

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 approve an increase in standard payment rates under the Comprehensive Social Security Assistance Scheme ¹ and the rates of allowances under the Social Security Allowance Scheme with effect from 1 February 2013, and note the financial implication at \$1,017 million in annual recurrent expenditure.

PROBLEM

Standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme and the rates of allowances under the Social Security Allowance (SSA) Scheme are due for adjustment according to the existing mechanism.

PROPOSAL

2. We propose to increase the standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme by 4.0% with effect from 1 February 2013.

3. If Members approve the above proposals, the revised CSSA and SSA rates will be as set out in Enclosure 1.

Encl. 1

/JUSTIFICATION

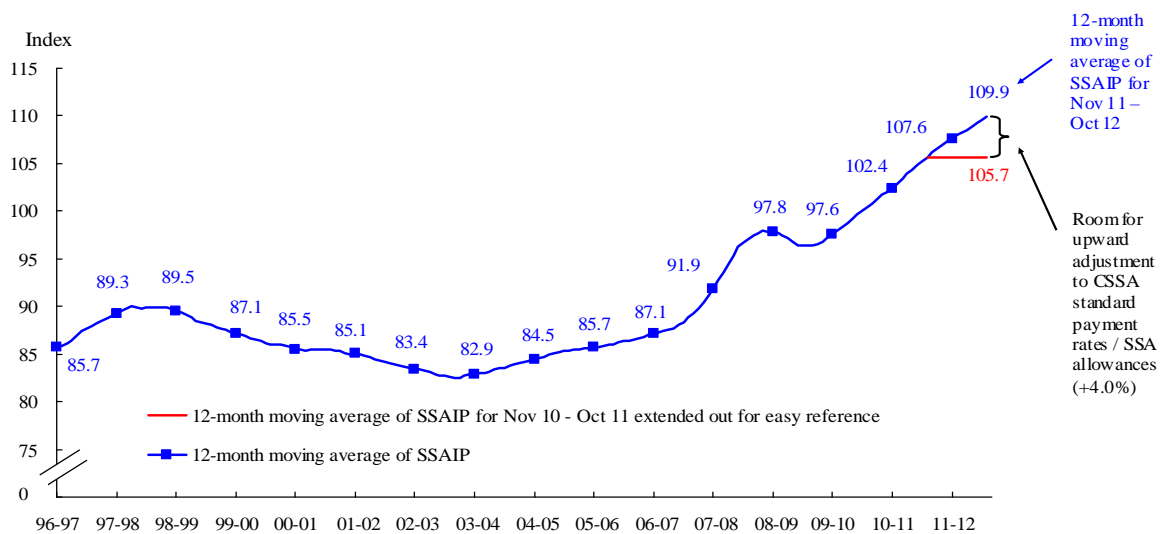
¹ Comprehensive Social Security Assistance (CSSA) standard payment rates include CSSA standard rates, supplements and the monthly meal allowance under the special grants category.

JUSTIFICATION

4. In accordance with the established adjustment mechanism, the Government adjusts standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme on an annual basis taking into account inflation/deflation reflected by the Social Security Assistance Index of Prices (SSAIP). At the meeting on 16 December 2011, Members approved the proposal to increase these rates by 5.2%. The Social Welfare Department implemented the adjusted rates on 1 February 2012.

5. As at the end of October 2012, the 12-month moving average of the SSAIP from November 2011 registered a cumulative increase of 4.0%, when compared with that in the period from November 2010 to October 2011.

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



6. We therefore propose to increase the standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme by 4.0% accordingly with effect from 1 February 2013.

/FINANCIAL

FINANCIAL IMPLICATIONS

7. Based on the up-to-date caseload, we estimate that the total increase in recurrent expenditure arising from the proposal will be about \$1,017 million per year, with breakdowns as follows –

	\$ million
(a) 4.0% increase in CSSA standard payment rates	607
(b) 4.0 % increase in Old Age Allowance (OAA) rates	290
(c) 4.0 % increase in Disability Allowance (DA) rates	120
Total	1,017

PUBLIC CONSULTATION

8. On 12 November 2012, we briefed the Panel on Welfare Services on the proposals in this paper. The Panel had no objection to the funding proposals.

