payments. He cited that it was now very common for students to use the Internet to do homework and that spectacles were indispensable for students with eyesight problems, the Administration should recognize that internet charges and spectacles were necessary items to be provided for in the standard rates of CSSA.

15. SLW reiterated that the relative weighting of individual items of goods and services covered by SSAIP would be updated in the forthcoming HES on CSSA households. The current monthly CSSA was considered sufficient to meet the basic needs of a family. It was noticed that the average CSSA monthly payment of CSSA households was comparatively higher than the average monthly income of non-CSSA households in the lowest 20% income group, as well as the average monthly expenditure of non-CSSA households in the lowest 25% expenditure group. In the event that CSSA households encountered exceptional difficulties in covering expenses on spectacles for children, further assistance would be considered on a case-by-case basis. SLW advised that the CSSA Scheme had taken care of the special needs of children, though not their developmental needs. Notably, the standard rates for children were higher than those of able-bodied adults. On the use of the Internet by children on CSSA, many schools and community centres provided computers with Internet access for free use by their students and the public respectively. Responding to members' concerns, SLW said that the Administration could look into the aspect of Internet access charges when conducting the next round of HES on CSSA households.

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16. Mr LEUNG Yiu-chung considered it impractical for CSSA children to use computers at school or community centres during night time. Moreover, children on CSSA might be stricken by a sense of inferiority sprung from their lower living standards. To ensure that the CSSA payments could meet the daily expenditure of the recipients, Mr LEUNG took the view that a review of the items of goods and services to be covered by SSAIP was more important than updating the relative expenditure shares of those items currently covered by the index.

17. SLW stressed that the weighting of SSAIP (i.e. the relative expenditure shares of individual items of goods and services covered by the index) would be updated on the basis of the findings of HES on CSSA households. Nevertheless, as he had stated earlier, the Administration could look into the aspect of Internet access charges in the forthcoming HES on CSSA households.

18. Mr WONG Kwok-hing expressed support for increasing the monthly rates of OAA to \$1,000. He asked about the concrete timetable for completing the review on the annual permissible limit of absence from Hong Kong under OAA and whether the review on OAA would cover the assets and income limits for OAA recipients aged between 65 and 69.

19. SLW responded that the Administration was conducting a review on the permissible limit of absence from Hong Kong under OAA, which was expected to be completed by end 2008/early 2009. The Administration would revert to the Panel on the findings of the review in the first quarter of 2009. SLW added that as announced by CE on 24 October 2008, the study on the proposal of introducing a means test mechanism to OAA was shelved for the time being. The current means test criteria for Normal OAA would be maintained.

20. Referring to Chart 3 of the Administration's paper, Mr WONG Kwok-hing asked why the expenditure on DA in 2008-2009 registered a drastic increase when compared with that of 2007-2008. SLW explained that the increase in DA expenditure in 2008-2009 was largely attributed to the provision of two additional months of allowance for DA recipients.

21. Mr WONG Kwok-kin considered that apart from meeting the basic needs of CSSA recipients, the Administration should provide target assistance to different categories of recipients to meet their specific needs. He cited that to help unemployed CSSA recipients re-enter the labour market, consideration should be given to providing a new category of CSSA payments for them to meet the expenses arising from job seeking. Mr LEUNG Yiu-chung shared a similar view and said that special grants should be provided to unemployed CSSA recipients in this respect.

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22. SLW responded that the CSSA Scheme comprised different standard rates for broad categories of recipients to meet their normal day-to-day basic needs, with higher rates going to children, elderly and single parents; and a wide range of special grants to meet the recipients' special needs on an individual basis. Target assistance was provided for able-bodied unemployed CSSA recipients to find jobs. Besides, they could apply for the job search allowance under the pilot Transport Support Scheme (TSS).

