

立法會
Legislative Council

LC Paper No. CB(2)1208/15-16(07)

Ref : CB2/PL/WS

Panel on Welfare Services

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 11 April 2016**

Additional provision for social security recipients

Purpose

This paper provides background information and gives an account of the discussions of the Council and its committees on the Administration's one-off relief measures to provide recipients of Comprehensive Social Security Assistance ("CSSA") and Social Security Allowance ("SSA") with extra payments.

One-off measures to provide additional payments to CSSA and SSA recipients

2007-2008 financial year

2. The Financial Secretary ("FS") proposed in the 2007-2008 Budget Speech delivered on 28 February 2007 the provision of one additional month of standard rate payments for CSSA recipients and one additional month of allowance for SSA (comprising Old Age Allowance ("OAA") and Disability Allowance ("DA")) recipients. The additional payments were disbursed in May 2007.

2008-2009 financial year

3. To share the fruits of the economic prosperity, FS announced in the 2008-2009 Budget the proposal to provide social security recipients with one additional month of CSSA standard rate payments and one additional month of DA. FS also proposed to provide each OAA recipient with a one-off grant of \$3,000. The additional payments were effected in June 2008.

4. To ease the impact of rising prices on CSSA households, the Administration also proposed adjusting the CSSA standard rates in accordance with the existing mechanism¹ ahead of the normal annual adjustment cycle in 2008-2009. Following the approval of the Finance Committee ("FC"), the CSSA standard rates were increased by 4.4% with effect from 1 August 2008.

5. During the Question and Answer Session at the Legislative Council ("LegCo") on 16 July 2008, the Chief Executive announced a package of relief measures, including the provision of one additional month of the standard rate payments for CSSA recipients, one additional month of allowance for DA recipients, and two additional months of allowance for OAA recipients. The additional payments were effected in September 2008.

2009-2010 to 2012-2013 financial years

6. On 26 May 2009, FS announced a package of additional relief measures which included, among other things, the provision of one additional month of the standard rate payments for CSSA recipients and one additional month of allowance for SSA (comprising OAA and DA) recipients. According to the Administration, this one-off measure was proposed in consideration of the profound impact of the financial turmoil on different walks of life including the grassroots. The additional payments were effected in September 2009.

7. Such an additional provision for social security recipients was also proposed in the Budgets for the following three financial years (i.e. 2010-2011 to 2012-2013). The additional payments were effected in July of the financial years concerned.

2013-2014 and 2014-2015 financial years

8. FS had proposed in the 2013-2014 and 2014-2015 Budgets the aforesaid additional provision for recipients of CSSA, OAA and DA as well as the provision of one additional month of allowance for the recipients of Old Age Living Allowance ("OALA") which was introduced

¹ The standard payment rates of Comprehensive Social Security Assistance ("CSSA") are adjusted annually in February taking into account the movement of the Social Security Assistance Index of Prices ("SSAIP") in the past 12 months (i.e. from 1 November of a year to 31 October of the following year). SSAIP is compiled by the Census and Statistics Department ("C&SD") to measure inflation according to the expenditure pattern of CSSA households. The weighting system of SSAIP is updated every five years based on the findings of the Household Expenditure Survey on CSSA Households conducted by C&SD. According to the Administration, the 2014-2015 survey is underway and the rebased SSAIP will be announced in around end-2016.

under the SSA Scheme in April 2013. In addition, the extra payments for OAA recipients proposed in 2014-2015 Budget would be further extended to the recipients of the Guangdong Scheme² which was launched in October 2013. The additional payments were effected in July 2013 and August 2014 respectively.

2015-2016 and 2016-2017 financial years

9. FS proposed in the 2015-2016 Budget the provision of an extra allowance to CSSA recipients, which was equal to two months of the standard rate of CSSA payments, and an extra allowance to the recipients of OAA (including the Guangdong Scheme), OALA and DA, which was equal to two months of the respective allowances. The additional payments were effected in July 2015.

