

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 179 Comprehensive social security assistance scheme

Subhead 180 Social security allowance scheme

Members are invited to –

- (a) approve the revised standard payment rates under the Comprehensive Social Security Assistance Scheme and the revised rates of the Disability Allowance under the Social Security Allowance Scheme with effect from 1 February 2008 to take account of inflation;
- (b) note the financial implications of (a) above, estimated at \$419 million in annual recurrent expenditure; and
- (c) approve supplementary provisions of \$173 million and \$211 million under Head 170 Social Welfare Department Subhead 179 Comprehensive social security assistance scheme and Subhead 180 Social security allowance scheme respectively.

PROBLEM

We need to adjust the standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme and the rates of the Disability Allowance (DA) under the Social Security Allowance (SSA) Scheme to take account of inflation. On the other hand, the approved provisions for the CSSA Scheme and the SSA Scheme are likely to be inadequate to meet the anticipated expenditure in 2007-08.

/PROPOSAL

PROPOSAL

2. We propose to increase, with effect from 1 February 2008, by 2.8% the standard payment rates under the CSSA Scheme and the rates of DA under the SSA Scheme. We also propose supplementary provisions of \$173 million and \$211 million under Head 170 Social Welfare Department Subhead 179 Comprehensive social security assistance scheme and Subhead 180 Social security allowance scheme respectively.

3. If Members approve the proposal to increase the CSSA standard payment rates and DA rates, the relevant rates will be revised as follows –

A. CSSA Standard Rates**1. Standard rates for non able-bodied recipients and elderly persons aged 60 or above**

Category	Existing (per month) (\$)		Proposed (per month) (\$)	
	Single person	Family member	Single person	Family member
(a) Elderly person aged 60 or above				
Able-bodied/50% disabled	2,305	2,175	2,370	2,235
100% disabled	2,795	2,470	2,875	2,540
Requiring constant attendance	3,930	3,605	4,040	3,705
(b) Ill-health/Disabled adult aged under 60				
Ill-health/50% disabled	1,955	1,770	2,010	1,820
100% disabled	2,440	2,110	2,510	2,170
Requiring constant attendance	3,570	3,245	3,670	3,335
(c) Disabled child				
50% disabled	2,600	2,265	2,675	2,330
100% disabled	3,085	2,760	3,170	2,835
Requiring constant attendance	4,215	3,895	4,335	4,005

/2.

2. Standard rates for able-bodied recipients

Category	Existing (per month) (\$)	Proposed (per month) (\$)
(a) Able-bodied adult aged under 60		
<i>Single parent/Family carer</i>		
– in a family comprising not more than two able-bodied adults/children	1,770	1,820
– in a family comprising three able-bodied adults/children	1,600	1,645
– in a family comprising four or more able-bodied adults/children	1,415	1,455
<i>Others</i>		
Single person	1,630	1,675
Family member		
– in a family comprising not more than two able-bodied adults/children	1,450	1,490
– in a family comprising three able-bodied adults/children	1,310	1,345
– in a family comprising four or more able-bodied adults/children	1,165	1,200
(b) Able-bodied child		
Single person	1,955	2,010
Family member		
– in a family comprising not more than two able-bodied adults/children	1,620	1,665
– in a family comprising three able-bodied adults/children	1,455	1,495
– in a family comprising four or more able-bodied adults/children	1,295	1,330

/B.

B. Supplements under CSSA Scheme

	Existing (\$)	Proposed (\$)
1. Annual long-term supplement (for those who are old, disabled or medically certified to be in ill-health and who have received CSSA for 12 months or more)¹		
Single person	1,445	1,485
Family comprising two to four such members	2,900	2,980
Family comprising five or more such members	3,825	Rate to be frozen
2. Monthly single parent supplement	230	235
3. Monthly community living supplement	100	105
	Existing (\$)	Proposed (\$)
C. Meal allowance per month (for students attending full-day school and taking lunch away from home)	195	200

D. Rates under the SSA Scheme

	Existing (\$)	Proposed (\$)
Disability Allowance		
Normal rate	1,140	1,170
Higher rate ² (for those in need of constant attendance)	2,280	2,340

/JUSTIFICATION

¹ With regard to the Long-term Supplement (LTS), the 1996 Review of the CSSA Scheme revealed that the annualised expenditure on replacement of major durable items by larger families (i.e. those with five or more members) is much less than the corresponding annual LTS and is in effect not significantly different from that of families with two to four members. The Review concluded that we should freeze the rate for such larger households at the then newly revised 1996-97 level until it equated with that for families with two to four members. The LTS rate for families with five or more members was subsequently frozen since 1997-98. We therefore propose that the LTS rate for a family with five or more members should remain unchanged in this exercise.

