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Panel on Welfare Services
Subcommittee on Poverty Alleviation

Background brief prepared by the Legislative Council Secretariat
for the meeting on 15 May 2009

Review mechanism of the Comprehensive Social Security Assistance (CSSA)
rates and the operation of discretionary mechanism under the CSSA Scheme

Purpose

This paper provides background information on the past discussions by the Panel on Welfare Services (the Panel) and the Subcommittee on the Review of CSSA Scheme of the Panel on issues relating to the review mechanism of the Comprehensive Social Security Assistance (CSSA) rates and the operation of discretionary mechanism in respect of the residence requirement.

The CSSA Scheme

2. According to the Administration, the provision of standard payment rates under the CSSA Scheme is to provide a safety net of last resort for those in need so that they can meet their basic and essential needs. CSSA Scheme is non-contributory and means-tested. There are residence requirements for the Scheme.
3. The CSSA standard rates are reviewed annually to take account of price changes with reference to the movement of the Social Security Assistance Index of Prices (SSAIP), which is compiled by the Census and Statistics Department (C&SD), on a monthly basis to measure inflation according to the expenditure pattern of CSSA households to reflect the impact of price changes experienced by recipients of CSSA.
4. Apart from standard rates, the CSSA Scheme also provides supplements and special grants to help different categories of recipients, in particular children and the elderly, to meet their needs.

Members' major deliberations

Review mechanism of CSSA rates

5. Members attached great importance to the adequacy of the CSSA standard payment rates in meeting the basic needs of different categories of recipients, in particular the children, the elderly and the disabled. Given that the prevailing set of CSSA rates was determined as a result of the CSSA Review conducted in 1996, members held the view that the basic needs referred to in the review were incompatible with the present needs. For instance, there were no Internet access charges in the last decade. Members strongly urged the Administration to review the basic needs items and their relative importance covered by SSAIP.

6. In response to the requests for a review of the CSSA Scheme, the Administration stressed that the CSSA standard rates would be adjusted annually according to the movement of SSAIP in order to maintain the purchasing power of the CSSA payments. Since the current annual adjustment mechanism of the CSSA standard payment rates had worked effectively, it did not see the need for conducting a fresh review of the adequacy of the CSSA standard rates. The Administration further advised that on top of the regular monitoring on the changes of SSAIP, the weighting system of SSAIP (i.e. the relative expenditure shares of individual items of goods and services covered by the index) were updated every five years on the basis of the findings of the Household Expenditure Survey (HES) on CSSA households. Members were also advised that in collaboration with C&SD, the Social Welfare Department (SWD) had started preparatory work for conducting a new round of HES on CSSA households in 2009-2010 with a view to updating the latest expenditure patterns of CSSA households and the weighting of SSAIP.

7. Members considered that the updating of the weighting system was related to the relative importance of individual items of goods and services consumed by CSSA recipients, but the basic needs items to be included in SSAIP was a different issue. The updating exercise should by no means be regarded as a review of the adequacy of the CSSA standard rates. Notwithstanding the Administration's explanation, members considered that to ensure that the CSSA standard rates could meet the living expenses of CSSA households, the Administration should review the basis for including and determining the items of goods and services included in SSAIP and the relative weighting of these items as well as the review mechanism of SSAIP.

Operation of discretionary mechanism in respect of the residence requirement

8. Members noted with concern that some applications for CSSA were rejected on the ground that the applicants were unable to meet the seven-year residence rule and the one-year-continuous residence requirement. Members also noted that CSSA might be granted at the discretion of the Director of Social Welfare (DSW) to a person who did not satisfy the residence requirements in exceptional circumstances.

9. According to the Administration, the residence requirement provided a rational basis for the allocation of public resources and helped to sustain a non-contributory social security system. The seven-year residence requirement encouraged new arrivals who could work to be self-reliant rather than relying on welfare benefits. It underlined the needs for potential immigrants to plan ahead to ensure that they had sufficient means to be self-supporting before settling in Hong Kong. Between 1 January 2004 and 31 January 2009, SWD had exercised discretion to waive the residence requirement of 2 994 new arrivals who had worked to support themselves.

