

LEGCO PANEL ON WELFARE SERVICES

Annual adjustment of the Standard Payment Rates under the Comprehensive Social Security Assistance Scheme and the Social Security Allowance Scheme

PURPOSE

This paper informs Members of the latest position of the Social Security Assistance Index of Prices (SSAIP) and the estimated corresponding adjustment for the standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme and the Disability Allowance (DA) of the Social Security Allowance (SSA) Scheme from February 2007.

THE ANNUAL ADJUSTMENT CYCLE

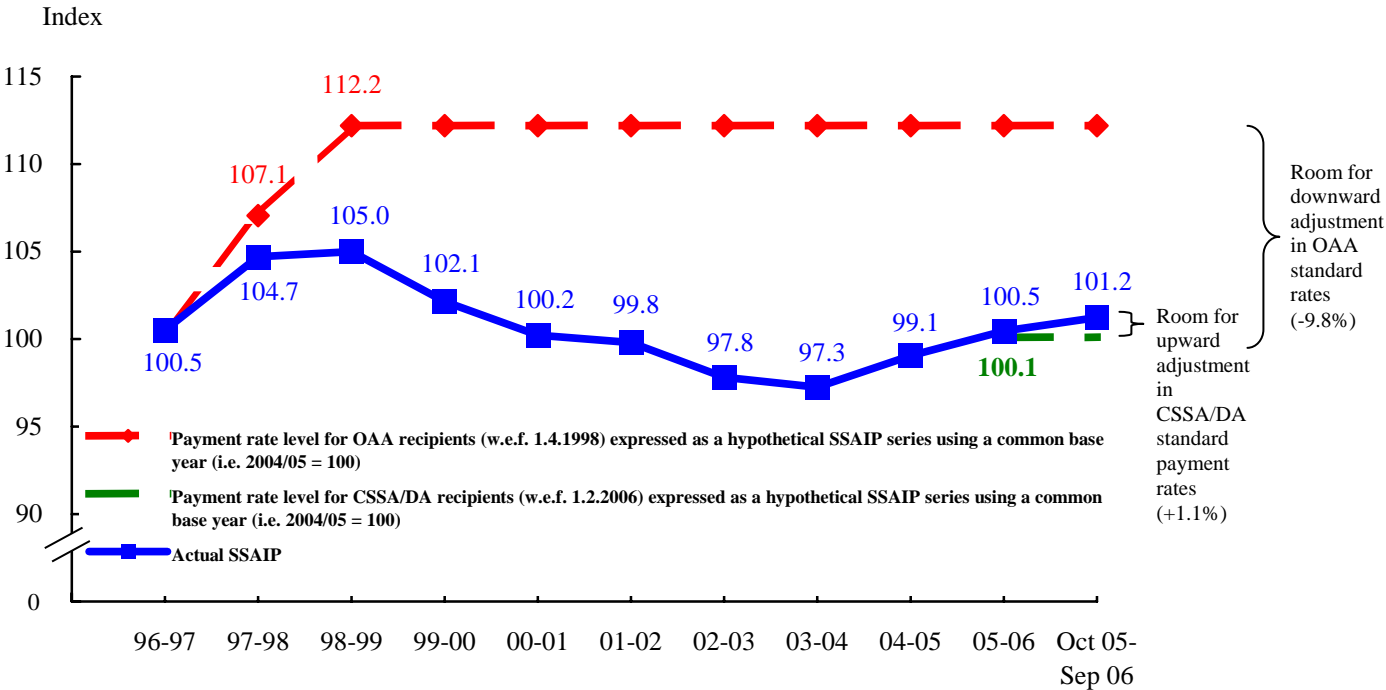
2. On 14 November 2005, we presented to the Panel and Members noted that the standard payment rates of CSSA and SSA would be adjusted regularly on an annual basis, taking into account the inflation/deflation reflected by the SSAIP with the following timing sequence:

- (a) presentation to the Panel on Welfare Services;
- (b) submission to the Finance Committee (FC) for approval in December, on the basis of the SSAIP movement for the past 12 months, i.e. from 1 November to 31 October of the following year; and
- (c) introduction of the new rates in February to allow sufficient time for the Social Welfare Department (SWD) to make the necessary adjustment to its computer system to make the adjusted payment to over 640 000 recipients (including 520 000 CSSA recipients and 120 000 DA recipients).

Accordingly, the FC last approved the proposed adjustment of the standard payment rates under the CSSA Scheme and the DA under the SSA Scheme at its meeting on 16 December 2005. SWD implemented the new rates on 1 February 2006.

3. As at September 2006, the 12-month moving average SSAIP registered a cumulative increase of 1.1% when compared with the period of November 2004 – October 2005. This means that there is scope for an upward adjustment of CSSA and DA rates of 1.1%. The figure for October 2006 (which will form the basis for our submission to the FC) will only be available by end November. We expect the SSAIP to continue to edge up mildly.

