

**For information
on 13 June 2005**

LEGCO PANEL ON WELFARE SERVICES

Social Security Assistance for Needy Elderly in Hong Kong

PURPOSE

This paper outlines the social security assistance, and other forms of assistance, which together form a social safety net for elderly in Hong Kong.

OVERVIEW

2. The Government is providing both non-contributory financial assistance and a range of highly subsidized services to provide support to the elderly:

- (a) As at the end of 2004-05, 92% of the elderly aged 70 or above receive public financial assistance either in the form of Comprehensive Social Security Assistance (CSSA), Old Age Allowance (OAA) or Disability Allowance (DA). The figure for those aged 65 or above is 81%;
- (b) 60% of the elderly aged 65 or above live in public rental housing or home ownership scheme flats; and
- (c) 49% of bed days in public hospitals are taken up by elderly aged 65 or above, with free medical services provided to those on CSSA and fee waiver granted to those with financial difficulties.

FINANCIAL ASSISTANCE

3. Social security for the elderly in Hong Kong is provided by the Government through non-contributory schemes funded by general public revenue. Eligibility is primarily determined through means-testing for CSSA and age for OAA. As at the end of 2004-05, over 81% of elders aged 65 and above in Hong Kong (or about 670,000 elderly) are covered by the Government's social security system, with Government's spending on social security assistance for the elderly standing at \$12.7 billion. Excluding DA, public expenditure on CSSA and OAA for the elderly has increased by 77% compared to 1996-97.

