

NOTE FOR FINANCE COMMITTEE

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

PURPOSE

This paper informs Members that the Administration will keep standard payment rates¹ under the Comprehensive Social Security Assistance (CSSA) Scheme and rates of allowances under the Social Security Allowance (SSA) Scheme at their current levels for 12 months as from February 2010.

THE ANNUAL ADJUSTMENT MECHANISM

2. In accordance with the established adjustment mechanism, the Administration adjusts standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme on an annual basis taking into account inflation/deflation reflected by the Social Security Assistance Index of Prices² (SSAIP). The last adjustments were approved by the Finance Committee (FC) on 12 December 2008.

MOVEMENT OF THE SSAIP IN 2008-09 AND RECOMMENDATION ON THE ADJUSTMENT OF PAYMENT RATES

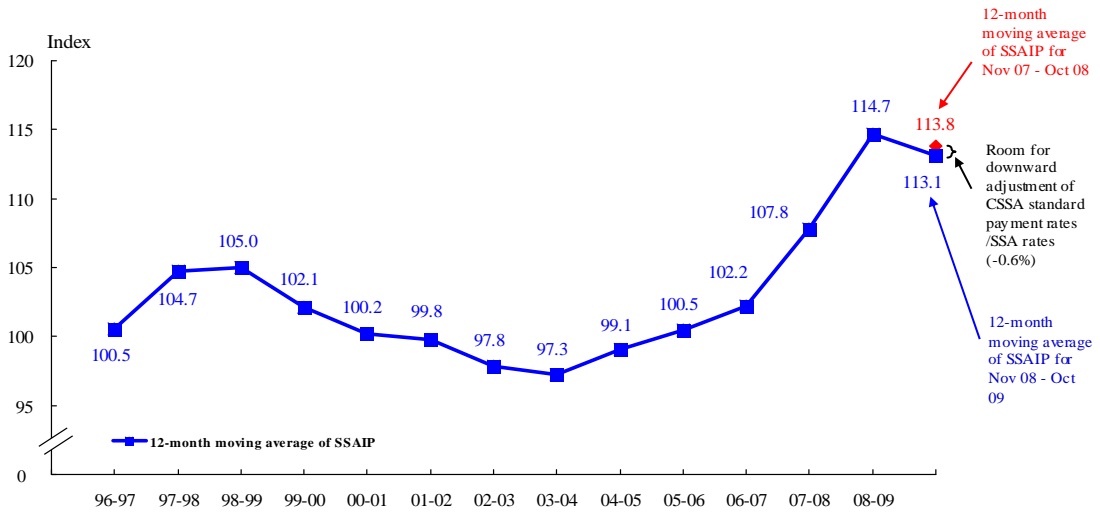
3. As shown in the chart below, the 12-month moving average of the SSAIP since 1 November 2008 registered a cumulative decrease of 0.6% up to October 2009, when compared with that in the period from November 2007 to October 2008. To reflect this downward movement of the SSAIP, the existing CSSA standard payment rates and rates of allowances under the SSA Scheme should be adjusted downwards by 0.6% with effect from 1 February 2010.

/Room

¹ CSSA standard payment rates include the CSSA standard rates, supplements and monthly meal allowance under the special grants category.

² SSAIP is compiled by the Census and Statistics Department (C&SD) on a monthly basis to reflect the impact of price changes on CSSA recipients. It consists of all items covered in other Consumer Price Indices compiled by the C&SD, except items which are covered by special grants under the CSSA Scheme or provided free by the Government.

Room for downward adjustment of CSSA standard payment rates and rates of allowances under the SSA Scheme



4. That said, considering that the economy has only just started to recover in recent months, we will freeze the CSSA standard payment rates and rates of allowances under the SSA Scheme for a period of 12 months with effect from February 2010. The prevailing standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme are at Enclosure 1.

Encl. 1

5. We will continue to review the movement of the SSAIP on a yearly basis and consider adjusting the payment rates when the room for downward adjustment not effected now has been fully offset.

FINANCIAL IMPLICATION

6. The freezing of these payment rates means that the Administration will have to incur about \$131 million per year in social security expenditure that could otherwise be saved. The breakdown of the savings forgone is as follows –

	\$ million
(a) Freezing the CSSA standard payment rates	81
(b) Freezing the Old Age Allowance (OAA) rates	32
(c) Freezing the Disability Allowance (DA) rates	18
Total	131

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PUBLIC CONSULTATION

7. On 9 November 2009, we briefed the Panel on Welfare Services on the proposal to freeze the CSSA standard payment rates and rates of allowances under the SSA Scheme for a period of 12 months with effect from February 2010. Members had no objection to the proposal. Nevertheless, some Members urged the Administration to monitor movements of the SSAIP closely and adjust the standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme ahead of the next annual adjustment exercise where necessary.

ARRANGEMENTS FOR OTHER BENEFITS

8. Apart from standard payment rates under the CSSA Scheme and rates of allowances under the SSA Scheme, there are a number of financial limits and special grants under the CSSA and SSA Schemes, the adjustments of which in accordance with prescribed mechanisms have been delegated to the Secretary for the Financial Services and the Treasury and the Director of Social Welfare. In this regard, Members may wish to note that no change will be made to the following payment rates or financial limits under the CSSA/SSA Schemes –

- (a) the asset limits of CSSA and the Normal Old Age Allowance (NOAA) under the SSA Scheme;
- (b) the income limits of NOAA; and
- (c) the maximum levels of rent allowance under the CSSA Scheme (in accordance with established practice, we will freeze the rates instead of applying a downward adjustment necessitated by the movement of the relevant price index, and the downward adjustment not effected now will be offset against any upward adjustments in future).