Chart 1: Room for upward/downward adjustments to the CSSA/SSA standard payment rates



FINANCIAL IMPLICATIONS

4. As the latest SSAIP figure for the past 12 months ending 31 October will only be available in late November, the exact financial implications and effect on CSSA/DA standard payment rates will be available in early December and given in our submission to the FC. For reference, increasing the

standard rates by 1.1% for 520 000 CSSA and 120 000 DA recipients would involve additional social security expenditure of about \$164 million a year. The current average monthly CSSA payments for different household sizes and the monthly rates for DA (comprising Normal Disability Allowance (NDA) and Higher Disability Allowance (HDA)) are set out in the tables below :

Number of eligible member	Average monthly CSSA payments * (October 2005 – September 2006)
1	\$3,503
2	\$5,837
3	\$7,835
4	\$9,243
5	\$10,971

Note: * Refer to the situation when CSSA cases do not have incomes other than CSSA payment.

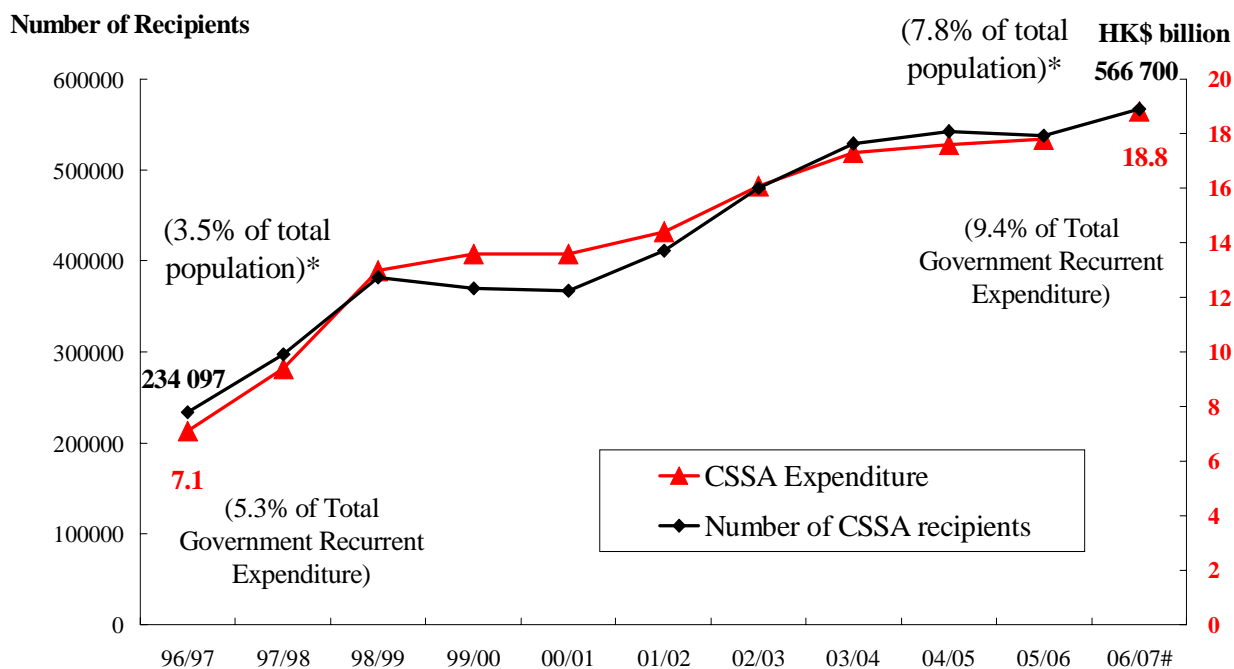
Type of DA	Existing Monthly Rate
NDA	\$1,125
HDA	\$2,250

5. Overall, the government expenditure on CSSA in the last decade increased from \$7.13 billion in 1996-97 to \$18.84 billion¹ in 2006-07. CSSA expenditure as a percentage of total government recurrent expenditure increased from 5.3% to 9.4%² over the same period.

¹ Draft estimate for the year.

² The percentage is compiled based on the draft estimates for 2006-07.

Chart 2: Overall CSSA Expenditure and Recipients in the Last Decade



Notes : Unless otherwise specified, figures on number of recipients refer to end of financial years.
 * Figures refer to end 1996 and end 2005 respectively.
 # The figures refer to Draft Estimates.

6. As to DA under the SSA Scheme, there were 115 332 DA cases in September 2006, of which 100 670 were NDA cases and 14 662 HDA cases. Over the last decade, the increase in DA caseload has been 62%, with the number of NDA cases rising relatively more sharply. In 2006-07, the government expenditure on DA is projected to be \$1.74 billion³, accounting for 0.9% of total government recurrent expenditure⁴. Overall, the government expenditure on DA in the last decade increased from \$1.04 billion in 1996-97 to \$1.75 billion (projected) in 2006-07, representing an increase of 68%.

ARRANGEMENT OF OLD AGE ALLOWANCE

7. There has been no adjustment to the Old Age Allowance (OAA), which is the other component (apart from DA) of the SSA Scheme, despite the persistent drop in SSAIP from 1999 to 2003. As a result, there exists room for a downward adjustment by 9.8%. However, we are not proposing to revise the OAA downwards.

³ Draft estimate for the year.

⁴ The percentage is compiled based on the draft estimates for 2006-07.

THE WAY FORWARD

8. To tie in with the annual adjustment cycle as stated above, we will present the latest available SSAIP figure to FC in December 2006. Should the figure then indicate that the CSSA and DA standard payment rates need to be further revised, we will seek the necessary approval for new rates with effect from 1 February 2007.

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

**Health, Welfare and Food Bureau
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