

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 179 Comprehensive social security assistance scheme

Members are invited to –

- (a) approve the revised standard payment rates under the Comprehensive Social Security Assistance Scheme with effect from 1 August 2008; and
- (b) note the financial implications of (a) above, estimated at \$554 million in annual recurrent expenditure.

PROBLEM

We see a need to help ease the impact of inflation on recipients of the Comprehensive Social Security Assistance (CSSA).

PROPOSAL

2. We propose to ease inflationary pressure by adjusting the CSSA standard payment rates in accordance with the existing mechanism ahead of the normal cycle this year. Specifically, we propose to increase the standard payment rates under the CSSA Scheme by 4.4% with effect from 1 August 2008.

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

/A.

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	2,370	2,235	2,475	2,335
100% disabled	2,875	2,540	3,000	2,650
Requiring constant attendance	4,040	3,705	4,220	3,870
(b) Ill-health/Disabled adult aged under 60				
Ill-health/50% disabled	2,010	1,820	2,100	1,900
100% disabled	2,510	2,170	2,620	2,265
Requiring constant attendance	3,670	3,335	3,830	3,480
(c) Disabled child				
50% disabled	2,675	2,330	2,795	2,435
100% disabled	3,170	2,835	3,310	2,960
Requiring constant attendance	4,335	4,005	4,525	4,180

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	1,820	1,900
– in a family comprising three able-bodied adults/children	1,645	1,715
– in a family comprising four or more able-bodied adults/children	1,455	1,520
<i>Others</i>		
Single person	1,675	1,750
Family member		
– in a family comprising not more than two able-bodied adults/children	1,490	1,555
– in a family comprising three able-bodied adults/children	1,345	1,405
– in a family comprising four or more able-bodied adults/children	1,200	1,255
(b) Able-bodied child		
Single person	2,010	2,100
Family member		
– in a family comprising not more than two able-bodied adults/children	1,665	1,740
– in a family comprising three able-bodied adults/children	1,495	1,560
– in a family comprising four or more able-bodied adults/children	1,330	1,390

/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)		
Single person	1,485	1,550
Family comprising two to four such members	2,980	3,110
Family comprising five or more such members	3,825	3,825¹
2. Monthly single parent supplement	235	245
3. Monthly community living supplement	105	110
	Existing (\$)	Proposed (\$)
C. Meal allowance per month (for students attending full-day school and taking lunch away from home)	200	210

JUSTIFICATION**Adjustment to CSSA Standard Payment Rates ahead of Normal Cycle**

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 CSSA Scheme is non-contributory but means-tested. An explanatory note is at the Enclosure.

Encl.

/5.

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 has subsequently been 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.

5. Under the established practice, the CSSA standard payment rates are adjusted annually according to the movement of the Social Security Assistance Index of Prices (SSAIP), with the new rates implemented in each February. The Index, which reflects the expenditure pattern of CSSA households with food representing the largest component at a weighting of 55%, 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 to take account of price changes.

6. In view of the increasing upward movement of SSAIP in recent months since the implementation of the last revised rates on 1 February 2008 (which took into account the 12-month moving average of SSAIP up to 31 October 2007), we propose to adjust the CSSA standard payment rates in accordance with the existing mechanism ahead of the normal schedule this year to ease the impact of rising prices on the CSSA households. The adjustment takes into account the movement of the SSAIP from 1 November 2007 to 30 April 2008.

7. When compared with the period from 1 November 2006 to 31 October 2007, the 12-month moving average of SSAIP up to 30 April 2008 registers a year-on-year increase of 4.4%. Accordingly, we propose to increase the CSSA standard payment rates by the same 4.4% with effect from 1 August 2008. This adjustment to the CSSA standard payment rates should be able to help reduce the impact on CSSA households at times of persistently high inflation.

FINANCIAL IMPLICATIONS

8. Based on the approved provision for 2008-09, we estimate that the proposed 4.4% increase in CSSA standard payment rates in the current adjustment exercise will increase the estimated CSSA expenditure from \$17,267 million to \$17,821 million for 2008-09². Based on the estimates for 2008-09, the increase in the recurrent expenditure will be \$554 million per year.

/9.

² This has yet to take into account the estimated additional CSSA expenditure of about \$1,076 million arising from the provision of one additional month of the standard rate of CSSA payment, and of transport supplement to eligible CSSA recipients with 100% disability, as approved by the Finance Committee on 16 May 2008 vide FCR(2008-09)9.

9. We would absorb the additional requirement arising from the proposed adjustment from within the approved provision under Head 170 Social Welfare Department Subhead 179 Comprehensive social security assistance scheme for 2008-09.

PUBLIC CONSULTATION

10. We briefed the Legislative Council Panel on Welfare Services (the Panel) on 17 March 2008 of the proposal to adjust the CSSA standard payment rates in accordance with the existing mechanism ahead of the normal cycle this year. Members generally supported the proposal. Some Members urged the Administration to conduct a review on the CSSA Scheme and adjust the CSSA standard payment rates according to the year-on-year movement of the SSAIP of the latest month.

