

Legislative Council Panel on Welfare Services

Proposal to launch a pilot scheme to further encourage Comprehensive Social Security Assistance recipients to take up employment

Purpose

This paper briefs Members on the proposal to launch a pilot scheme to further encourage Comprehensive Social Security Assistance (CSSA) recipients to take up employment.

Background

2. The CSSA Scheme is designed to bring the income of those who cannot support themselves financially owing to various reasons such as old age, disability, ill-health, unemployment, low earnings and single parenthood up to a prescribed level to meet their basic needs. It is administered by the Social Welfare Department (SWD) to provide a safety net for those who cannot support themselves financially. In short, the amount of assistance payable is the difference between the applicant's/family's "assessable income" and "recognised needs" under the CSSA Scheme.

The Support for Self-reliance Scheme

3. The Support for Self-reliance (SFS) Scheme has been implemented under the CSSA Scheme by SWD since 1999. The SFS Scheme aims to encourage and assist able-bodied CSSA recipients aged 15 to 59 to secure employment and move towards self-reliance while providing them with cash assistance.

4. To enhance the employment assistance services under the CSSA Scheme, SWD has integrated various employment assistance services¹ starting from January 2013 and has commissioned non-government organisations (NGOs) to operate the Integrated

¹ Including the Integrated Employment Assistance Scheme, Special Training and Enhancement Programme (My STEP) and New Dawn (ND) Project, which SWD has commissioned NGOs to operate, as well as the Community Work (CW) Programme implemented by SWD direct.

Employment Assistance Programme for Self-reliance (IEAPS), which provides on a family basis multifarious and one-stop employment assistance services to able-bodied CSSA recipients according to their individual needs, with a view to enhancing their employability.

Disregarded Earnings Arrangements

5. Apart from the above employment assistance services, the Scheme also includes the provision of disregarded earnings (DE) arrangements. DE refers to the earnings from employment that are disregarded (hence not deducted) when assessing the income of the CSSA recipients. The arrangement allows CSSA recipients who work to be financially better off than those relying entirely on CSSA, thus encouraging those who can work to find and remain in employment.

6. The provision of DE under the CSSA Scheme is a rather complex issue. On the one hand, there appears a case for providing CSSA recipients with more financial incentives through the provision of DE to find and remain in employment. On the other hand, more generous DE may render more people eligible for CSSA and delay their exit from the system. We have to be careful to strike the right balance between encouraging CSSA recipients to secure employment and the proper use of public funds.

7. Under the current DE arrangements, the monthly earnings of recipients in cases which have been on CSSA for not less than two months can be partially disregarded: 100% of the first \$800 will be disregarded in full and 50% of earnings from \$801 to \$4,200 are disregarded up to a maximum of \$2,500 per month².

8. Since the implementation of DE arrangements, a number of reviews have been conducted and improvements have been made, which included extending the coverage to able-bodied recipients in addition to old-aged and disabled recipients in 1988, as well as gradually raising the maximum level of monthly DE in 1993, 1995 and 2003 to \$2,500. Moreover, in 2007, we raised the 'no-deduction' limit for DE from \$600 to \$800, and relaxed the criteria for allowing CSSA recipients to be eligible for DE from not less than three months on CSSA to not less than two months.

² It is calculated as follows:

| <u>Earnings</u> | <u>Level of disregard</u> | <u>Maximum amount to be disregarded</u> |
|------------------|--|---|
| First \$800 | 100% | \$800 |
| Next \$3,400 | 50% | \$1,700 |
| \$4,200 or above | The first \$800 and half of next \$3,400 | \$2,500 |

9. There are suggestions that as the full amount of earnings from employment above \$4,200 will not be disregarded under the current DE arrangements, it is rather difficult to encourage CSSA recipients to earn more than \$4,200. In fact, among the CSSA recipients who have monthly earnings, around half of them have monthly earnings ranging from \$800 to \$4,200.

