

**For discussion
on 9 November 2009**

LEGCO PANEL ON WELFARE SERVICES

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

Purpose

This paper informs Members that if the Social Security Assistance Index of Prices¹ (SSAIP) registers a negative change in 2008-09 as forecasted, we will keep the standard payment rates² under the Comprehensive Social Security Assistance (CSSA) Scheme and the rates of allowances under the Social Security Allowance (SSA) Scheme at their current levels for another year as from February 2010.

The annual adjustment mechanism

2. At the meeting of this Panel on 14 November 2005, Members noted that the Government would adjust standard rates under the CSSA Scheme and the rates of allowances under the SSA Scheme on an annual basis taking into account the inflation/deflation reflected by the SSAIP, taking steps in the following sequence –

- (a) presentation of relevant information to the Panel on Welfare Services;
- (b) submission to the Finance Committee (FC) of the Legislative Council for approval in December, on the basis of the movement of

¹ 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 (CPIs) compiled by the C&SD, except items which are covered by special grants under the CSSA Scheme or provided free by the Government.

² CSSA standard payment rates include the CSSA standard rates, supplements and monthly meal allowance under the special grants category.

the SSAIP for the past 12 months (i.e. from 1 November of a year to 31 October of the following year); and

- (c) implementation of the adjusted rates in February, so that the Social Welfare Department (SWD) can have sufficient time to make the necessary adjustment to its computer system for making the adjusted payments to CSSA and SSA recipients.

3. At its meeting on 12 December 2008, FC approved the proposed upward adjustment of the standard payment rates under the CSSA Scheme by 4.7% and the rates of Disability Allowance (DA) under the SSA Scheme by 9.3%. SWD implemented the adjusted rates on 1 February 2009.

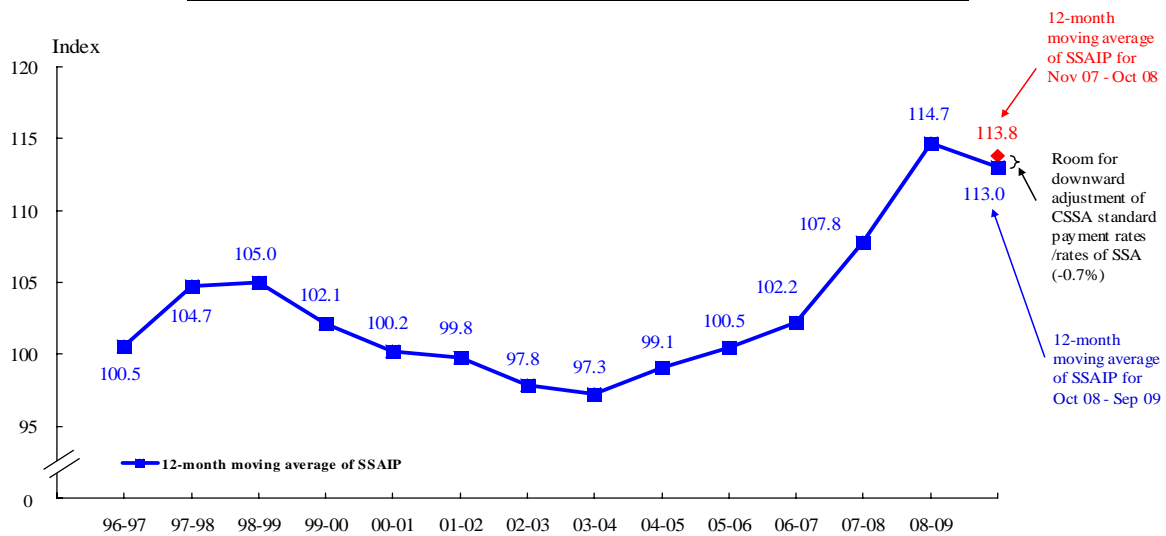
4. At the same meeting, FC also approved the increase in the rates of Normal Old Age Allowance (OAA) and Higher OAA under the SSA Scheme to \$1,000 per month with effect from January 2009. Furthermore, FC noted that the Government would, from 2009-10 onwards, continue to adjust the rates of OAA in accordance with the mechanism in paragraph 2 above.

5. The current average monthly CSSA payments (by the number of eligible members in a household) and rates of DA and OAA are at Annex.

Movement of the SSAIP in 2008-09 and recommendation on the adjustment of payment rates

6. As shown in the chart below, the 12-month moving average of the SSAIP since 1 October 2008 registered a cumulative decrease of 0.7% up to September 2009, when compared with that in the period from November 2007 to October 2008.

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



7. The data for October 2009 will be ready by the end of November 2009 for calculating the movement of the SSAIP up to 31 October 2009. On present trend, we expect it to register a negative change. If the index indeed drops, having regard to the state of the economy, 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.

Financial implication

8. As explained above, the data necessary for completing our calculation of the annual movement of the SSAIP can only be available, and therefore the financial implication can only be confirmed, at a later stage.

Supplementary provision

9. The approved provisions for CSSA and SSA in 2009-10 are \$19,404 million and \$9,495 million respectively³. As at the end of September 2009, the cumulative expenditure on CSSA and SSA for the first six months of the current financial year was \$10,377 million and \$4,770 million respectively, representing 53.5% and 50.2% of the approved provision.

10. The CSSA and SSA Schemes are both non-cash-limited schemes. We will continue to monitor the expenditure position under the CSSA and SSA

³ The approved provisions include supplementary provisions approved by FC on 19 June 2009 for one additional month of payment to CSSA and SSA recipients.

Schemes, and seek the approval of FC for supplementary provision, if necessary, so as to ensure that adequate funds will be available to make payments on time.

The way forward

11. We will inform FC of our proposal on CSSA standard payment rates and the rates of SSA in December 2009, having regard to the latest SSAIP figure. We will also seek the approval of FC for supplementary provision where necessary.

**Labour and Welfare Bureau
November 2009**

Average monthly CSSA payments by the number of eligible members in a household

(Refer to the situation when 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.)

Number of eligible members in a household	Average monthly CSSA payments
1	\$3,874
2	\$6,357
3	\$8,409
4	\$9,920
5	\$11,660

Monthly rates of DA implemented since 1 February 2009

Type	Monthly rate
Normal DA	\$1,280
Higher DA	\$2,560

Monthly rates of OAA implemented since 1 January 2009

Type	Monthly rate
Normal OAA	\$1,000
Higher OAA	