9. Nevertheless, the Panel passed a motion requesting the Government to revert to the forecast methodology adopted before 2000, and adjust the SSAIP with reference to the expenditure level of households in the lowest 5% expenditure group. We explained at the meeting that in an audit investigation into the administration of the CSSA and SSA Schemes from late 1998 to early 1999, the Director of Audit noted, amongst other things, that the Government had over-estimated the upward movement of SSAIP in the previous years and, as a result, there was a significant impact on Government expenditure. As such, we do not consider it appropriate to resume the previous practice of adjusting the social security payment rates according to the forecast inflation. No matter how thorough and sophisticated the forecast may be, discrepancies between the forecast and the actual inflation are inevitable, and that will have a significant impact on Government expenditure. Where the upward movement of SSAIP is significantly over-estimated, the Government would need to reduce the payment rates so as to offset the over-estimated increase. The recipients may find it difficult to adapt. Regarding SSAIP, as explained in paragraph 10 below, it is compiled by the Census and Statistics Department (C&SD) on a monthly basis, and as it targets CSSA recipients, it can reflect accurately the impact of price changes on them. In fact, in households of various sizes, the average monthly CSSA payments granted to CSSA recipients are all higher than the average monthly expenditures of non-CSSA households whose spending is the lowest 25% in Hong Kong.

/BACKGROUND

BACKGROUND

Encl. 2 10. An explanatory note on the CSSA and SSA Schemes is at Enclosure 2 for Members' reference. The Government adjusts standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme each year taking into account the movements of the SSAIP. The SSAIP is compiled by the 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 C&SD, except items which are covered by special grants under the CSSA Scheme or provided free by the Government. The SSAIP has a weighting system which truthfully presents CSSA recipients' expenditures on individual categories of goods and services as a proportion of their total expenditures. It is compiled using data obtained from the Household Expenditure Survey (HES) on CSSA Households. Applying these weights in the calculation of the SSAIP can reflect more accurately the impact of price changes on CSSA recipients. The weighting system is updated every five years to capture the latest expenditure pattern of CSSA recipients. In the latest updating exercise, 2009/10 was adopted as the new base year.

11. As for special grants and financial limits under the CSSA and SSA Schemes (including the maximum rates of the rent allowance under the CSSA Scheme), they are adjusted annually under delegated authority in accordance with changes to the relevant price indices.

Labour and Welfare Bureau
December 2012

**Standard payment rates under
the Comprehensive Social Security Assistance Scheme
and the rates of allowances
under the Social Security Allowance Scheme after adjustment**

The Comprehensive Social Security Assistance (CSSA) Scheme

A. Standard Rates

1. Elderly persons aged 60 or above and non-able-bodied recipients

	Existing (\$)		Proposed (\$)	
	(per month)		(per month)	
	Single person	Family member	Single person	Family member
(a) Elderly person aged 60 or above				
Able-bodied/50% disabled	2,820	2,660	2,935	2,765
100% disabled	3,415	3,020	3,550	3,140
Requiring constant attendance	4,810	4,410	5,000	4,585
(b) Ill-health/Disabled adult aged under 60				
Ill-health/50% disabled	2,820	2,660	2,935	2,765
100% disabled	3,415	3,020	3,550	3,140
Requiring constant attendance	4,810	4,410	5,000	4,585
(c) Disabled child				
50% disabled	3,180	2,770	3,305	2,880
100% disabled	3,770	3,370	3,920	3,505
Requiring constant attendance	5,155	4,760	5,360	4,950

2. Able-bodied recipients aged under 60

Category	Existing (per month) (\$)	Proposed (per month) (\$)
(a) Adult		
<i>Single parent/Family carer</i>		
– in a family comprising not more than two able-bodied adults/children	2,165	2,250
– in a family comprising three able-bodied adults/children	1,950	2,030
– in a family comprising four or more able-bodied adults/children	1,730	1,800
<i>Others</i>		
Single person	1,990	2,070
Family member		
– in a family comprising not more than two able-bodied adults/children	1,775	1,845
– in a family comprising three able-bodied adults/children	1,600	1,665
– in a family comprising four or more able-bodied adults/children	1,430	1,485
(b) Child		
Single person	2,395	2,490
Family member		
– in a family comprising not more than two able-bodied adults/children	1,980	2,060
– in a family comprising three able-bodied adults/children	1,780	1,850
– in a family comprising four or more able-bodied adults/children	1,585	1,650