Figure 1

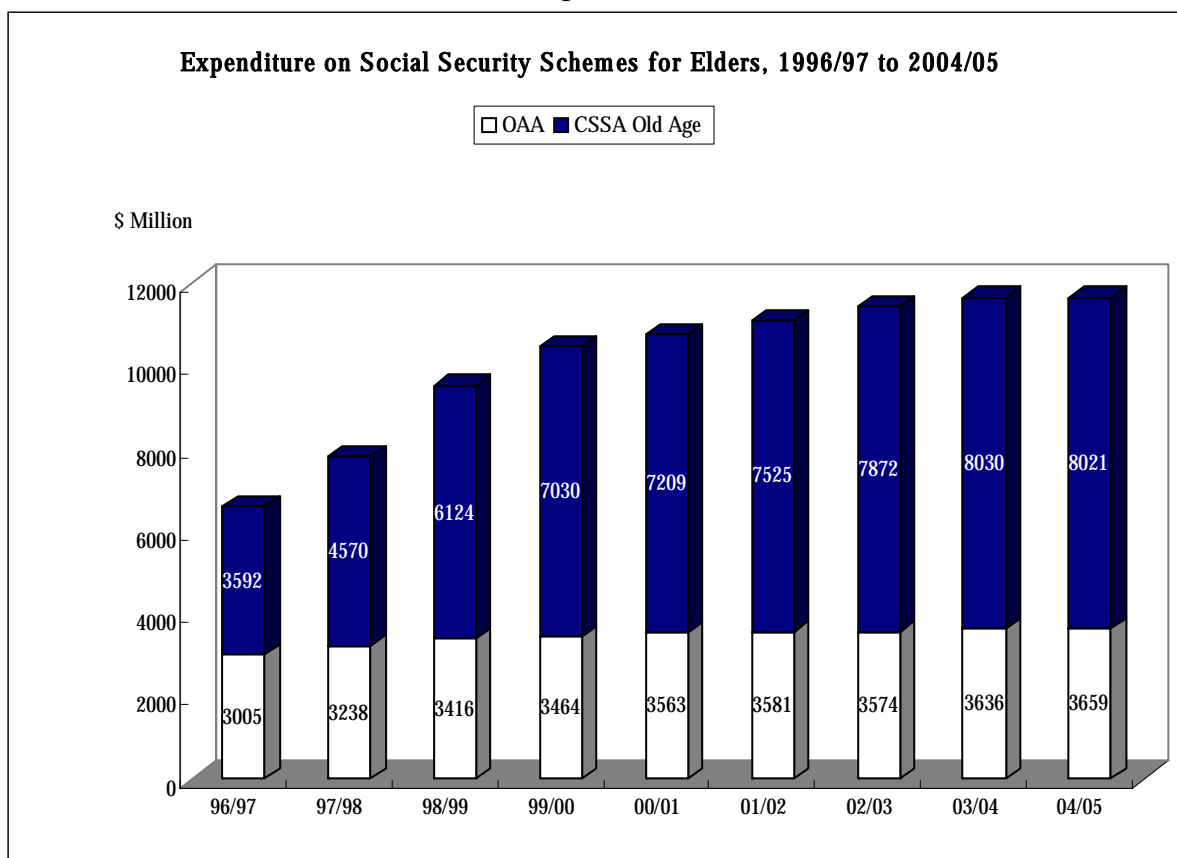
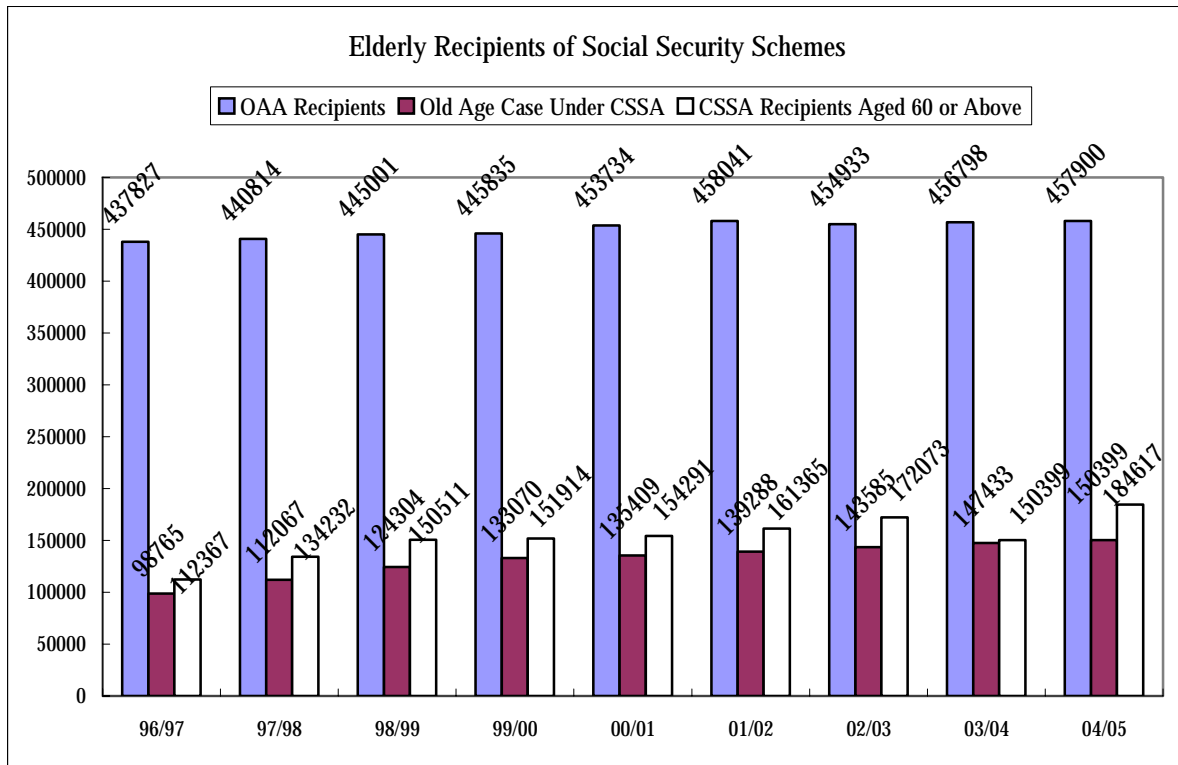


Figure 2



Comprehensive Social Security Assistance

4. As at the end of 2004-05, over 542,000 persons in Hong Kong (or 8% of the population) received assistance under CSSA. Among them, over 180,000 elderly aged 60 and above received CSSA payments amounting to about \$ 8.0 billion in total. The number of elderly recipients aged 60 or above represent 34% of the total number of CSSA recipients.

