

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT Subhead 180 Social security allowance scheme

Members are invited to approve a relaxation of the annual permissible limit of absence from Hong Kong from 240 to 305 days, and a corresponding relaxation of the minimum residence period for entitlement to the above period of absence from 90 to 60 days in a payment year, under the Social Security Allowance Scheme with effect from 1 February 2011; and note the financial implication at \$7 million in annual recurrent expenditure.

PROBLEM

There have been calls for relaxing the permissible limit of absence from Hong Kong (absence limit) for Old Age Allowance (OAA) under the Social Security Allowance (SSA) Scheme so as to provide recipients with greater flexibility in taking up residence, travelling or visiting relatives outside Hong Kong.

PROPOSAL

2. As announced in the 2010-11 Policy Address, we propose to substantially relax the absence limit for OAA and Disability Allowance (DA) under the SSA Scheme from the present 240 to 305 days in each payment year, and correspondingly reduce the minimum residence period¹ for entitlement to the above absence limit from 90 to 60 days in the same payment year.

/JUSTIFICATIONS

¹ The detailed calculations are as follows: a full-year allowance will be paid to recipients who have been away from Hong Kong in a payment year for a period no longer than the absence limit; for recipients who, in a payment year, have stayed in Hong Kong for not less than 90 days but have been away from Hong Kong for a period longer than the absence limit, their allowance will be deducted according to their days of absence in excess of the limit; and for recipients who have stayed in Hong Kong for less than 90 days in a payment year, allowance will only be paid to them for their period of stay in Hong Kong.

JUSTIFICATIONS

3. As the SSA Scheme is a non-contributory and largely non-means-tested social security scheme funded entirely by general revenue, the current policy requires, as a matter of principle, that recipients must regard Hong Kong as their place of residence and be subject to an absence limit which is now set at 240 days in a payment year. Recipients can enjoy the absence limit as long as they have resided in Hong Kong for not less than 90 days in a payment year.

4. Recognising the wishes of some elders to spend more time outside Hong Kong without affecting their OAA payment, the Administration had over the years gradually relaxed the absence limit: from 56 days to 90 days in 1983, then to 180 days in 1993 and further to 240 days in 2005, whilst keeping 90 days as the minimum residence period. The current 240-day absence limit and 90-day minimum residence period were approved by the Finance Committee in May 2005 (FCR(2005-06)6).

5. In response to calls for further relaxing the absence limit for OAA recipients, and in view of projections that Hong Kong's population will become more mobile in future, the Administration has thoroughly reviewed the current requirements and decided to substantially increase the absence limit for OAA from 240 to 305 days in a payment year, and correspondingly reduce the minimum residence period from 90 to 60 days, so that recipients will enjoy greater flexibility in travelling out of Hong Kong for various reasons. The minimum residence period of 60 days is set having regard to the definition of "Mobile Resident" captured in the "Hong Kong Resident Population" compiled by the Census and Statistics Department².

6. Following the practice of previous relaxations of the OAA absence limit, the new arrangement will also apply to recipients of DA.

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² The "Hong Kong Resident Population" concept has been adopted by the Census and Statistics Department (C&SD) in compiling Hong Kong population estimates/statistics since August 2000. Under this enumeration approach, the Hong Kong population comprises "Usual Residents" and "Mobile Residents". "Usual Residents" refers to two categories of people: (1) Hong Kong Permanent Residents who had stayed in Hong Kong for at least three months during the six months before or after the reference time point; and (2) Hong Kong Non-permanent Residents who were in Hong Kong at the reference time point. As for "Mobile Residents", they are Hong Kong Permanent Residents who had stayed in Hong Kong for at least one month but less than three months during the six months before or after the reference time point, regardless of whether or not they were in Hong Kong at the reference time point.

7. The new arrangement will benefit all 630 000 elders and persons with disabilities now under the SSA Scheme. For those OAA recipients who stay in Hong Kong for only 60 days in a payment year, the benefit will be particularly significant, as they will be able to receive an additional payment of \$10,027 a year³ under the new arrangement. The new arrangement will also help streamline the operation of the SSA Scheme as the calculation of payment will be much easier. SSA recipients who have resided in Hong Kong for not less than 60 days in a payment year will receive a full-year allowance, otherwise they will only receive allowance for the period of stay in Hong Kong. Some 40 000 OAA recipients residing on the Mainland for a considerable period⁴ and other SSA recipients who will travel outside Hong Kong will find the arrangement more user-friendly.

