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**Legislative Council**

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**Panel on Welfare Services**

**Updated background brief prepared by the Legislative Council Secretariat  
for the meeting on 12 February 2018**

**Old Age Living Allowance**

**Purpose**

This paper gives a brief account of past discussions of the Council and its committees on Old Age Living Allowance ("OALA").

**Background**

2. The Chief Executive announced on 16 July 2012 the introduction of OALA as an additional form of financial assistance for elderly persons aged 65 or above who are in need of financial support. According to the Administration, OALA is to be distinguished from Comprehensive Social Security Assistance ("CSSA") because it seeks to supplement the living expenses of needy elderly persons aged 65 or above, not to be entirely relied upon for subsistence. Although by nature it is an allowance to meet special needs and is therefore placed under the Social Security Allowance ("SSA") Scheme, it is different from Disability Allowance ("DA") which targets persons with disabilities irrespective of age and means; and from Old Age Allowance ("OAA"),<sup>1</sup> the non-means-tested form of which (i.e. Higher OAA) will continue to be provided to elderly persons aged 70 or above. OALA applicants would be required to meet the same income and asset requirements as

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<sup>1</sup> There are two types of Old Age Allowance ("OAA"), namely, Normal OAA and Higher OAA. Elderly persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels are eligible for Normal OAA. Elderly persons aged 70 or above are eligible for Higher OAA without having to make means declarations.

Normal OAA. Same residence requirements for recipients of SSA and the "no double benefits" rule<sup>2</sup> also apply to OALA.

3. The Administration consulted the Panel on Welfare Services ("the Panel") on its proposal in mid-October 2012 before its submission to the Finance Committee ("FC") on 26 October 2012. The Panel was strongly dissatisfied with the unreasonably tight schedule because it required more time to consult the public on OALA and further discuss with the Administration in view of the wide public concern on the matter. The Panel Chairman, on behalf of the Panel, moved a motion to adjourn discussion on the relevant funding proposal at the FC meeting on 26 October 2012, so as to allow more time for the Panel to deliberate on the proposal. The motion was passed by FC. The Panel subsequently held two more meetings to receive views of deputations and meet with the Administration on the proposal.

4. FC approved the funding proposal for OALA at its meeting on 7 December 2012. OALA was launched on 1 April 2013 and the initial rate of OALA was set at \$2,200 per month. According to the Administration, to maintain the purchasing power of OALA, the payment rate will be adjusted annually according to the SSA Index of Prices, i.e. following the established rate of adjustment mechanism for OAA, DA and the standard rates of CSSA. The current rate of OALA is set at \$2,565 per month.

## **Deliberations by Members**

### Income and assets assessment

5. Some Members opined that as Higher OAA recipients who were elderly persons aged 70 or above were non-means-tested, the same waiver should also be given to OALA applicants in this age group. These Members also suggested that the waiver should also be extended to the other OALA applicants aged 65 to 69. Some other Members, however, considered the means test necessary but suggested that the asset limit should be increased. The Administration advised that OALA aimed at alleviating poverty and

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<sup>2</sup> It is the Government's established policy that a person may only apply for either Comprehensive Social Security Assistance ("CSSA"), OAA or Disabilities Allowance ("DA") even if he/she satisfies the eligibility criteria for more than one of them. This is to avoid paying double benefits to an individual at the same time, and would help ensure the sustainability of the social security system. As Old Age Living Allowance ("OALA") is a new form of financial assistance that works in parallel with existing ones for different beneficiaries, the "no double benefits" rule should also apply. In other words, OALA beneficiaries cannot at the same time receive CSSA, OAA or DA.

supplementing Hong Kong's living expenses for elderly persons aged 65 or above who were in need of financial support. As such, its applicants must meet the income and asset requirements. If all Hong Kong people aged 70 or above were to be eligible for OALA irrespective of their financial means, the additional expenditure in the first year (in full-year terms) was estimated to immediately soar from around \$6.2 billion to almost \$10 billion. If this arrangement applied to all those aged 65 or above, the extra cost would rise to a staggering \$13.6 billion. With a fast growing elderly population, the burden of OALA expenditure on public finance was bound to increase drastically over time and at the same time crowd out other Government expenditures (including welfare-related expenditures) required to cope with an ageing population.

### Residence requirements

6. Noting that a special one-off arrangement was introduced under the Guangdong Scheme<sup>3</sup> to waive the one-year-continuous-residence requirement for its applicants, some Members enquired whether the same would be arranged for OALA applicants. These Members also asked whether OALA would be provided under the Guangdong Scheme and the Fujian Scheme.<sup>4</sup> The Administration advised that the residence requirements for SSA allowed considerable freedom for the recipients (in particular OAA beneficiaries), who had very diverse backgrounds and travelling needs, to be away from Hong Kong for various reasons. In 2011, the Administration had further relaxed the absence limit such that SSA recipients could receive full-year payment if they had stayed in Hong Kong for at least 60 days in a payment year. These requirements should also apply to OALA recipients. The Administration had no plan to provide OALA for participants of the Guangdong Scheme and Fujian Scheme at the moment.

### Sustainability of Old Age Living Allowance

7. At its meeting on 26 January 2017, the Panel was briefed on the policy initiatives on welfare services as set out in the 2017 Policy Address which included, inter alia, the following enhancement measures for OALA which

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<sup>3</sup> The Guangdong Scheme provides OAA, on a monthly basis, for eligible Hong Kong elderly persons who choose to reside in Guangdong, to meet their special needs arising from old age. A Guangdong Scheme recipient will be entitled to a full year allowance if he/she satisfies the minimum residence period of 60 days in Guangdong in a payment year (the rate of OAA is HK\$1,325 per month effective from 1 February 2017).