² In line with past practice, the proposed rate of the Higher DA will be derived by doubling the proposed rate of the Normal DA (i.e. \$1,170 x 2), instead of adjusting the existing rate in accordance with the movement of the Social Security Assistance Index of Prices.

JUSTIFICATION**Annual Adjustment to the CSSA Standard Payment Rates and DA Rates**

4. The provision of standard payment rates under the CSSA Scheme is to provide a safety net for those who cannot support themselves financially to meet their basic needs. The provision of DA and Old Age Allowance (OAA) under the SSA Scheme aims to provide a monthly allowance to Hong Kong residents who are severely disabled or who are 65 years of age or above to meet their special needs arising from disability or old age. The CSSA Scheme is means-tested whilst applicants for the DA and OAA are largely not subject to any means test. An explanatory note is at the Enclosure.

Encl.

5. The CSSA standard payment rates and SSA rates are adjusted according to the movement of the Social Security Assistance Index of Prices (SSAIP). The Index, which reflects the expenditure pattern of CSSA households, is specially compiled by the Census and Statistics Department on a monthly basis to measure inflation/deflation experienced by CSSA households. It consists of the same items as the Consumer Price Index, except that items which are covered by special grants under the CSSA Scheme (for example, rent) or provided free by the Government (for example, medical treatment at public hospitals or clinics in Hong Kong) are excluded. The movement of the Index is used as a reference for making adjustments to CSSA standard payment rates and SSA rates to take account of price changes.

6. When compared with the corresponding period in 2005-06, the 12-month moving average of SSAIP up to 31 October 2007 registered a year-on-year increase of 2.8%. In view of this increase, we propose a corresponding 2.8% upward adjustment to the CSSA standard payment rates and DA rates for the 2007-08 cycle.

7. As to OAA under the SSA Scheme, we do not propose to make any adjustment to the allowance under the present exercise having regard to the overshoot in previous adjustments and the persistent drop in SSAIP from 1999 to 2003.

/Supplementary

Supplementary Provisions Required

8. On 20 April 2007, the Finance Committee (FC) approved the provision of one additional month of the standard rate of CSSA payment for CSSA recipients and one additional month of the allowance for SSA recipients. As this one-off measure would require additional payments of about \$1.5 billion, we estimate that the approved provisions for CSSA and SSA are likely to be inadequate to meet the anticipated expenditure in 2007-08. Having regard to the projected changes in caseload and the proposed adjustment to the standard payment rates under the CSSA Scheme and the DA rates to reflect the movement of SSAIP with effect from February 2008, we need to seek supplementary provisions for the CSSA Scheme and the SSA Scheme to ensure that adequate funds will be available to make payments on time.

FINANCIAL IMPLICATIONS

Annual Adjustment to the CSSA Standard Payment Rates and DA Rates

9. Based on the approved provision for 2007-08, we estimate that the annual adjustment exercise will increase the annual CSSA expenditure from \$18,267 million to \$18,637 million and the annual DA expenditure from \$1,872 million to \$1,921 million. The total increase in the recurrent expenditure will be \$419 million per year as follows –

	\$ million
(a) 2.8% increase in CSSA standard payments	370
(b) 2.8% increase in DA rates	49
Total	419

Supplementary Provisions

10. As mentioned in paragraph 8 above, we propose supplementary provisions of \$173 million for the CSSA Scheme and \$211 million for the SSA Scheme. Our latest estimates are as follows –

/CSSA

CSSA	\$ million
Approved provision	18,267
Expenditure from 1 April 2007 to 30 September 2007	(9,844)
Estimated expenditure from 1 October 2007 to 31 March 2008	(8,596)
Estimated shortfall	<u>173</u>
SSA	\$ million
Approved provision	5,881
Expenditure from 1 April 2007 to 30 September 2007	(3,254)
Estimated expenditure from 1 October 2007 to 31 March 2008	(2,838)
Estimated shortfall	<u>211</u>
Total	384

PUBLIC CONSULTATION

11. We briefed the Legislative Council Panel on Welfare Services (the Panel) on the proposals in paragraph 2 above on 12 November 2007. Members had no objection to the funding applications.