11. 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.

BACKGROUND

Annual Adjustment Timetable for the CSSA Standard Payment Rates

12. 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. The annual cycle takes into account the movement of SSAIP for the past 12 months ending in October each year. A submission would then be made to the Finance Committee (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.

13. In addition, the Administration will consider seeking approval for additional adjustments to the CSSA standard payment rates ahead of the next annual adjustment cycle if movements in the SSAIP and other economic indicators point to persistently high inflation.

14. The FC last approved vide FCR(2007-08)39 an adjustment of 2.8% to the standard payment rates under the CSSA Scheme at its meeting on 14 December 2007. We implemented the new rates on 1 February 2008.

Relief Measure in the 2008-09 Budget Speech

15. The Government is very concerned about the impact of recent price rises on CSSA households. We have been closely monitoring the movement of SSAIP in recent months and consider that there is a need to help ease the impact of price increases on CSSA recipients to ensure that their basic needs can be met at times of persistently high inflation. To this end, the Financial Secretary has proposed in the 2008-09 Budget Speech to adjust the CSSA payment rates in accordance with the existing mechanism ahead of the normal schedule this year.

Labour and Welfare Bureau
May 2008

The Comprehensive Social Security Assistance Scheme

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.

Eligibility

2. The CSSA Scheme is means-tested. There is residence requirement for the CSSA Scheme. 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.

3. 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

CSSA Scheme

4. 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

Number of eligible member	Estimated average monthly CSSA payments^{Note}
1	\$3,579
2	\$5,945
3	\$7,990
4	\$9,451
5	\$11,194

5. CSSA payments can be broadly classified into three types –
- (a) standard rates;
 - (b) supplements; and
 - (c) special grants.

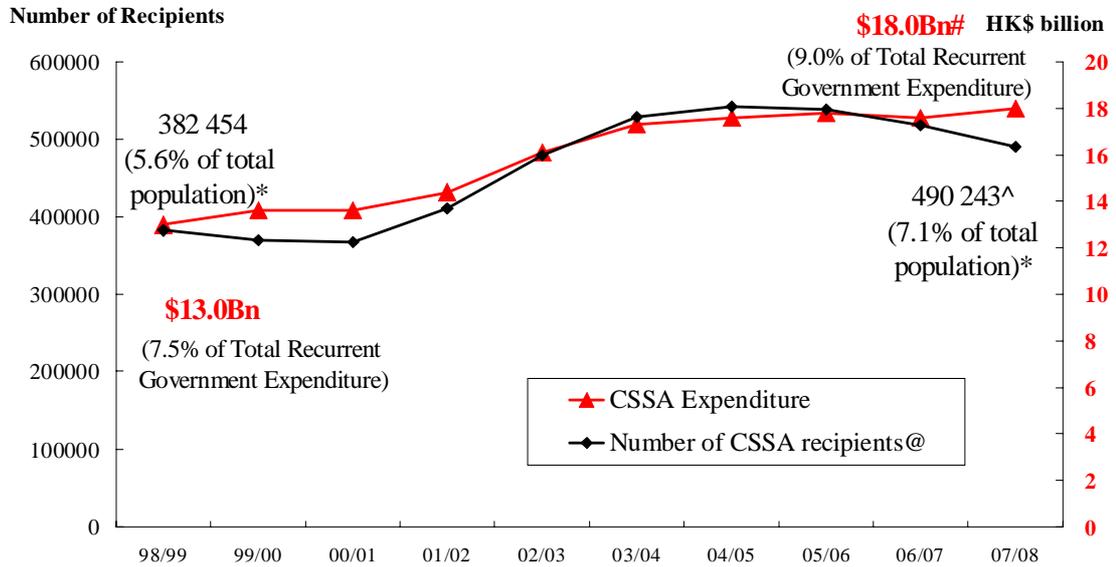
Under the CSSA Scheme, different standard rates are applicable to different categories of recipients. In addition, an annual long-term supplement is paid to those who are old, disabled or medically certified to be in ill-health and have been receiving assistance continuously for more than 12 months for 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 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.

6. As at end-April 2008, there were 489 818 recipients under the CSSA Scheme. The estimated expenditure of CSSA Scheme for 2008-09 is \$17.3 billion. Overall, the CSSA expenditure increased from \$13.0 billion in 1998-99 to \$18.0 billion in 2007-08 (provisional actual), representing an increase of 38.5% over the ten years.

/Overall

^{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 2006 - October 2007 and adjusted in accordance with 2.8% upward adjustment to CSSA standard payment rates as from 1 February 2008.

Overall CSSA Expenditure and Recipients in the Past Decade



Notes : # Figure is provisional and includes the provision of one additional month of the standard rate of CSSA payment for CSSA recipients.
 * Figures refer to end 1998 and end 2007 respectively.
 @ The number of CSSA recipients refer to end of the financial year.
 ^ As at end-April 2008, the figure is 489 818.
