

## 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 an increase in standard payment rates under the Comprehensive Social Security Assistance Scheme<sup>1</sup> and the rates of allowances under the Social Security Allowance Scheme with effect from 1 February 2014; and
- (b) note the financial implications of \$1,385 million in annual recurrent expenditure arising from item (a) above.

### PROBLEM

The standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme and the rates of allowances under the Social Security Allowance (SSA) Scheme are due for adjustment according to the existing mechanism.

### PROPOSAL

2. We propose that, with effect from 1 February 2014 –

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<sup>1</sup> CSSA standard payment rates include standard rates, supplements and the monthly meal allowance under the special grants category.

- (a) the standard payment rates under the CSSA Scheme as well as the rates of the Old Age Allowance (OAA)<sup>2</sup> and Disability Allowance (DA) under the SSA Scheme be increased by 4.1%; and
- (b) the rate of the Old Age Living Allowance (OALA) under the SSA Scheme be increased by 3.8%.

Encl. 1 3. If Members approve the above proposals, the revised CSSA and SSA rates will be as set out in Enclosure 1.

### JUSTIFICATION

4. In accordance with the established adjustment mechanism, the Government has been adjusting the standard payment rates under the CSSA Scheme and the rates of OAA and DA under the SSA Scheme on an annual basis taking into account inflation/deflation reflected by the Social Security Assistance Index of Prices (SSAIP). At the meeting on 14 December 2012, Members approved our proposal to increase these rates by 4.0%. The Social Welfare Department (SWD) implemented the adjusted rates on 1 February 2013.

5. Separately, Members approved on 7 December 2012 the proposal to increase the 2012-13 ceiling placed on the total notional annual mid-point salary value of all non-directorate posts in the permanent establishment of SWD for implementing OALA under the SSA Scheme. It was also mentioned in the submission that –

- (a) the payment rate should be adjusted annually together with the other allowances under the SSA Scheme (namely OAA and DA) and the CSSA standard payment rates according to the SSAIP but the initial rate of OALA would not be adjusted in February 2013 when the above rates were adjusted;
- (b) when the OALA rate was to be adjusted for the first time in February 2014, the adjustment would capture price changes since the effective date (i.e. on 1 December 2012); and
- (c) the adjustment cycles of OAA, OALA, DA and CSSA standard payment rates would all be synchronised thereafter.

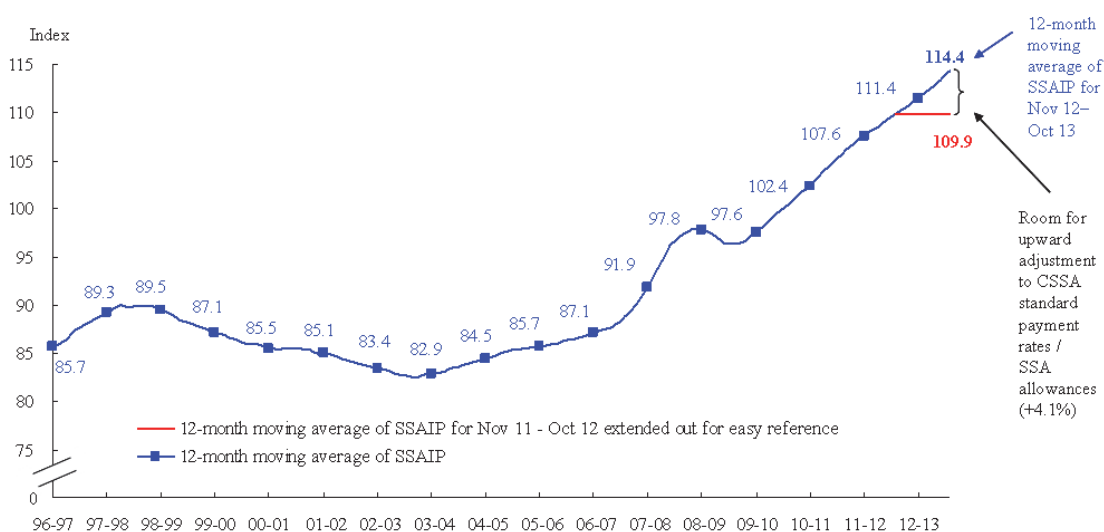
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<sup>2</sup> Same monthly rate and adjustment are applicable to Guangdong (GD) Scheme. The GD Scheme has been implemented since 1 October 2013 to provide OAA for eligible Hong Kong elderly people aged 65 or above who choose to reside in GD.