A Pilot Scheme on Savings Accounts

10. To further encourage CSSA recipients to take up employment and to strike a balance between the need to encourage work and the proper use of public money, it is suggested that a pilot scheme on savings accounts be implemented through the Community Care Fund (CCF) to save up the earnings not disregarded under the DE arrangements for the CSSA recipients who are in employment.

11. It is proposed that NGOs currently operating the IEAPS will be invited to assist in implementing the pilot scheme by setting up savings accounts under the DE arrangements for CSSA recipients who are in employment. For any employment earnings not disregarded (i.e. in excess of the maximum level of DE), CCF will provide funding equal to that amount and deposit them in their savings accounts as savings. When the total amounts of savings exceed a specified level, the total savings amounts will be released to the CSSA recipients who will then leave the CSSA net. The relevant concept paper is at **Annex**.

12. The Social Security and Retirement Protection Task Force and the CCF Task Force under the Commission on Poverty discussed the proposal on 18 March and 16 April respectively. Members expressed support for the pilot scheme. SWD will work out the details of the pilot scheme, and will provide detailed proposal for the consideration and approval by the CCF Task Force and the Commission on Poverty in due course.

Advice Sought

13. Members are invited to note the content of this paper.

Labour and Welfare Bureau
Social Welfare Department
May 2013

(Translation)

**Pilot Scheme to further encourage
Comprehensive Social Security Assistance recipients
to take up employment**

Conceptual Paper

Enabling factors

1. Starting from 1 January 2013, the Social Welfare Department (SWD) has commissioned non-governmental organisations (NGOs) to operate all the employment assistance programmes under the Support for Self-reliance (SFS) Scheme. The projects are operated by the 41 teams under the Integrated Employment Assistance Programme for Self-reliance (IEAPS) to match with SWD's 39 Social Security Field Units. This arrangement renders more focused assistance to help able-bodied Comprehensive Social Security Assistance (CSSA) recipients to become self-reliant, and also facilitates the implementation of the Pilot Scheme to further encourage CSSA recipients to take up employment.
2. With the implementation of the Child Development Fund Pioneer Projects in 2009, NGOs have built up experience from the asset-based projects and management of savings accounts for service recipients.
3. Reviewing the CSSA system takes time, and would inevitably arouse controversy. If the Pilot Scheme is implemented through the Community Care Fund, there is no need to change the existing CSSA system on the one hand, and on the other hand, through the Pilot Scheme, more concrete and objective evidence can be gathered for future reviews on the system.

Basic Principles of the Pilot Scheme

4. To further encourage CSSA recipients to take up employment, it is proposed that an amount equivalent to the earnings not disregarded under the CSSA Scheme will be deposited into a savings account through the Community Care Fund.
5. The savings account is managed by the NGOs providing IEAPS services for CSSA recipients.

6. In general, unless for very urgent needs such as for urgent medical expenses, the recipient is not allowed to withdraw the savings in the bank account until the recipient can leave the CSSA net and withdraw the entire amount of the savings.
7. The savings will be given to the CSSA recipient concerned for he/she to leave the CSSA net, e.g. when the total amount of savings have exceeded the CSSA asset limit by a certain amount, such as 200%. (For example, for a four-member family with able-bodied adults and children, 200% of its asset limit, which stands at \$68,000, will be \$136,000.)
8. As a pilot project, it will not be implemented on a territory-wide basis. A random matching approach will be adopted to acquire objective and scientific evidence. Only about seven IEAPS service teams will be invited to serve as the trial groups and around seven randomly matched IEAPS service teams will serve as the control groups. An alternative approach is to invite about seven IEAPS service teams to serve as both trial groups and control groups at the same time.

Details for Deliberation

9. Whether the amount of savings should be a 100% match of earnings not disregarded by SWD.
10. Details of the evaluation study.
11. A simple information technology system to facilitate case and account management by IEAPS service teams.
12. Administration cost of IEAPS service teams participating in the pilot scheme, and the arrangements on the accounts (such as the acceptability of a single bank savings account opened by the service teams instead of opening a bank account for each case, or the feasibility of opening a paper account for each case).
13. The operation and workflow design of the pilot scheme.