23. Deputy Director of Social Welfare (Administration) (DDSW(A)) supplemented that able-bodied employable CSSA recipients were required to join the Support for Self-reliance Scheme. Single parents and child carers receiving CSSA would need to enroll in the New Dawn Intensive Employment Assistance Projects when their youngest child reached the age of 12. Non-governmental organisations (NGOs) commissioned by Social Welfare Department (SWD) to operate the Integrated Employment Assistance Scheme programmes would provide employment assistance services (including temporary financial assistance to attend job interviews) and basic skills training to these CSSA recipients.

24. Mr Ronny TONG considered it meaningless for the Administration to highlight an increase in welfare expenditure without making reference to the corresponding change in the number of recipients. Referring to Chart 2 of the Administration's paper, he considered that the increase in CSSA expenditure in 2008-2009 was largely attributed to the provision of two additional months of standard payment rates for CSSA recipients. In his view, such one-off payments should be taken out to better illustrate the actual increase in CSSA expenditure. In addition, the increase in CSSA expenditure could be resulted from an increasing number of needy families, as evident by the rising Gini coefficient in Hong Kong. Noting that the Administration had adjusted upwards the CSSA rates in the past few years, Mr TONG wondered why the prevailing average monthly CSSA payments of a four-member household remained almost unchanged when compared to the 2004-level.

25. DDSW(A) explained that the CSSA standard payment rates were reviewed annually in accordance with the 12-month moving average of SSAIP. The CSSA standard payment rates had been adjusted downwards in the light of the persistent drop in SSAIP during the deflationary period. Inflation resumed from 2005 and so did the upward adjustment of CSSA standard payment rates. This explained why the current average monthly CSSA payments of a four-member household was more or less the same as the 2004-level. At the request of Mr Ronny TONG and the Chairman, DDSW(A) agreed to provide information on the inflation/deflation rates and the corresponding annual adjustments to the average monthly CSSA payments for different household sizes in the past few years after the meeting.

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26. Mr CHEUNG Kwok-che welcomed the Administration's plan to conduct the next round of HES on CSSA households in 2009-2010. He stressed that the principle of providing welfare assistance was not merely meeting the recipients' basic needs, but to allow the recipients to lead a dignified life. Mr CHEUNG shared the view that the lack of access to the Internet by CSSA children would impede their learning; and some CSSA families were using old, donated computers and had to meet the internet charges within the CSSA standard payment rates. In the circumstances, he appealed to the Administration to take this into account when analyzing the findings of the HES on CSSA households. Mr CHEUNG asked about the concrete timetable for conducting and scope of the next round of HES on CSSA households. He also sought clarification on whether the survey would study the viability of providing a time-limit CSSA to unemployed able-bodied recipients and the introduction of new types of special grants. Mr CHEUNG added that to better understand the needs of CSSA households, the Administration should solicit the views of all stakeholders including the relevant bureaux and departments when conducting the survey, and encourage public engagement in the discussion.

27. SLW responded that as explained earlier, the HES on CSSA households sought to update the relative weighting of items of goods and services covered by SSAIP. He, however, would not rule out the possibility of conducting a review on CSSA at a later time. The Administration would continue to listen to the views from different sectors. DSW added that the preparation for the next HES on CSSA households had started; the survey would commence in 2009-2010 and was expected to be completed in 2010-2011.

28. Mr CHEUNG Kwok-che considered it unacceptable to take more than two years to complete the survey. SLW said that the Administration would see if the conduct of the next round of HES on CSSA households could be further advanced.

29. Ms LI Fung-ying expressed support for the funding proposals to increase the rates of CSSA standard payments, DA and OAA. She hoped that the revised rates would take effect as soon as practicable. Given that the former Subcommittee on the Review of the CSSA Scheme had held lengthy discussion on issues relating to the adequacy and level of CSSA payments and put forth a number of recommendations for the Administration's consideration in the last term, Ms LI took the view that the Administration should consult the Panel on the scope of the next round of HES on CSSA households before embarking on the survey, especially the meaning of basic needs and essential items. Otherwise, the Panel should initiate the discussion with the Administration in early 2009, i.e. prior to the conduct of the survey.