12. Nevertheless, Members passed a motion requesting “the Government to adjust CSSA rates according to the year-on-year movement of the SSAIP of the latest month and make such adjustments in the same manner every half year in the future, as well as to introduce a catch-up mechanism, so that CSSA rates can follow inflated prices more closely.”

13. We explained at the meeting that the use of the 12-month moving average of SSAIP would provide a better basis for determining the level of CSSA standard payment rates having regard to the impact of seasonal factors on the prices of consumer goods. Moreover, we would closely monitor the movement of SSAIP to ensure that the basic needs of welfare recipients could be met. If movements in the SSAIP and other economic indicators pointed to persistent high inflation, consideration could be given to seeking approval for additional inflationary adjustments to the standard payment rates ahead of the next annual adjustment cycle.

/BACKGROUND

BACKGROUND**Annual Adjustment Timetable for the CSSA Standard Payment Rates and SSA Rates**

14. The Administration sought the views of the Subcommittee on Review of the CSSA Scheme (the Subcommittee) under the Panel in July and November 2005 on an annual adjustment cycle of the CSSA standard payment rates and DA rates. The annual cycle takes into account the movement of SSAIP for the past 12 months ending in October each year. A submission will then be made to the FC for approval in December, with the new rates to be effected in February of the following year. The Subcommittee had no objection to this annual adjustment mechanism.

15. The FC last approved the proposed adjustment to the standard payment rates under the CSSA Scheme and the DA rates under the SSA Scheme at its meeting on 15 December 2006. We implemented the new rates on 1 February 2007.

Labour and Welfare Bureau
December 2007

Social Security System

Introduction

Our social security system provides a safety net for individuals and families who are unable to support themselves financially because of age, disability, illness, low earnings, unemployment or family circumstances. The aim of the Comprehensive Social Security Assistance (CSSA) Scheme is to provide financial assistance to individuals or families in need to meet their basic and essential needs. The aim of the Social Security Allowance (SSA) Scheme is to help the severely disabled and the elders and to encourage family support for members with disability or of old age. A person can receive either assistance under the CSSA Scheme or one of the allowances under the SSA Scheme.

Eligibility

2. Both Schemes are non-contributory. The CSSA Scheme is means-tested. Applicants for SSA are not subject to means test except that the income and assets of persons aged between 65 and 69 applying for the Old Age Allowance (OAA) must not exceed the prescribed levels.

3. There are residence requirements for both Schemes. In addition, able-bodied CSSA applicants who are unemployed or working part-time but available for full-time work are required to actively seek work and participate in the Support for Self-reliance Scheme as a condition of receiving assistance.

4. Elderly persons aged 60 or above who have been in receipt of CSSA continuously for not less than 12 months may join the Portable CSSA Scheme whereby they are allowed to continue to receive their monthly standard rates and annual long-term supplement should they choose to take up permanent residence in Guangdong or Fujian.

/Payment

Payment

CSSA Scheme

5. The amount of assistance is determined by the monthly income and needs of a family. The difference between the total assessable monthly income of a family and its total monthly needs as recognised under the Scheme in terms of various types of payment will be the amount of assistance payable. When assessing a family's monthly income, earnings from employment and training/retraining allowance can be disregarded up to a prescribed level so as to provide an incentive to work and training/retraining. The current average monthly CSSA payments for different household sizes are given in the table below -

Number of eligible member	Estimated average monthly CSSA payments^{Note}
1	\$3,539
2	\$5,897
3	\$7,914
4	\$9,344
5	\$11,092

6. CSSA payments can be broadly classified into three types -

- (a) standard rates;
- (b) supplements; and
- (c) special grants.

