

For discussion on
24 March 2018

Legislative Council Subcommittee on Retirement Protection

Social Security Payments for Elderly Persons Provided by the Government

Purpose

This paper briefs Members on the social security payments for elderly persons provided by the Government.

Background

2. Hong Kong makes reference to the multi-pillar retirement protection model advocated by the World Bank and is adopting four pillars, namely the multi-tier social security system (the zero pillar), the Mandatory Provident Fund Scheme and other occupation-based retirement schemes (the second pillar), voluntary savings (the third pillar), as well as public services, family support and personal assets (the fourth pillar)¹. The following paragraphs elaborate the various cash assistance for elderly persons provided by the Government under the social security system.

3. The zero pillar in Hong Kong takes the form of a multi-tiered social security system, comprising Comprehensive Social Security Assistance (CSSA), Old Age Living Allowance (OALA)², Old Age Allowance (OAA), Guangdong Scheme, Fujian Scheme (to be launched on 1 April 2018) and Disability Allowance (DA). It provides cash assistance to different groups of elderly persons.

4. As at end-December 2017, the social security system covered around 72% of the elderly population in Hong Kong, of which CSSA covered 11%, OALA covered 38%, OAA covered 20%³, and DA covered

¹ The multi-pillar model advocated by the World Bank does not require the presence of all five pillars. Instead, the World Bank stresses that a one-size-fits-all retirement protection system does not exist.

² Comprising OALA launched on 1 April 2013 (will be renamed as Normal OALA) and Higher OALA which will be launched on 1 June 2018 (please refer to paragraphs 8 to 10 below for details).

³ Excluding elderly beneficiaries of the Guangdong Scheme as most of them are not included in the Hong Kong resident population.

3% (please refer to the table below for details). The take-up rate of those aged 70 or above was even higher at 87%.

| Cash assistance provided to elderly persons | Monthly payment⁴ | Number of elderly recipients aged 65 or above |
|--|--|--|
| Means-tested | | |
| CSSA | \$6,394 ⁵ | about 142 000 |
| OALA | \$2,600 ⁶ | about 474 000 |
| Non-means-tested | | |
| OAA ⁷ | \$1,345 | about 246 000 |
| DA | \$1,720 (Normal DA) \$3,440 (Higher DA) | about 38 000 |
| Total | | about 900 000 (around 72% of the elderly population in Hong Kong) |

In 2018-19, the estimated recurrent expenditure under the social security system is \$52.2 billion (including \$39.2 billion for elderly persons aged 65 or above). All the aforementioned assistance programmes are non-contributory and entirely funded by the general revenue.

Elderly CSSA (Estimated Recurrent Expenditure for Elderly Persons Aged 65 or above in 2018-19: \$9.6 billion)

5. The CSSA Scheme provides a safety net for those who cannot support themselves financially so as to meet their basic needs. The amount of payment is the highest among all social security schemes. Although the CSSA Scheme is not specifically designed for elderly persons, more than 40% of CSSA recipients (or about 142 000; figures as at end-December 2017) were elderly persons aged 65 or above. Compared with able-bodied adults, higher standard rates, as well as a series of special grants and supplements are provided for elderly recipients under the CSSA Scheme to meet their basic and other special

⁴ The various social security payments are adjusted annually according to established mechanism. These amounts reflect the level starting from 1 February 2018.

⁵ It is roughly estimated that the average CSSA monthly assistance for an elderly singleton is \$6,394.

⁶ This is the payment rate of Normal OALA. The Government will implement the Higher OALA on 1 June 2018, the payment rate of which is \$3,485 per month.

⁷ Beneficiaries of OAA are eligible elderly persons aged 70 or above.

needs (such as special diet, medical items, community support, etc.). In addition, all CSSA recipients are exempted from fees for public healthcare services.

6. Given that the objective of CSSA is to help those who are unable to support themselves financially, the Scheme is means-tested. To ensure that limited resources are targeted towards the most needy persons, the criteria of the means test should not be lenient. Means tests are conducted on a household basis, in keeping with the concept of promoting mutual support among family members⁸. The existing asset limits (excluding owner-occupied property) under the CSSA Scheme for elderly singletons and two-person elderly households are \$47,500 and \$71,000 respectively; and the average CSSA monthly assistance for an elderly singleton is \$6,394.

7. Separately, the Social Welfare Department (SWD) administers the Portable CSSA Scheme in Guangdong and Fujian to provide cash assistance to elderly CSSA recipients who chose to retire in the two provinces⁹. As at end-December 2017, the Scheme was benefitting 1 387 elderly persons (including 1 258 and 129 elderly persons residing in Guangdong and Fujian respectively).

OALA (Estimated Recurrent Expenditure in 2018-19: \$24.1 billion)

8. To supplement the living expenses of elderly persons aged 65 or above who have financial needs, the Government launched OALA on 1 April 2013 (will be renamed as Normal OALA after the launch of Higher OALA on 1 June 2018). The means test for OALA is more lenient than that for CSSA. Owner-occupied property is not counted as asset; and financial support provided by applicants' family members is not counted as income. As at end-December 2017, there were about 474 000 elderly persons receiving OALA (\$2,600 per month), representing around 40% of elderly population aged 65 or above. The OALA is the social security programme that benefits most elderly persons.