6. As shown in the chart below, the 12-month moving average of the SSAIP for the period ending October 2013 registered a cumulative increase of 4.1% when compared with the average figure ending October 2012. Having regard to the SSAIP movements and government affordability, there is room for an upward adjustment for the CSSA standard payment rates and the rates of OAA and DA under the SSA Scheme.

**Room for upward adjustment to CSSA standard payment rates and the rates of allowances under the SSA Scheme (except OALA)**



7. We therefore propose to increase the standard payment rates under the CSSA Scheme and the rates of OAA and DA under the SSA Scheme by 4.1% accordingly with effect from 1 February 2014.

8. As regards OALA, it will be adjusted according to the arrangement set out in paragraph 5 above. Specifically, the 12-month moving average of the SSAIP for the period ending October 2013 registered a cumulative increase of 3.8% when compared with the average figure ending November 2012, which had captured the price changes since the effective date on 1 December 2012 as mentioned in paragraph 5(b) above. We therefore propose to increase OALA rate by 3.8% with effect from 1 February 2014. The rate of increase is not the same as the one for CSSA standard payment rates, OAA and DA in paragraph 7 above owing to the difference in reference periods. The reference periods will be synchronised in the next adjustment cycle in accordance with Members' approval stated in paragraph 5(c) above, i.e. by comparing the 12-month moving average of SSAIP ending October of the year with that ending October of the previous year.

## FINANCIAL IMPLICATIONS

9. Based on the up-to-date caseload, we estimate that the total increase in recurrent expenditure arising from the proposal will be about \$1,385 million per year, with breakdowns as follows –

	<b>\$ million</b>
(a) 4.1% increase in CSSA standard payment rates	644
(b) 4.1 % increase in OAA rate	60
(c) 4.1 % increase in DA rates	96
(d) 3.8 % increase in OALA rate	585
<b>Total</b>	<b>1,385</b>

## PUBLIC CONSULTATION

10. On 11 November 2013, we briefed the Panel on Welfare Services on the proposals in this paper. The Panel supported in principle the submission of funding proposals to this Committee.

11. Nevertheless, some Members of the Panel requested the Government to adjust the CSSA standard payment rates in a more timely manner so as to reduce the lagged effects of the adjustments. We consider it appropriate to adjust the rates in accordance with the established mechanism. At the same time, the Government will continue monitoring the situation and will take appropriate action as and when necessary. For instance, this Committee approved the Government's proposal of adjusting the CSSA standard payment rates ahead of normal schedule to ease the impact of persistently high inflation on households concerned in June 2008.

## BACKGROUND

Encl. 2 12. An explanatory note on the CSSA and SSA Schemes is attached at Enclosure 2 for Members' reference. The Government adjusts standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme each year taking into account the movements of the SSAIP. The SSAIP is compiled by the Census and Statistics Department (C&SD) on a monthly basis to reflect the impact of price changes on CSSA recipients. It consists of all items covered in Consumer Price Indices compiled by C&SD, except items which are covered by special grants under the CSSA Scheme or provided free by the Government.

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The SSAIP has a weighting system which truthfully presents CSSA recipients' expenditures on individual categories of goods and services as a proportion of their total expenditures. It is compiled using data obtained from the Household Expenditure Survey on CSSA Households. Applying these weights in the calculation of the SSAIP can reflect more accurately the impact of price changes on CSSA recipients. The weighting system is updated every five years to capture the latest expenditure pattern of CSSA recipients. In the latest updating exercise, 2009/10 was adopted as the new base year. The next Survey will be conducted in 2014/15.

13. As for special grants and financial limits under the CSSA and SSA Schemes (including the maximum rates of the rent allowance under the CSSA Scheme), they are adjusted annually under delegated authority in accordance with changes to the relevant price indices.