Under the CSSA Scheme, different standard rates are applicable to different categories of recipients. In addition, an annual long-term supplement is paid to those who are old, disabled or medically certified to be in ill-health and have been receiving assistance continuously for more than 12 months for the replacement of household and durable goods. Monthly supplements are also paid to single parents in recognition of the special difficulties they face in bringing up families on their own without the support of spouses and to severely disabled persons who are not

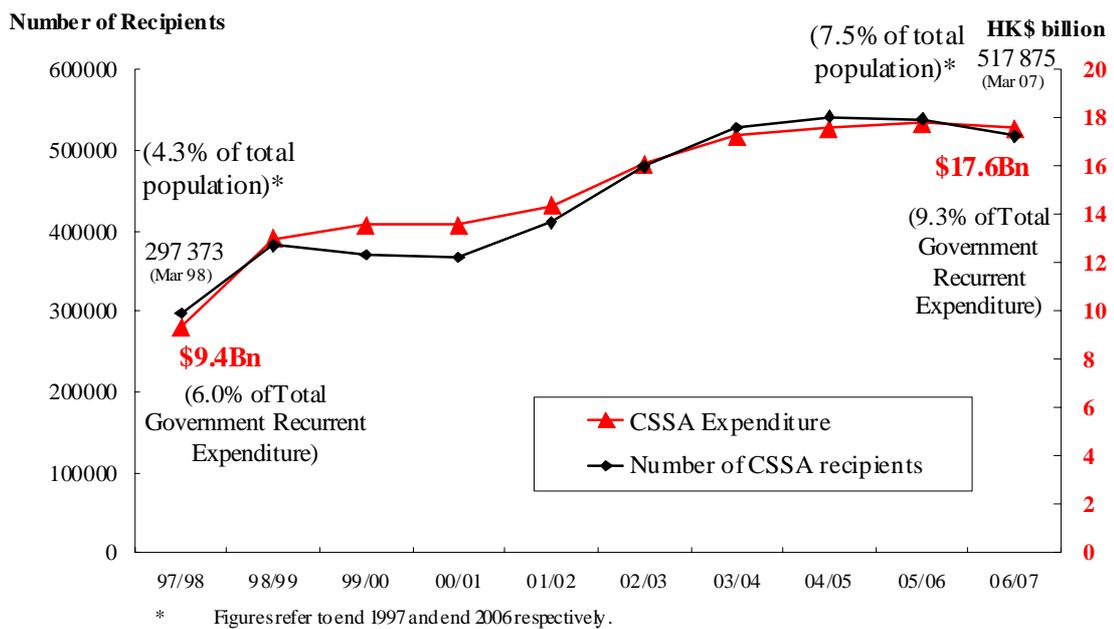
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^{Note} Refer to the situation when CSSA cases do not have income other than CSSA payment. The estimate is compiled based on CSSA cases during November 2005 - October 2006 and adjusted in accordance with 1.2% upward adjustment to CSSA standard payment rates as from 1 February 2007.

living in residential institutions in recognition of the heavier expenses they may incur while living in the community. Apart from these standard payments, a wide range of non-standard payments in the form of special grants are payable to meet the specific needs of an individual or family. They include payments to cover such expenses as rent, school fees and other educational expenses, medically recommended diets, spectacles and dentures.

7. As at end-October 2007, there were 499 952 recipients under the CSSA Scheme. The estimated expenditure of CSSA Scheme for 2007-08 is \$18.3 billion. Overall, the CSSA expenditure increased from \$9.4 billion in 1997-98 to \$17.6 billion in 2006-07, representing an increase of 86.8% over the ten years.

Overall CSSA Expenditure and Recipients in the Past Decade



/SSA

SSA Scheme

8. Four allowances are payable under this Scheme as follows -

(a) Normal Disability Allowance

For severely disabled persons who, broadly speaking, suffer from a 100% loss of earning capacity, or who are profoundly deaf.

(b) Higher Disability Allowance

For severely disabled persons who require constant attendance from others in their daily life but are not receiving such care in a government or subvented residential institution or a medical institution under the Hospital Authority.

(c) Normal Old Age Allowance

For persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels.

(d) Higher Old Age Allowance

For persons aged 70 or above.

9. As at end-October 2007, there were 588 981 recipients under the SSA Scheme, of whom 120 142 were DA recipients and 468 839 were OAA recipients. The estimated expenditures of the DA and OAA for 2007-08 are \$1.9 billion and \$4.0 billion respectively. Overall, DA expenditure increased from \$1.2 billion in 1997-98 to \$1.7 billion in 2006-07, representing an increase of 45.3% over the ten years. OAA expenditure increased from \$3.2 billion in 1997-98 to \$3.8 billion in 2006-07, representing an increase of 17.3% over the ten years.