FINANCIAL IMPLICATIONS

8. We estimate that the new arrangement will give rise to an additional expenditure of about \$7 million a year. This projection is based on the current number of recipients under the SSA Scheme, the absence pattern of SSA recipients in 2009 and the assumption that there will not be an influx of new applications. The new arrangement will be implemented on 1 February 2011. The financial implication for 2010-11 will be absorbed from within the approved provision for the SSA Scheme, whereas that for 2011-12 and beyond will be reflected in the Estimates of the relevant years.

PUBLIC CONSULTATION

9. On 8 November 2010, we briefed the Panel on Welfare Services on the proposal. Members had no objection to it, but some requested that the Administration remove all restrictions on absence from Hong Kong for OAA, both before application and after approval of application. This means basically making OAA fully portable to all places outside Hong Kong.

10. As explained by the Chief Executive in his 2010-11 Policy Address, our existing policy on similar absence limits is being challenged by way of judicial review. We will consider the way forward on such restrictions when the situation becomes clearer. Nonetheless, we are aware that as the relationship between Hong Kong and Guangdong grows closer, some of our senior citizens may want to retire in Guangdong. We have already embarked on a feasibility study to examine in detail the merit of introducing a maintenance allowance for elders who choose to retire on the Mainland, and the legal, financial and technical issues involved.

/BACKGROUND

³ An OAA recipient who resides in Hong Kong for 60 days in a payment year can only receive an allowance of \$1,973 ($\$12,000/365 \times 60$) at present, but will be able to receive a full-year allowance of \$12,000 under the new arrangement. The difference in payment amounts to \$10,027.

⁴ According to a survey conducted by C&SD in 2007, there were 39 700 OAA recipients who resided substantially on the Mainland (i.e. residing on the Mainland for at least one month during the six months before the reference time-point of the survey).

BACKGROUND

Encl. 11. An explanatory note on the SSA Scheme is at Enclosure for Members' reference.

12. The Public Accounts Committee published a report regarding OAA in 1993. At that time, the Administration undertook that in future it would obtain approval from the Finance Committee before making any changes to the administrative rules concerning the absence limit for OAA recipients.

Labour and Welfare Bureau
December 2010

The Social Security Allowance Scheme

Introduction

The Social Security Allowance (SSA) Scheme is made up of Old Age Allowance (OAA) and Disability Allowance (DA), which are provided on a non-contributory and largely non-means-tested basis to the elderly and severely disabled respectively to meet their special needs arising from old age or severe disability.

Eligibility

2. SSA applicants are not subject to means test, except that the income and assets of OAA applicants aged between 65 and 69 must not exceed the prescribed levels.
3. All SSA applicants must have been Hong Kong residents for at least seven years, and have resided in Hong Kong continuously for at least one year immediately before the date of application. DA applicants also have to be certified by the medical authority as being severely disabled.

Payment

4. Four types of allowances are payable on a monthly basis under the SSA Scheme, as follows -
 - (a) Normal OAA (\$1,000) : For elderly persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels.
 - (b) Higher OAA (\$1,000) : For elderly persons aged 70 or above.
 - (c) Normal DA (\$1,280) : For severely disabled persons who, broadly speaking, suffer from a 100% loss of earning capacity, or who are profoundly deaf.
 - (d) Higher DA (\$2,560) : 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.

5. As at the end of October 2010, there were 636 013 recipients under the SSA Scheme. Of these recipients, 503 000 were OAA recipients and 133 013 were DA recipients. The estimated expenditures on OAA and DA for 2010-11 are \$6.3 billion and \$2.6 billion^{Note} respectively, representing 2.7% and 1.1% of the estimated total recurrent government expenditure.

Note The figures for 2010-11 are the approved provisions in the Budget for that year, not including the one-off supplementary provisions approved by this Committee on 14 May 2010 for one additional month of allowance to SSA recipients.