10. The CSSA Subcommittee had examined the poverty problems created by the seven-year residence requirement. Given that new-arrival single mothers were unable to find suitable employment and were not eligible for CSSA, they had to rely on their child(ren)'s CSSA for a living. The Subcommittee was of the view that the existing exercise of discretion under the CSSA Scheme to waive the seven-year residence requirement still had a lot of room for improvement. For instance, the process for exercising discretion should be streamlined and expedited. Some members also asked the Administration to consider removing the residence requirement.

11. The CSSA Subcommittee also queried the rationale for imposing the one-year-continuous residence requirement on permanent residents who, for various reasons, had lived outside Hong Kong for a period of time.

12. The Administration stressed that the residence requirement under the CSSA Scheme was introduced on 1 January 2004 on the basis of the recommendations in the Report of the Task Force on Population Policy. This was in line with one of the recommendations of the Task Force, i.e. to ensure the allocation of public resources on a rational basis and the long-term sustainability of heavily subsidised public services.

13. While recognising that discussion on the population policy was beyond the purview of the CSSA Subcommittee, members maintained the view that the operation of the discretionary mechanism under the CSSA Scheme still had room for improvement. The Subcommittee called upon the Administration to review the mechanism to ensure that those in genuine financial hardship could receive timely and appropriate assistance.

14. In its response to the Report of the CSSA Subcommittee, the Administration advised that to ensure that all applicants would receive fair and equal treatment under the mechanism, the Senior Social Security Officers (District) of SWD with discretionary power delegated by DSW met regularly to share their experience in exercising the discretion. Between 1 January 2004 and 31 January 2009, 5 023 cases involving applicants who were in genuine hardship were granted discretion. It would continue to monitor closely the operation of the mechanism to ensure that people in genuine need were given appropriate assistance and support. If any person was not satisfied with the decision of SWD in respect of eligibility and payment of social security benefits, he/she might lodge an appeal to the Social Security Appeal Board.

The Board was an independent body and its Chairman and Members were all non-officials appointed by the Chief Executive.

15. The issue of the one-year-continuous residence requirement under the CSSA Scheme was raised again at the Panel meeting on 16 April 2009 when the subject of support services for the street sleepers was discussed. Members noted with concern that some Hong Kong residents who used to work in the Mainland and Macau had returned to Hong Kong recently due to loss of jobs amidst the financial tsunami, but they were not eligible for CSSA even though they were in genuine hardship simply because they could not meet the one-year continuous residence requirement. Members generally considered the requirement unacceptable. They took the view that the requirement should be reviewed, and that DSW should exercise discretion to waive the requirement to provide timely assistance to the needy persons.

Relevant papers

16. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
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Relevant Papers/Documents

| <u>Meeting</u> | <u>Meeting Date</u> | <u>Papers</u> |
|---|----------------------------------|--|
| Panel on Welfare Services | 16 April 2009 | Administration's paper LC Paper No. CB(2)1231/08-09(05) Minutes of meeting LC Paper No. CB(2)1450/08-09 |
| Subcommittee on Review of the Comprehensive Social Security Assistance Scheme | 17 February 2005 8 April 2005 | Administration's paper LC Paper No. CB(2)1185/04-05(01) Minutes of meeting LC Paper No. CB(2)1401/04-05 |
| | 19 July 2006 | Administration's paper LC Paper No. CB(2)2757/05-06(01) Minutes of meeting LC Paper No. CB(2)2964/05-06 |
| | 22 May 2007 | Administration's paper LC Paper No. CB(2)1879/06-07(01) Minutes of meeting LC Paper No. CB(2)2453/06-07 |
| Subcommittee on Poverty Alleviation | 5 March 2009 | Administration's paper LC Paper No. CB(2)974/08-09(01) Minutes of meeting LC Paper No. CB(2)1319/08-09 |