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Labour and Welfare Bureau  
December 2013

**Standard payment rates under  
the Comprehensive Social Security Assistance Scheme  
and the rates of allowances  
under the Social Security Allowance Scheme after adjustment**

**The Comprehensive Social Security Assistance (CSSA) Scheme**

**A. Standard Rates**

**1. Elderly persons aged 60 or above and non-able-bodied recipients**

	Existing (\$) (per month)		Proposed (\$) (per month)	
	Single person	Family member	Single person	Family member
<b>(a) Elderly person aged 60 or above</b>				
Able-bodied/50% disabled	2,935	2,765	<b>3,055</b>	<b>2,880</b>
100% disabled	3,550	3,140	<b>3,695</b>	<b>3,270</b>
Requiring constant attendance	5,000	4,585	<b>5,205</b>	<b>4,775</b>
<b>(b) Ill-health/Disabled adult aged under 60</b>				
Ill-health/50% disabled	2,935	2,765	<b>3,055</b>	<b>2,880</b>
100% disabled	3,550	3,140	<b>3,695</b>	<b>3,270</b>
Requiring constant attendance	5,000	4,585	<b>5,205</b>	<b>4,775</b>
<b>(c) Disabled child</b>				
50% disabled	3,305	2,880	<b>3,440</b>	<b>3,000</b>
100% disabled	3,920	3,505	<b>4,080</b>	<b>3,650</b>
Requiring constant attendance	5,360	4,950	<b>5,580</b>	<b>5,155</b>

**2. Able-bodied recipients aged under 60**

<b>Category</b>	<b>Existing (per month) (\$)</b>	<b>Proposed (per month) (\$)</b>
<b>(a) Adult</b>		
<i>Single parent/Family carer</i>		
– in a family comprising not more than two able-bodied adults/children	2,250	<b>2,340</b>
– in a family comprising three able-bodied adults/children	2,030	<b>2,115</b>
– in a family comprising four or more able-bodied adults/children	1,800	<b>1,875</b>
<i>Others</i>		
Single person	2,070	<b>2,155</b>
Family member		
– in a family comprising not more than two able-bodied adults/children	1,845	<b>1,920</b>
– in a family comprising three able-bodied adults/children	1,665	<b>1,735</b>
– in a family comprising four or more able-bodied adults/children	1,485	<b>1,545</b>
<b>(b) Child</b>		
Single person	2,490	<b>2,590</b>
Family member		
– in a family comprising not more than two able-bodied adults/children	2,060	<b>2,145</b>
– in a family comprising three able-bodied adults/children	1,850	<b>1,925</b>
– in a family comprising four or more able-bodied adults/children	1,650	<b>1,720</b>

**/B. ....**

**B. Supplements**

	Existing (\$)	<b>Proposed (\$)</b>
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)		
Family with one such eligible member	1,835	<b>1,910</b>
Family comprising two or more eligible members <sup>1</sup>	Two-to-four person families 3,680	<b>3,830</b>
	Five-or-more- person families 3,825	
2. Monthly single parent supplement	290	<b>300</b>
3. Monthly community living supplement (for recipients who are old, disabled or medically certified to be in ill-health and who are not living in institutions)	275	<b>285</b>
4. Monthly residential care supplement (for recipients who are old, disabled or medically certified to be in ill-health and who are living in non-subsidised residential care places)	275	<b>285</b>
5. Monthly transport supplement (for severely disabled persons aged between 12 and 64 who are medically certified to be 100% disabled, or in need of constant attendance)	235	<b>245</b>

/C. ....

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<sup>1</sup> 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) was much less than the corresponding annual long-term supplement, and was in fact not significantly different from that of families with two to four members. Hence, this Committee approved that the rate for such larger households should be frozen from 1996-97 until it is the same as that for families with two to four members. Following the proposed adjustments with effect from 1 February 2014, the rate of two-to-four member household would have reached the level of five-or-more member household, hence the two rates should be aligned.



### C. Special Grants

	Existing (\$) (per month)	Proposed (\$) (per month)
Meal allowance (for students attending full-day school and taking lunch away from home)	245	255

### The Social Security Allowance (SSA) Scheme

	Existing (\$) (per month)	Proposed (\$) (per month)
<b>A. Old Age Allowance (OAA)<sup>2</sup></b>	1,135	<b>1,180</b>
<b>B. Disability Allowance (DA)</b>		
1. Normal DA	1,450	<b>1,510</b>
2. Higher DA <sup>3</sup>	2,900	<b>3,020</b>
3. Transport supplement (for those aged between 12 and 64)	235	<b>245</b>
<b>C. Old Age Living Allowance (OALA)</b>	2,200	<b>2,285</b>

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<sup>2</sup> Same monthly rate is provided under the Guangdong (GD) Scheme. The GD Scheme was implemented on 1 October 2013 with a view to providing OAA for eligible Hong Kong elderly people aged 65 or above who choose to reside in GD. Applicants aged between 65 to 69 need to meet the prescribed income and asset limits.