BACKGROUND

Encl. 2 9. An explanatory note on the CSSA and SSA Schemes is at Enclosure 2 for Members' reference.

10 At its meeting on 12 December 2008, FC approved the proposed upward adjustment of standard payment rates under the CSSA Scheme by 4.7% and rates of DA under the SSA Scheme by 9.3% following corresponding changes to the SSAIP. The Social Welfare Department implemented the rate adjustments on 1 February 2009.

11. At the same meeting, FC also approved the increase in rates of Normal OAA and Higher OAA under the SSA Scheme to \$1,000 per month with effect from January 2009. Furthermore, FC noted that the Government would, from 2009-10 onwards, continue to adjust rates of OAA annually in accordance with the established adjustment mechanism.

Labour and Welfare Bureau
December 2009

**The prevailing standard payment rates under the CSSA Scheme
and rates of allowances under the SSA Scheme**

A. CSSA Standard Rates

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

	(\$) (per month)	
	Single person	Family member
(a) Elderly person aged 60 or above		
Able-bodied/50% disabled	2,590	2,445
100% disabled	3,140	2,775
Requiring constant attendance	4,420	4,050
(b) Ill-health/Disabled adult aged under 60		
Ill-health/50% disabled	2,200	1,990
100% disabled	2,745	2,370
Requiring constant attendance	4,010	3,645
(c) Disabled child		
50% disabled	2,925	2,550
100% disabled	3,465	3,100
Requiring constant attendance	4,740	4,375

2. Standard rates for able-bodied recipients

	(\$) (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	1,990
– in a family comprising three able-bodied adults/children	1,795
– in a family comprising four or more able-bodied adults/children	1,590
<i>Others</i>	
Single person	1,830
Family member	
– in a family comprising not more than two able-bodied adults/children	1,630
– in a family comprising three able-bodied adults/children	1,470
– in a family comprising four or more able-bodied adults/children	1,315
(b) Able-bodied child	
Single person	2,200
Family member	
– in a family comprising not more than two able-bodied adults/children	1,820
– in a family comprising three able-bodied adults/children	1,635
– in a family comprising four or more able-bodied adults/children	1,455

B. Supplements under the CSSA Scheme

	(\$)
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	1,625
Family comprising two to four such members	3,255
Family comprising five or more such members	3,825
2. Monthly single parent supplement	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)	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)	210

C. Special Grants under the CSSA Scheme

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

/D.

D. Rates under the SSA Scheme

	(\$) (per month)
1. Disability Allowance	
Normal rate	1,280
Higher rate (for those in need of constant attendance)	2,560
Transport supplement (for those aged between 12 and 64)	210
2. Old Age Allowance	
Normal rate	1,000
Higher rate	1,000

The 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 needs of living. The aim of the Social Security Allowance (SSA) Scheme is to provide monthly allowance to the severely disabled or the elders to meet 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 employment are required to actively seek employment 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

The CSSA Scheme

5. The amount of assistance under the CSSA Scheme 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 CSSA 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.

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 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, thus encouraging 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. These include payments to cover such expenses as rent, school fees and other educational expenses, medically recommended diets, spectacles and dentures.

7. 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	\$3,874
2	\$6,357
3	\$8,409
4	\$9,920
5	\$11,660

8. As at the end of October 2009, there were 481 935 recipients under the CSSA Scheme. The estimated expenditure of the CSSA Scheme for 2009-10 is \$19.4 billion⁽²⁾. Overall, the expenditure increased from \$13.6 billion in 1999-2000 to \$18.6 billion⁽³⁾ in 2008-09, representing an upsurge of 36.6%.

The SSA Scheme

9. Four allowances are payable under the SSA Scheme, as follows –

(a) Normal Disability Allowance (DA)

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

(b) Higher DA

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)

⁽¹⁾ Refer to the situation whereby CSSA households do not have incomes other than CSSA payments. The estimate is based on CSSA cases during the period from November 2007 to October 2008, and adjusted in accordance with the CSSA rates implemented since 1 February 2009.

⁽²⁾ Figure for 2009-10 is the approved provision in the 2009-10 Estimates plus the supplementary provision approved by the Finance Committee on 19 June 2009 for one additional month of standard rate payment for CSSA recipients.

⁽³⁾ Figure for 2008-09 includes two additional months of standard rate payment for CSSA cases.

(c) Normal OAA

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

(d) Higher OAA

For elderly persons aged 70 or above.

10. As at the end of October 2009, there were 620 892 recipients under the SSA Scheme. Of these recipients, 128 546 were DA recipients and 492 346 OAA recipients. The estimated expenditures on DA and OAA for 2009-10 are \$2.7 billion and \$6.8 billion⁽⁴⁾ respectively. DA expenditures had increased from \$1.4 billion in 1999-2000 to \$2.4 billion⁽⁵⁾ in 2008-09, representing an upsurge of 67.7%. OAA expenditures had increased from \$3.5 billion to \$6.4 billion⁽⁶⁾ during the same period, representing an upsurge of 85.2%.

⁽⁴⁾ Figures for 2009-10 are the approved provisions in the 2009-10 Estimates plus supplementary provisions approved by the Finance Committee on 19 June 2009 for one additional month of allowance for DA and OAA recipients.

⁽⁵⁾ Figure for 2008-09 includes two additional months of allowance for DA recipients.

⁽⁶⁾ Figure for 2008-09 includes a one-off grant of \$3,000 and two additional months of allowance to OAA recipients.