B. Supplements

	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)		
Family with one such eligible member	1,765	1,835
Family comprising two to four eligible members	3,540	3,680
Family comprising five or more eligible members	3,825	3,825¹
2. Monthly single parent supplement	280	290
3. Monthly community living supplement (for recipients who are old, disabled or medically certified to be in ill-health and who are not living in institutions)	265	275
4. Monthly residential care supplement (for recipients who are old, disabled or medically certified to be in ill-health and who are living in non-subsidised residential care places)	265	275
5. 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)	225	235

/C

¹ The 1996 Review of the Comprehensive Social Security Assistance Scheme revealed that the annualised expenditure on replacement of major durable items by larger families (i.e. those with five or more members) was much less than the corresponding annual long-term supplement, and was in fact not significantly different from that of families with two to four members. Hence, the rate for such larger households should be frozen at \$3,825 as of 1996-97 until it is the same as that for families with two to four members. Accordingly, the annual long-term supplement rate for families with five or more members has been maintained at \$3,825 since 1997-98.

C. Special Grants

	Existing (\$) (per month)	Proposed (\$) (per month)
Meal allowance (for students attending full-day school and taking lunch away from home)	235	245

The Social Security Allowance Scheme

	Existing (\$) (per month)	Proposed (\$) (per month)
A. Old Age Allowance (OAA)		
1. Normal OAA	1,090	1,135
2. Higher OAA	1,090	1,135
B. Disability Allowance (DA)		
1. Normal DA	1,395	1,450
2. Higher DA ²	2,790	2,900
3. Transport supplement (for those aged between 12 and 64)	225	235

² The rate of Higher DA is set at twice the amount of that of Normal DA, therefore will be \$2,900 after the adjustment (i.e. \$1,450 x 2).

**The Comprehensive Social Security Assistance Scheme and
Social Security Allowance Scheme**

Introduction

The Comprehensive Social Security Assistance (CSSA) Scheme provides financial assistance to people who are unable to support themselves financially, to help them meet basic needs. The Social Security Allowance (SSA) Scheme provides monthly allowance to the severely disabled and elders, to help them meet special needs arising from severe disabilities or old age. A person can apply for 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 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 CSSA.

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 will 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 recognised needs of a household. The difference between the total assessable monthly income of a household 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 household'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, the Scheme provides various supplements to recipients with special needs, such as elders, persons with disabilities or in ill health and single parents. A wide range of non-standard payments in the form of special grants are also payable to meet expenses such as rent, school fees and other educational expenses, medically recommended diets, spectacles and dentures, etc.

7. As at the end of October 2012, there were 421 439 recipients under the CSSA Scheme. The estimated expenditure of CSSA for 2012-13 is \$19.3 billion¹, representing 7.3% of the estimated total recurrent government expenditure.

The SSA Scheme

8. Four allowances are payable on a monthly basis under the SSA Scheme, as follows –

/(a)

¹ The figure for 2012-13 is the approved provision in the Budget for that year, not including the one-off supplementary provision approved by this Committee on 1 June 2012 for one additional month of standard rate payment to CSSA recipients.

- (a) Normal OAA (\$1,090): for elderly persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels.
- (b) Higher OAA (\$1,090): for elderly persons aged 70 or above.
- (c) Normal Disability Allowance (DA) (\$1,395): for severely disabled persons who, broadly speaking, suffer from a 100% loss of earning capacity, or who are profoundly deaf.
- (d) Higher DA (\$2,790): for severely disabled persons who require constant attendance from others in their daily life, but are not receiving such care in residential institutions subsidized by the government (including subsidized places in subvented/contract homes and residential care homes under various bought place schemes) or all public hospitals and institutions under the Hospital Authority, or boarding in special schools under the Education Bureau.

9. As at the end of October 2012, there were 680 195 recipients under the SSA Scheme. Of these recipients, 534 141 were OAA recipients and 146 054 were DA recipients. The estimated expenditures on OAA and DA for 2012-13 are \$7.0 billion and \$3.0 billion respectively², representing 2.7% and 1.1% of the estimated total recurrent government expenditure.

² The figures for 2012-13 are the approved provisions in the Budget for that year, not including the one-off supplementary provisions approved by this Committee on 1 June 2012 for one additional month of allowance to SSA recipients.