⁸ Starting from February 2017, while maintaining the requirement that applications for CSSA must be made on a household basis, the Government abolished the arrangement for relatives concerned to make a declaration on whether they provide the elderly persons who apply for CSSA on their own (e.g. an elderly person who does not live with his/her children) with financial support (the so-called 'bad-son statement').

⁹ Elderly recipients under the Scheme may receive the monthly standard rates and annual long-term supplement. Depending on the elderly person's health condition, the current monthly payment under the Scheme ranges from around \$3,700 to \$6,100 per month.

9. In January 2017, the Government announced a series of measures to strengthen the retirement protection system¹⁰, which include strengthening support of the social security pillar for needy elderly persons. Specifically, the Government announced two enhancements to OALA –

- (i) relaxing the asset limits¹¹ of Normal OALA to benefit more elderly persons with financial needs; and
- (ii) introducing Higher OALA¹² to provide a higher allowance for elderly persons with more financial needs.

10. The Government relaxed the asset limits of Normal OALA on 1 May 2017¹³, and will launch Higher OALA on 1 June 2018 with retrospective effect from 1 May 2017¹⁴. According to the latest information (including the asset information declared by Normal OALA recipients), among the about 474 000 Normal OALA recipients, it is estimated that around 80% would meet the eligibility criteria for Higher OALA.

OAA (Estimated Recurrent Expenditure in 2018-19: \$4 billion)

11. The Government also provides the non-means-tested OAA to help elderly persons aged 70 or above to meet their special needs arising from old age. The payment rate is \$1,345 per month. As at end-December 2017, there were about 246 000 elderly persons receiving OAA.

¹⁰ Apart from strengthening the social security pillar, in order to alleviate the burden of medical expenses on elderly persons and their families, the Government has lowered the eligibility age for the Elderly Health Care Voucher from 70 to 65 with effect from 1 July 2017. More elderly persons are therefore receiving the vouchers at \$2,000 a year to use private primary care services. In addition, with effect from 15 July 2017, the medical fee waiver for public healthcare services has also been extended to OALA recipients aged 75 or above with more financial needs (i.e. those meeting the asset limits of Higher OALA as set out below).

¹¹ The monthly income limits remain unchanged. The current limit for elderly singletons is \$7,820; and that for elderly couples is \$12,770.

¹² The current (i.e. with effect from 1 February 2018) payment rate is \$3,485 per month. The payment rate before 1 February 2018 was \$3,435 per month.

¹³ The then asset limit for elderly singletons was raised from \$225,000 to \$329,000; and that for elderly couples was raised from \$341,000 to \$499,000. In accordance with the established mechanism, the limits were increased to \$334,000 for elderly singletons and \$506,000 for elderly couples with effect from 1 February 2018.

¹⁴ Eligible beneficiaries may be provided with a lump-sum retrospective payment counting from the effective date (1 May 2017) at the earliest.

Guangdong Scheme (Estimated Recurrent Expenditure in 2018-19: \$300 million)

12. The Government introduced the Guangdong Scheme on 1 October 2013 to provide OAA (\$1,345 per month) to Hong Kong elderly persons who have chosen to reside in Guangdong without the need to return to Hong Kong each year. Under the Scheme, elderly persons aged 70 or above may apply on a non-means-tested basis, whereas elderly persons aged 65 to 69 are subject to a means test (asset and income limits are the same as those applicable to Normal OALA; please refer to paragraphs 9 and 10 above for details). As at end-December 2017, there were about 16 000 Hong Kong elderly persons in Guangdong benefitting from the Scheme.

Fujian Scheme (Estimated Recurrent Expenditure in 2018-19: \$100 million)

13. In January 2017, the Government announced the introduction of the Fujian Scheme by making reference to the Guangdong Scheme so as to provide OAA (\$1,345 per month) to Hong Kong elderly persons who have chosen to reside in Fujian without the need to return to Hong Kong each year. Same as the Guangdong Scheme, elderly persons aged 70 or above may apply on a non-means-tested basis, whereas elderly persons aged 65 to 69 are subject to a means test (asset and income limits are the same as those applicable to Normal OALA; please refer to paragraphs 9 and 10 above for details). SWD will launch the Fujian Scheme on 1 April 2018.

DA (Estimated Recurrent Expenditure for Elderly Persons Aged 65 or above in 2018-19: \$1.1 billion)

14. The Government also provides the non-means-tested DA to help severely disabled persons to meet the special needs arising from their disabilities. The payment rate is \$1,720 per month (Normal DA) or \$3,440 per month (Higher DA¹⁵), which is above the level of OAA. While DA is not specially designed for elderly persons, about 38 000 elderly persons (figures as at end-December 2017) were receiving the allowance owing to their disabling conditions (including 22 000 receiving Normal DA and 16 000 receiving Higher DA).

¹⁵ In addition to meeting the eligibility criteria for the Normal DA (i.e. severely disabled and as a result needs substantial help from others to cope with daily life), recipients of Higher DA must also be assessed by doctors as in need of constant attendance in their daily life.

Advice Sought

15. Members are invited to note this paper.

Labour and Welfare Bureau
Social Welfare Department
March 2018