

# LEGCO PANEL ON WELFARE SERVICES

## **The Provision of Disregarded Earnings under the Comprehensive Social Security Assistance (CSSA) Scheme**

### **Objective of disregarded earnings**

The primary objective of the provision of disregarded earnings (DE) under the CSSA Scheme is to encourage self-help and productivity.

### **Background**

2. When the provision of monthly DE was introduced in 1978, it was intended to encourage those who were not expected to work (e.g. the elderly, single parents with small children) to retain part of their income. Able-bodied adults who were fit and available for work could not benefit from it because the intention was that they should be working even without the provision of DE.

3. To recognize employment-related expenses incurred by an able-bodied adult and to encourage employable able-bodied adults to seek full-time employment or continue working, the provision of monthly DE was extended to able-bodied adults in regular employment in 1988. 'Regular employment' is currently defined as 'working no less than 120 hours and earning no less than \$3,200 a month'. The maximum level of monthly DE, which is pegged to the standard rate for single able-bodied adults, is now \$1,805.

4. To encourage recipients who were not expected work to find full-time employment, the first month's income earned by these recipients from a full-time job was totally disregarded as from 1995. A recipient can benefit from this provision not more than once during a two-year period.

### **CSSA Review**

5. The Administration examined carefully, among other things, the DE arrangements in the 1998 CSSA Review, and recommended the extension

of the provision of totally disregarding the first month's income from a full-time job to employable able-bodied adults so as to provide a greater incentive for them to find full-time employment.

6. This recommendation was implemented as part of the Support for Self-reliance (SFS) Scheme on 1 June 1999 together with other recommendations arising from the 1998 CSSA Review. The SFS Scheme aims to provide active employment assistance to help and encourage unemployed able-bodied CSSA recipients to find employment.

7. The details of current DE arrangements are summarized in the Annex.

### **Panel Members' concern**

8. When the Administration briefed the Panel in a special meeting on 24 February 1999 on the final package of 1998 CSSA Review, there were suggestions that we should re-examine the minimum working hours/income requirements for the purpose of monthly DE for employable able-bodied adults. The main reasons were:

- Given the current economic situation, it might be difficult for unemployed CSSA recipients to find a job which meets these requirements, notwithstanding employment assistance rendered to them through the Active Employment Assistance programme under the SFS Scheme.
- We should encourage these recipients to take up at least a part-time job if full-time employment is not readily available.

### **Way forward**

9. At the Panel's meeting held on 12 April 1999, it was agreed that the Administration should further examine the current arrangements and submit a report on the review of DE to the Panel in September 1999.

## Disregarded Earnings under the CSSA Scheme

### (A) Monthly disregarded earnings

Recipients not expected to work <sup>(1)</sup>	Employable able-bodied adults
First \$451 + 50% of excess [Maximum exemption \$1,805 <sup>(2)</sup> ]	\$1,805 subject to meeting the minimum working hours and minimum income requirements <sup>(3)</sup>

#### Notes

- (1) Including the elderly, the sick, the disabled, and those considered not available for full-time work (e.g. due to the need to care for a young, disabled or senile family member).
- (2) No minimum working hours/income requirements (an able-bodied adult working for a paid job of not less than 120 hours a month is considered to be available for full-time work and is treated in the same way as employable able-bodied adults notwithstanding his/her status being single parent or family carer).
- (3) The requirements are working not less than 120 hours **and** earning no less than \$3,200 a month.

### (B) Total disregard of first month's income from a full-time job

- Γ This provision, previously applicable only to recipients who are not expected to work, has been extended to employable able-bodied adults since 1 June 1999.
- Γ Definition of 'full-time' job in this context: working no less than 120 hours and earning no less than \$3,200 a month.
- Γ A recipient can benefit from this provision not more than once during a two-year period.