30. SLW reiterated that as he had pointed out earlier, the next round of HES on CSSA households was not a comprehensive review of CSSA, but to update

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the latest expenditure patterns of CSSA households and the weighting of SSAIP. He stressed that there was no change in the policy on CSSA. SLW said that the Administration would keep the Panel abreast of the progress of the survey.

31. Mr LEUNG Kwok-hung expressed concern that some CSSA households had cut down their expenses on food items in order to meet the specific needs of their children, such as the Internet charges and costs of spectacles. He strongly urged the Administration to conduct a comprehensive study on the CSSA Scheme, and the financial implications of providing long-term supplement and special grants to all CSSA recipients to meet their varied needs.

32. Mr Alan LEONG took the view that as the CSSA payments were adjusted based on the 12-month moving average of SSAIP, this would inevitably delay in making timely adjustments to the CSSA standard payment rates. He asked whether the Administration would review the adjustment mechanism.

33. SLW responded that it was not appropriate to revert to the inflation forecast methodology for adjusting CSSA payments, having regard to the observations and recommendations made by the Director of Audit in his Report No. 32 published in 1999. Moreover, it would be difficult for the CSSA recipients to adjust to a significant downward adjustment of rates to make up for the over-estimation in calculating the adjustment in the previous year. SLW advised that to ease the inflationary impact on CSSA households, the Administration had provided two additional months of CSSA standard rate payments and adjusted the CSSA rates ahead of the normal cycle in 2008. The Administration would continue to monitor the situation and make upward adjustments to the CSSA standard payment rates ahead of normal cycle if so warranted.

34. Pointing out that the Hong Kong Council of Social Service (HKCSS) had conducted a basic need study of CSSA households, Mr Alan LEONG asked whether the Administration would adopt a basic need approach similar to that of HKCSS in conducting the next round of HES on CSSA households. SLW stressed that the Administration would listen to and take into account views from different sectors.

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35. At the Chairman's request, SLW said that the Administration would provide the Panel with information on the work plan for and the scope of the next round of HES on CSSA households in due course. The Chairman added that a special meeting of the Panel would be convened to discuss the matter, if necessary.

36. Mr Albert HO expressed grave concern about the financial difficulties faced by new-arrival single parents who did not meet the seven-year residence requirement under the CSSA Scheme and had to rely on their children's CSSA

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for a living. He urged the Administration to relax the residence requirement for CSSA. Mr HO added that the Administration should relax the policy of requiring elderly CSSA applicants to apply for CSSA on a household basis. Consideration should be given to allowing needy elders to apply for CSSA on their own by making a self-declaration on non-provision of financial support by their family members.

37. SLW explained that the adoption of the seven-year residence requirement for CSSA was in line with the recommendations of the Task Force on Population Policy in 2003. He said that CSSA applicants who lived with their families were required to apply on a household basis since families constituted the core units of the community. This would also encourage family members to support each other and to prevent the avoidance of the duty of care by resorting to CSSA.

38. DSW supplemented that CSSA might be granted at the discretion of DSW to an applicant who could not meet the residence requirements in the light of the individual circumstances in each case. DSW said that since the introduction of the seven-year residence requirement in 2004, DSW had granted discretion to waive the requirement to several thousands of CSSA applicants.

39. Instead of updating the weighting of SSAIP, Mr CHEUNG Kwok-che strongly urged the Administration to conduct a comprehensive review of the CSSA rates expeditiously.

40. Mr WONG Kwok-hing said that special grants for travelling expenses for CSSA students were calculated on the actual expenses by the cheapest means of available transport, usually non-air-conditioned buses. In his view, the Administration should review the basis for determining the level of special grants in the light of increasing transport costs and food expenses in the next HES on CSSA households.

41. SLW reiterated that the Administration would revert to the Panel on the progress of the round of next HES on CSSA households to be conducted in 2009-2010.

42. In closing, the Chairman said that members supported the Administration's proposal to increase the CSSA standard payment rates, and the rates of DA and OAA.

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