5. The CSSA Scheme provides a safety net of last resort for those who cannot support themselves financially. Elderly recipients receive a higher standard payment covering their basic needs. In addition, they can also receive special grants to meet their special needs, such as rent, residential home fee, dietary supplement, installation and monthly fee for emergency alarm system, fares from and to clinics or hospital, costs of glasses, dental treatment and rehabilitation items, such as wheel chair and hearing aid, etc. The self-occupied property of an elderly or a family with an elderly member is also totally disregarded from the CSSA asset test. CSSA recipients also receive free medical services at Government hospitals and clinics. On average, an elderly CSSA recipient receives a monthly payment of \$3600. A family of four with elderly members receives on average \$9900.

Figure 3

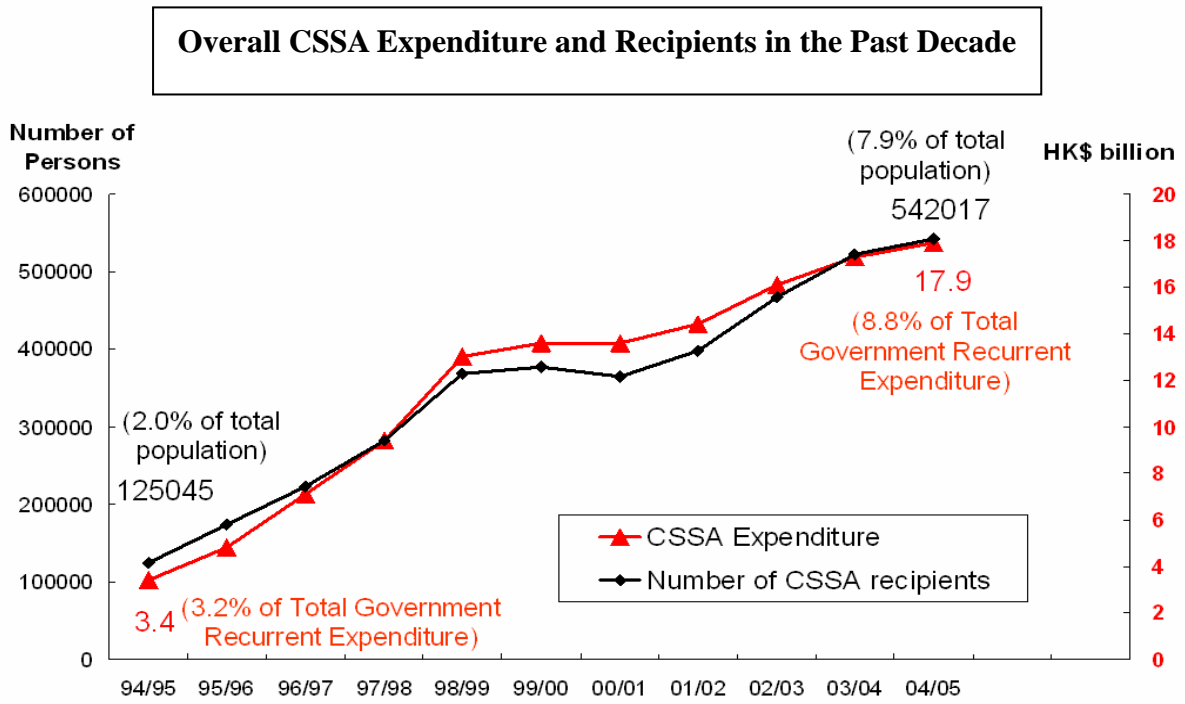
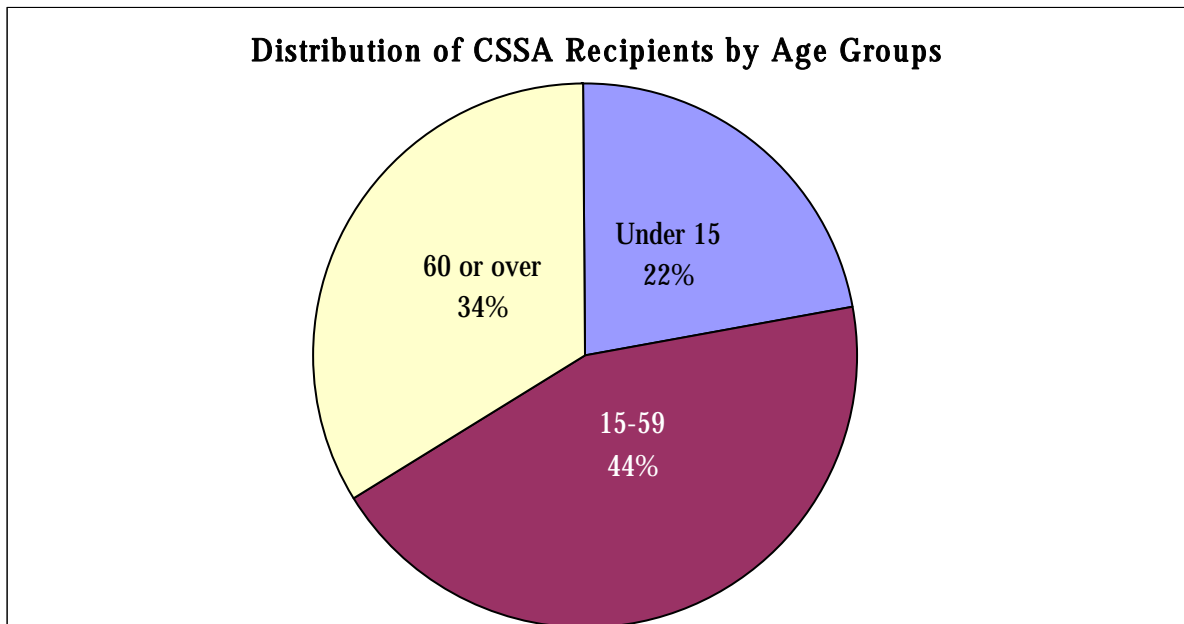