10. In the 2016-2017 Budget, FS proposed to provide an extra allowance for social security recipients, which was equal to one month of the standard rate CSSA payments, OAA, OALA or DA.

Deliberations by Members

11. While expressing support for additional relief measures for the disadvantaged, some Members held the view that instead of implementing one-off relief measures, the Administration should make use of its huge fiscal surplus to strengthen the support for needy groups and provide them with long-term assistance, e.g. to increase the supply of residential care homes for the elderly and persons with disabilities. Some other Members considered that there were problems in the way relief measures were implemented. For example, FS had proposed in the 2015-2016 Budget to spend \$34 billion to implement six relief measures but the additional one-off payments for social security recipients only accounted for \$5.5 billion. Around 80% of the \$34 billion would be used for helping the better-off by reducing salaries tax and profit tax as well as giving rates concession. These Members were of the view that implementation of these relief measures could not address the poverty problem but would exacerbate the disparity between the rich and the poor.

12. The Administration advised that in addition to the introduction of relief measures, recurrent spending on various services including elderly services and rehabilitation services would also be increased. In 2015-2016, government recurrent spending on social welfare and women's interests would reach \$59.7 billion, representing an increase of 9.5% as

² Under the Guangdong Scheme, eligible Hong Kong elderly people aged 65 or above who choose to reside in Guangdong will receive the monthly Old Age Allowance without the need to return to Hong Kong each year.

compared with the revised estimate for 2014-2015. The Administration had also earmarked \$50 billion in 2015 for providing better retirement protection for the elderly persons in need. This reflected the Government's commitment to supporting the disadvantaged and alleviating poverty.

13. Some Members were concerned about the long-term effectiveness of the proposed one-off measures to assist recipients of CSSA and SSA. Pointing out that the Administration had provided the one-off relief measures consecutively in the past years, these Members were of the view that the Administration should address the crux of the problem and consider adjusting upwards the standard payment rates of CSSA and SSA rates if the current payment levels were proven to be inadequate for the recipients even at times of economic downturn. Some other Members had time and again raised concern that the Administration had not conducted any review of the CSSA Scheme in connection with the social changes and economic growth since 1996. At its meeting on 13 April 2015, the Panel on Welfare Services ("the Panel") passed a motion urging the Administration to initiate a comprehensive review of the CSSA Scheme in the 2015-2016 financial year.

14. The Administration advised that the proposed additional payment was a one-off relief measure. The decision to provide additional one-off payments in the past years was based on individual circumstances on each occasion. This did not mean that the Administration considered the existing CSSA and SSA payment rates inadequate. The standard payment rates of CSSA and SSA rates would continue to be reviewed annually in accordance with the established adjustment mechanism as mentioned in paragraph 4 above. The Administration would seek the FC's approval to adjust the payment rates ahead of the annual adjustment cycle if movements of Social Security Assistance Index of Prices and other economic indicators pointed to persistently high inflation.

15. Pointing out that half of the CSSA recipients living in private rental housing were paying rents which exceeded the maximum rent allowance under the CSSA Scheme, some Members called on the Administration to review and increase the level of rent allowance. The Administration advised that it would take into account the movement of the Consumer Price Index (A) rent index for private housing in adjusting the rental subsidy every year in accordance with the established mechanism. In 2015, the rate of rental subsidy had been increased by 6.7% and as at end-March 2015, 54.6% of CSSA households living in private rental housing could meet the rental expenses using the rental subsidy. Noting the need for the remaining half of the CSSA households to cut their living expenses to make up for the rental payment, some Members criticized that the existing adjustment mechanism was not effective and should be

reviewed. The Administration stressed that any changes to the established mechanism required careful consideration of various implications such as stimulating an escalation in rental levels.