<sup>3</sup> The rate of Higher DA is set at twice the amount of that of Normal DA, therefore will be \$3,020 after the adjustment (i.e. \$1,510 x 2).

## **The Comprehensive Social Security Assistance Scheme and Social Security Allowance Scheme**

### **Introduction**

The Comprehensive Social Security Assistance (CSSA) Scheme provides financial assistance to people who are unable to support themselves financially to help them meet basic needs. The Social Security Allowance (SSA) Scheme provides monthly allowance to severely-disabled and elderly persons to help them meet special needs arising from severe disabilities or old age. A person can apply for 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 applicants of the Old Age Living Allowance (OALA) and persons aged between 65 and 69 applying for Old Age Allowance (OAA) under the Guangdong (GD) Scheme 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 employment are required to actively seek employment and participate in the Support for Self-reliance Scheme as a condition of receiving CSSA.

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 will continue to receive their monthly standard rates and annual long-term supplement should they choose to take up permanent residence in GD or Fujian.

**/Payment .....**

## **Payment**

### *The CSSA Scheme*

5. The amount of assistance under the CSSA Scheme is determined by the monthly income and recognised needs of a household. The difference between the total assessable monthly income of a household and its total monthly needs as recognised under the CSSA Scheme in terms of various types of payment will be the amount of assistance payable. When assessing a household'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.

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, the Scheme provides various supplements to recipients with special needs, such as elderly persons, persons with disabilities or in ill health and single parents. A wide range of non-standard payments in the form of special grants are also payable to meet expenses such as rent, school fees and other educational expenses, medically recommended diets, spectacles and dentures, etc.

7. As at the end of October 2013, there were 398 685 recipients under the CSSA Scheme. The estimated expenditure of CSSA for 2013-14 is \$20.4 billion<sup>1</sup>, representing 7.0% of the estimated total recurrent government expenditure.

### *The SSA Scheme*

8. Four allowances are payable on a monthly basis under the SSA Scheme as follows –

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<sup>1</sup> The figure for 2013-14 is the approved provision in the Budget for that year, not including the one-off supplementary provision approved by this Committee on 7 June 2013 for one additional month of standard rate payment to CSSA recipients.

- (a) OAA (\$1,135): for elderly persons aged 70 or above<sup>2</sup>.
- (b) Normal Disability Allowance (DA) (\$1,450): for severely-disabled persons.
- (c) Higher DA (\$2,900): for severely-disabled persons who require constant attendance from others in their daily life, but are not receiving such care in residential institutions subsidised by the government (including subsidised places in subvented/contract homes and residential care homes under various bought place schemes) or all public hospitals and institutions under the Hospital Authority, or boarding in special schools under the Education Bureau.
- (d) OALA (\$2,200): for elderly persons aged 65 or above who are in need of financial support.

9. As at the end of October 2013, there were 733 838 recipients under the SSA Scheme. Of these recipients, 208 515 were OAA recipients, 123 171 were DA recipients and 402 152 were OALA recipients. The estimated expenditures on OAA, DA and OALA for 2013-14 are \$1.5 billion, \$2.3 billion and \$15.1 billion respectively<sup>3</sup>, representing 0.5%, 0.8% and 5.2% of the estimated total recurrent government expenditure.

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<sup>2</sup> Same monthly rate is provided under the Guangdong (GD) Scheme. The GD Scheme was implemented on 1 October 2013 with a view to providing OAA for eligible Hong Kong elderly people aged 65 or above who choose to reside in GD. Applicants aged between 65 to 69 need to meet the prescribed income and asset limits.

<sup>3</sup> The figures for 2013-14 are the approved provisions in the Budget for that year, not including the one-off supplementary provisions approved by this Committee on 7 June 2013 for one additional month of allowance to SSA recipients.