Figure 4



Social Security Allowance (including Old Age Allowance and Disability Allowance)

6. The OAA under the Social Security Allowance (SSA) Scheme was first introduced in 1973 to help families look after their older family members. Unlike the CSSA Scheme which is means-tested, OAA is not means-tested for elders aged 70 and above. For elders aged between 65 and 69, they have to declare that their income and assets do not exceed the prescribed levels (which are much higher than for CSSA). An elderly aged 65-69 can receive a monthly payment of \$625, while those aged 70 or above receive a monthly payment of \$705. As at the end of 2004-05, about 460,000 elders received OAA payment amounting to about \$3.7 billion in total.

7. Apart from the OAA, there are also about 50,000 DA claimants who are aged 65 and above receiving about \$ 0.7 billion DA payment in total. The scheme provides a monthly allowance to the severely disabled to meet special needs arising from disability. There are about 110 000 DA recipients in total, and the total annual expenditure in 2004-05 was about \$1.6 billion.

OTHER FORMS OF ASSISTANCE

Long Term Care

8. Elders who have long term care (LTC) needs but can be taken care of at their living places can make use of a range of subsidized community care services, such as home-based care services or day care services at day care centres or day care units. For elders who cannot be adequately taken care of at home, we provide them with subsidized residential care services. Our subsidised community and residential care services for the elderly are non-contributory, heavily subsidised and non-means-tested. 80% of the cost for a subsidised residential care place is funded by general revenue. Elderly CSSA recipients can have the remaining 20% or so of the cost, in the form of home fees, covered by their CSSA payments. Currently, elderly CSSA recipients can also make use of their CSSA payments to cover the costs of staying in private homes.

9. We estimate that in 2005-06, about \$3.18 billion will be spent on subsidized residential care places, community care services and other support services, which represents an increase of 5% when compared with the revised estimate of \$3.03 billion in 2004-05 (and nearly double that of the spending of \$1.63 billion in 1997-98). The number of subsidized residential care places (including places in various types of subvented elderly homes, places provided

under the Enhanced Bought Place Scheme and subsidized places in contract homes) has increased from about 16 900 in 1997-98 to more than 26 900 in 2004-05, representing an increase of 60%.

Health Care Services

10. In terms of usage of hospital services, elders take up about 49% of the total bed days in public hospitals. As stated above, elderly CSSA recipients do not need to pay for use of public health care services. Other elderly who may have financial difficulty can apply for a one-off medical fee waiver or a waiver covering a maximum of 12 months. The waiver is applicable at all hospitals under the Hospital Authority, covering the Accident and Emergencies departments, general out-patient clinics, specialist out-patient clinics, day hospitals and community nurse services. In 2004 – 2005, there were a total of 2.66 million waivers for elders aged over 65, with the total amount waived being \$290 million. Moreover, elders who have difficulties in paying for drugs that are proven to be of significant benefits to them but are extremely expensive can apply for assistance under the Samaritan Fund. In 2004-05, about 2,000 elders were assisted by the Samaritan Fund at a total amount of \$38 million.