16. Some Members suggested that the Administration should consider providing CSSA recipients living in private rental housing with an extra month of rent allowance or non-accountable rent allowance. The Administration advised that the Community Care Fund had re-launched the "Subsidy for CSSA Recipients Living in Rented Private Housing" programme for the fourth time in September 2015 to provide a one-off subsidy to CSSA households living in private rental housing and paying a rent which exceeded the maximum rent allowance under the CSSA Scheme. The subsidy had been disbursed in late November 2015 onwards.

17. Some Members also raised concern that the one-off relief measure could not provide immediate and direct assistance to the low-income group and the unemployed, who did not benefit from the package of relief measures but were the most severely affected group under the financial turmoil. These Members considered that the Administration should provide concrete assistance, such as unemployment subsidy, to the unemployed.

18. According to the Administration, the main focus of its measures to tackle the economic downturn was to preserve jobs. In this respect, the Labour Department had launched a series of measures to strengthen employment assistance and support. CSSA was not the only source of assistance available for those in need. Where there were proven needs, other forms of assistance, such as emergency relief, temporary cash grants from charitable trust funds and assistance in kind were available. The Social Welfare Department staff would, having regard to individual circumstances, render appropriate assistance to those in need.

19. Noting that the Appropriation Bill 2014 ("the Bill") had been discussed at the Council for a long time since the resumption of the Second Reading debate on the Bill on 9 April 2014, some Members were concerned about whether the disbursement of allowance to social security recipients would be temporarily suspended if the Bill could not be passed in May 2014 and whether the funding proposal for the additional provision for social security recipients could be submitted to FC for approval ahead of the passage of the Bill in Council.

20. According to the Administration, the Council had passed the Vote on Account Resolution to provide funding for the Government to maintain its services prior to the passage of the Bill. If the Bill was not passed by mid-May 2014 as scheduled and the aforesaid funding was exhausted, there would be funding shortfall for some bureaux and departments. As a result,

various public services would be affected. As an established practice, the Administration would submit the funding proposal for the additional provision to FC for approval subject to the passage of the Bill. Following FC's approval of the aforesaid funding proposal, all eligible CSSA and SSA recipients would be able to receive the extra payment within four weeks from approval.

Latest development

21. The Administration will brief the Panel on its funding proposal for providing extra allowances to recipients of CSSA, OAA, OALA and DA, at its meeting on 11 April 2016 before its submission to FC for approval.

Relevant papers

22. A list of the relevant papers on the LegCo website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
7 April 2016

Appendix

Relevant papers on additional provision for social security recipients

Committee	Date of meeting	Paper
Panel on Welfare Services	30 March 2007 (Item II)	Agenda Minutes
Finance Committee	20 April 2007 (Item 3)	Agenda Minutes
Panel on Welfare Services	17 March 2008 (Item V)	Agenda Minutes
Finance Committee	16 May 2008 (Item 2)	Agenda Minutes
Legislative Council	16 July 2008	Official Record of Proceedings Page 11
Panel on Welfare Services	8 June 2009 (Item V)	Agenda Minutes
Finance Committee	19 June 2009 (Item 6)	Agenda Minutes
Panel on Welfare Services	12 April 2010 (Item V)	Agenda Minutes
Finance Committee	14 May 2010 (Item 2)	Agenda Minutes
Panel on Welfare Services	9 May 2011 (Item IV)	Agenda Minutes
Finance Committee	10 June 2011 (Item 2)	Agenda Minutes
Panel on Welfare Services	12 April 2012 (Item VI)	Agenda Minutes

Committee	Date of meeting	Paper
Finance Committee	1 June 2012 (Item 1)	Agenda Minutes
Panel on Welfare Services	21 May 2013 (Item IV)	Agenda Minutes
Finance Committee	7 June 2013 (Item 3)	Agenda Minutes
Panel on Welfare Services	12 May 2014 (Item III)	Agenda Minutes
Finance Committee	12 July 2014 (Item 16)	Agenda Minutes
Panel on Welfare Services	13 April 2015 (Item IV)	Agenda Minutes LC Paper No. CB(2)1498/14-15(01)
Financial Committee	26 June 2015 (Item 2)	Agenda Minutes

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