<sup>4</sup> According to the Administration, the Fujian Scheme will be launched in the second quarter of 2018 at the earliest. The Fujian Scheme provides OAA on a monthly basis for eligible Hong Kong elderly persons who choose to reside in Fujian to meet their special needs arising from old age. The Panel on Welfare Services will be briefed on details of the Fujian Scheme at its regular meeting in March 2018.

sought to strengthen the support of the social security pillar<sup>5</sup> for elderly persons:

- (a) adding a higher tier of assistance by providing a higher monthly allowance of \$3,435 per person ("Higher OALA") (about one-third higher than the existing rate) for elderly persons with more financial needs who were eligible for OALA, i.e. elderly singletons with assets not exceeding \$144,000 or elderly couples with assets not more than \$218,000; and
- (b) relaxing the asset limits under OALA from \$225,000 to \$329,000 for elderly singletons and from \$341,000 to \$499,000 for elderly couples (with effect from 1 May 2017).

According to the Administration, around 500 000 elderly persons would benefit from the enhancement measures in the first year of implementation, and the coverage of OALA would increase to 47% of elderly persons. Counting in CSSA as well as the non-means-tested OAA and DA, the social security pillar would in the first year cover nearly 910 000 or 74% of elderly persons.

8. Some Members expressed concern that the enhancement measures would not alleviate poverty as most of the grass-roots could not benefit from them. The low asset limits of OALA might limit the number of beneficiaries and the social security pillar, which only covered around 74% of elderly persons, was not adequate in providing retirement protection. Some other Members were concerned that the proposed enhancement measures would take the place of a universal retirement protection scheme and might impact on the affordability and sustainability of public finance until 2064-2065. They were of the view that instead of providing piecemeal financial assistance to the elderly, the Administration should formulate long-term plans to help the needy elderly. They called on the Administration to implement a financially sustainable universal retirement protection scheme with tripartite contributions.

9. According to the Administration, the additional annual expenditure involved would be around \$11.3 billion on average from the first year of full implementation of the proposed enhancement measures to 2064-2065. The

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<sup>5</sup> The social security pillar (also called pillar 0) is one of the four pillars of Hong Kong's retirement protection system which adopts the World Bank's multi-pillar approach. The pillar is a multi-tiered social security system. The other three pillars are the Mandatory Provident Fund and other occupation-based retirement savings schemes (pillar 2), voluntary savings (pillar 3), as well as public services, family support and personal assets (pillar 4). Hong Kong's retirement protection system does not have pillar 1 which refers to publicly-managed mandatory contributory plans under the World Bank's multi-pillar model.

proposal accounted for around one fifth of the expenditure of a universal retirement protection scheme as proposed by the academics and could be implemented immediately without a tax increase. Hong Kong should continue to adopt a multi-pillar retirement protection model<sup>6</sup> which comprised four pillars that were complementary to one another in serving the various needs of different groups of elderly persons. Each of the existing pillars should be strengthened while maintaining the sustainability and financial viability of the system. In terms of the social security pillar, OALA was more relaxed as far as income and asset requirements were concerned when compared to those of CSSA and benefited around 37% of the elderly population.

10. The Panel passed a motion at its meeting on 26 January 2017 opposing the Administration's use of the \$50 billion set aside for retirement protection to address the "offsetting" issue of the Mandatory Provident Fund and enhance OALA. Members strongly requested the Administration to reserve the \$50 billion as dedicated funding for universal retirement protection.

### **Latest development**

11. According to the Administration, Higher OALA (\$3,435 per month at 2017 level) will be provided for those referred to in paragraph 7(a) above in mid-2018 and the payment will take retrospective effect from 1 May 2017. The Panel will be briefed on the implementation of enhanced OALA at its meeting on 12 February 2018.

### **Relevant papers**

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

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<sup>6</sup> Please see Footnote 5 for an explanation of Hong Kong's multi-pillar retirement protection model.

## Appendix

### Relevant papers on Old Age Living Allowance

| Committee                 | Date of meeting               | Paper  |
|---------------------------|-------------------------------|--|
| Panel on Welfare Services | 8 November 2010<br>(Item IV)  | <a href="#">Agenda</a><br><a href="#">Minutes</a>  |
| Legislative Council       | 13 April 2011                 | <a href="#">Official Record of proceedings (Pages 16 - 18)</a>                               |
| Panel on Welfare Services | 10 July 2012<br>(Item III)    | <a href="#">Minutes</a>  |
| Legislative Council       | 16 July 2012                  | <a href="#">Official Record of Proceedings (Pages 5 - 13)</a>                                |
| Panel on Welfare Services | 16 October 2012<br>(Item III) | <a href="#">Minutes</a>  |
| Panel on Welfare Services | 22 October 2012<br>(Item I)   | <a href="#">Agenda</a><br><a href="#">Minutes</a>  |
| Panel on Welfare Services | 25 October 2012<br>(Item I)   | <a href="#">Agenda</a><br><a href="#">Minutes</a>  |
| Panel on Welfare Services | 29 October 2012<br>(Item I)   | <a href="#">Agenda</a><br><a href="#">Minutes</a>  |
| Panel on Welfare Services | 12 November 2012<br>(Item VI) | <a href="#">Agenda</a><br><a href="#">Minutes</a>  |
| Panel on Welfare Services | 26 January 2017<br>(Item I)   | <a href="#">Agenda</a><br><a href="#">Minutes</a>  |
| Panel on Welfare Services | 24 October 2017<br>(Item I)   | <a href="#">Agenda</a><br><a href="#">Minutes</a>  |
| Legislative Council       | 10 January 2018               | <a href="#">Oral question (No. 2) on "Provision of financial assistance for the elderly"</a> |

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