11. It is estimated that the expenditure on public health care services for the elderly was about \$13.2 billion in 2004-05.

Housing For The Elderly

12. Government's public housing programme provides low-income families (including elders) with public rental housing at affordable rents. Elders not on CSSA but faced with financial difficulty can also apply for rent waiver that covers half of the rental cost. At present, about 60% of the elders are living in public rental housing, including Home Ownership Scheme flats. The number of elderly applicants on the waiting list for public rental housing has decreased from 16 000 in 1997 to about 5 200 at present. The waiting time has also been reduced from four and a half years in 1997 to about 10 months at present.

13. To address the housing needs of elderly owner-occupiers living in dilapidated buildings not served by lifts, the Housing Department has, as a transitional arrangement, launched an ex-gratia scheme in June 2004 to assist elderly owner-occupiers in dilapidated buildings to move into Housing for Senior Citizens or self-contained flats in public housing estates on compassionate grounds.

14. The Hong Kong Housing Society (HKHS) has also launched the Building Management and Maintenance Scheme in February this year to provide owner-occupiers living in dilapidated buildings with technical advice on building management and maintenance, and interest-free loans to carry out maintenance and repair works. HKHS has earmarked \$3 billion for the coming 10 years to implement the Scheme, which aims to cover 800 buildings each year. The Scheme will help elderly owner-occupiers in dilapidated buildings to address the problems relating to building management, maintenance and repair.

LOOKING AHEAD

15. The Hong Kong model of providing financial security to the elderly draws reference from the three-pillar approach on retirement protection advocated by the World Bank: mandatory savings on a contributory basis for the working population; a social safety net for the needy elders; and voluntary private savings. In terms of the pillar of mandatory savings for retirement, the Mandatory Provident Fund (MPF) scheme set up in 2000 provides the mechanism for the working population to save for their retirement. In terms of the public pillar of social safety net, the Government has established a comprehensive social assistance system for the elderly based on non-contributory direct financial support, and heavily subsidized and widely available medical, housing and care services. This is achieved in tandem with a low and simple taxation system. On the larger scale, Hong Kong's overall public spending on welfare, education and housing accounts for almost 80% of its total tax revenue (see comparison table at Annex A).

16. Similar to many other places in the world, Hong Kong is facing an ageing population. The life expectancy at birth for males in Hong Kong is about 79.6 years, and 84.6 for females, which is one of the longest in the world. The percentage of elderly population aged 65 or above vis-à-vis the total population has on average increased by 2-3 percent every decade between 1981 and 2001. Much faster increase is expected in the coming thirty years. According to the latest census figures, Hong Kong's elderly population aged 65 or above is projected to rise from 1 in 8 in 2004 to 1 in 7 in 2013, 1 in 6 in 2023 and eventually 1 in 4 in 2033 (Annex B). We expect that in thirty years, the payment for social security for the elderly may increase from the present \$12.7 billion to \$30 billion based on present take-up rates. Meantime, the MPF scheme helps to diversify the source of retirement income protection of the population.

17. In light of the ageing population, we are aware of the need to look into various issues concerning the elderly. The profiles of the future elderly may also change with higher education and changing family pattern. As some of the issues involve considerations of not only welfare policies, such as retirement protection and the right balance between private and public contribution, a co-ordinated response is called for. In this respect, to assess the financial sustainability of the three pillars of retirement protection, an Expert Panel on Financial Security in Old Age has been formed in July 2004 by the Central Policy Unit to develop a research agenda on financial security in old age. Some research topics such as studies to look into the financial disposition of the current and future generations of the elderly and their retirement plans have been developed. The Expert Panel is expected to come up with initial findings in early 2006.

ADVICE SOUGHT

18. Members are invited to note the contents of the paper.

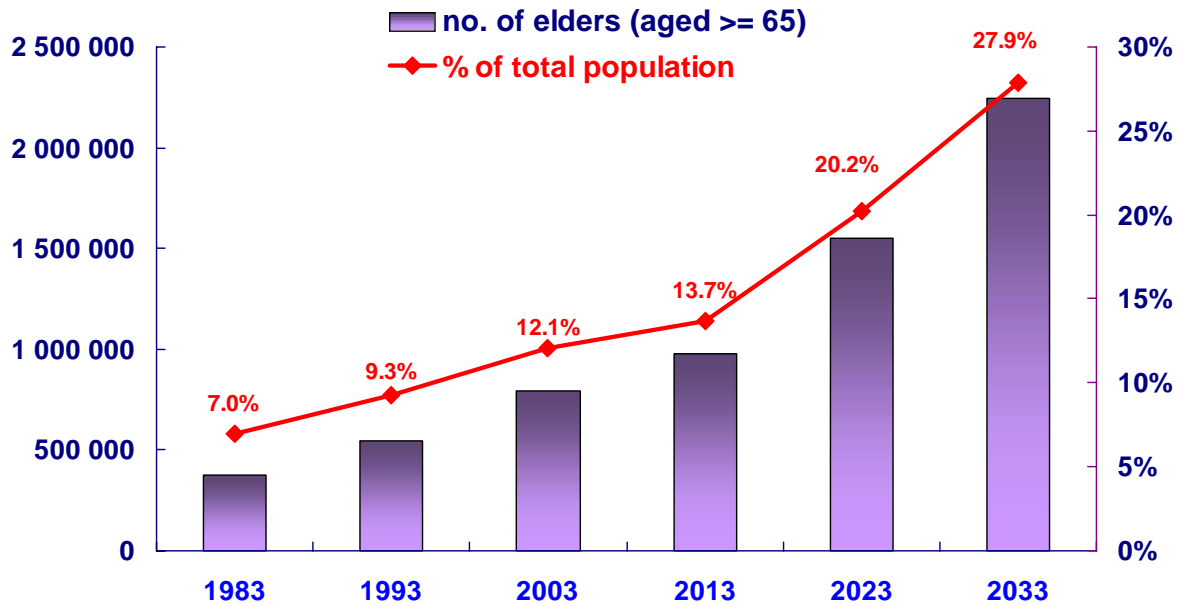
Health, Welfare and Food Bureau
June 2005

**Comparison of Public Social Expenditure in OECD Countries and Hong Kong
- As a Ratio of Total Tax Revenue**

Areas	Social Welfare	Health	Housing	Public Social Expenditure	Top marginal personal tax as % of gross wage earnings (including contribution to social security)
Switzerland	0.697	0.260	0.007	0.96	48.2
Hong Kong	0.286	0.293	0.212	0.79	18.5
Germany	0.518	0.209	0.005	0.73	64.2
United Kingdom	0.486	0.157	0.045	0.69	41
Norway	0.473	0.170	0.005	0.65	55.3
Greece	0.486	0.132	0.021	0.64	49.6
France	0.455	0.160	0.020	0.64	48.1
Poland	0.497	0.113	0.004	0.61	44.9
New Zealand	0.393	0.190	0.025	0.61	39
Austria	0.474	0.131	0.002	0.61	42.9
Sweden	0.453	0.128	0.016	0.60	56.2
Denmark	0.442	0.135	0.014	0.59	62.3
Australia	0.386	0.199	0.004	0.59	48.5
The Netherlands	0.426	0.146	0.011	0.58	52
Italy	0.452	0.127	0.000	0.58	46.1
Spain	0.418	0.157	0.002	0.58	45
Finland	0.450	0.114	0.008	0.57	57.4
Portugal	0.392	0.154	0.000	0.55	46.6
Luxembourg	0.406	0.136	0.002	0.54	47.8
Japan	0.333	0.209	-	0.54	47.8
Belgium	0.405	0.135	-	0.54	59.3
Iceland	0.323	0.201	0.003	0.53	42
United States	0.305	0.204	-	0.51	42.9
Czech Republic	0.332	0.170	0.003	0.50	40.5
Ireland	0.335	0.148	0.017	0.50	48
Canada	0.318	0.177	-	0.49	46.4
Mexico	0.339	0.113	0.028	0.48	31.7
Slovak Republic	0.386	-	0.000	0.39	45.9
Korea	0.154	0.103	-	0.26	41.1

Source: OECD

Elderly Population Projection



Life Expectancy at Birth: Male – 79.6 years Females – 84.6 years
 Source: Census & Statistics Department