

## ITEM FOR FINANCE COMMITTEE

### **HEAD 170 – SOCIAL WELFARE DEPARTMENT**

#### **Subhead 179 Comprehensive social security assistance scheme**

#### **Subhead 180 Social security allowance scheme**

#### **Subhead 700 General non-recurrent**

#### **Item 809 Special Scheme of Assistance to the Unemployed**

Members are invited to –

- (a) approve a 2.7% increase in the 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 2021;
- (b) note the financial implications of an extra \$1,448 million each year arising from item (a) above; and
- (c) approve the extension of Item 809 Special Scheme of Assistance to the Unemployed under Head 170 Social Welfare Department Subhead 700 General non-recurrent to implement the time-limited arrangement for six months from 1 April to 30 September 2021, under which the total cash value of insurance policies of able-bodied applicants of the Comprehensive Social Security Assistance will be disregarded as assets, with the expenditure to be met by existing provisions.

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<sup>1</sup> The standard payment rates under the Comprehensive Social Security Assistance (CSSA) Scheme include standard rates, supplements and the monthly meal allowance under the special grants category.

## PROBLEM

The standard payment rates under the CSSA Scheme and the rates of allowances under the Social Security Allowance (SSA) Scheme are due for adjustment according to the existing mechanism. Moreover, the Government needs to implement the time-limited arrangement announced in the ‘Chief Executive’s 2020 Policy Address’, under which the total cash value of insurance policies of able-bodied CSSA applicants will be disregarded as assets to further support the unemployed.

## PROPOSAL

Encl. 1 2. We propose that, with effect from 1 February 2021, the standard payment rates under the CSSA Scheme as well as the rates of the Old Age Allowance (OAA), Old Age Living Allowance (OALA)<sup>2</sup> and Disability Allowance (DA) under the SSA Scheme should be increased by 2.7%. The CSSA and SSA rates after the proposed increase are set out at Enclosure 1. In addition, we propose to extend Item 809 Special Scheme of Assistance to the Unemployed under Head 170 Social Welfare Department Subhead 700 General non-recurrent to implement the time-limited arrangement for six months from 1 April to 30 September 2021, under which the total cash value of insurance policies of able-bodied CSSA applicants will be disregarded as assets, with the expenditure to be met by existing provisions.

## JUSTIFICATION

### **Adjustment to the standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme**

3. In accordance with the established adjustment mechanism, the Government will take into account the inflation or deflation as reflected by the Social Security Assistance Index of Prices (SSAIP)<sup>3</sup> for the past 12 months (i.e. from 1 November of a year to 31 October of the following year) and adjust the standard payment rates under the CSSA Scheme and the rates of allowances under the SSA Scheme (namely OAA, OALA and DA) on an annual basis.

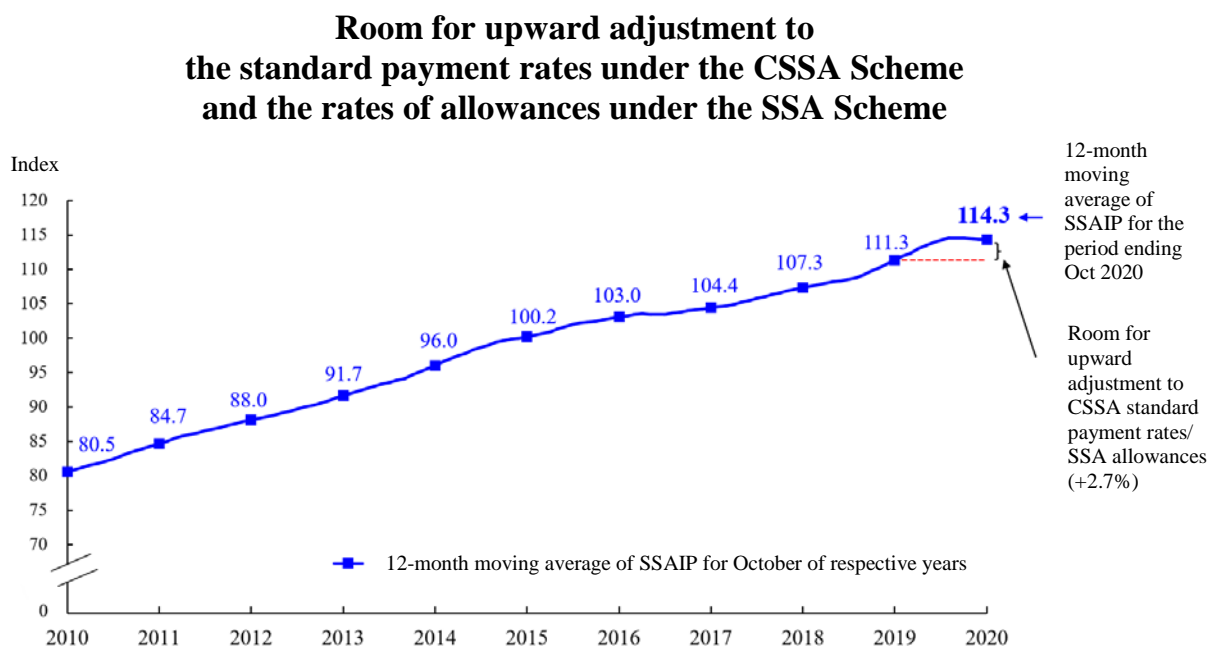
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<sup>2</sup> In this paper, OAA and OALA cover the Guangdong (GD) Scheme and the Fujian (FJ) Scheme. These schemes provide OAA and OALA on a monthly basis for eligible Hong Kong elderly people who choose to reside in GD or FJ.

<sup>3</sup> 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 the Consumer Price Indices compiled by the C&SD, except items which are covered by special grants under the CSSA Scheme or provided free by the Government.

4. As shown in the chart below, the 12-month moving average of the SSAIP for the period ending October 2020 registered a cumulative increase of 2.7% when compared with the average figure ending October 2019. We therefore propose to increase the standard payment rates under the CSSA Scheme and the rates of OAA, OALA and DA under the SSA Scheme by 2.7% with effect from 1 February 2021. Subject to the approval of the Finance Committee (FC), Social Welfare Department (SWD) will adjust its computer system for the implementation of the new rates in February 2021.



5. Separately, the 'Chief Executive's 2019 Policy Address' announced a series of CSSA improvement measures. These measures included increasing the maximum rent allowance (MRA) significantly (details set out in paragraph 12 below), raising the maximum level of the monthly disregarded earnings substantially, strengthening employment support services, extending a range of supplement and special grants (including the Community Living Supplement, the monthly telephone grant, the grants to cover the cost of spectacles and dental treatment, etc.) to eligible non-elderly able-bodied recipients, etc. The FC approved the relevant proposal on 29 May 2020. Among other things, the highest rate of increase of the rent allowance was 27%. The relevant increase has already been implemented since 1 July 2020, and helped to immediately reduce the number of CSSA households who are living in rented private housing and paying a rent which exceeded the MRA. Besides, the Consumer Price Index (A) rent index for private housing compiled by the C&SD on a monthly basis has recorded a month-to-month decrease since April 2020, reflecting a drop in the market rent level. Measures on

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strengthening employment support services and extending the Community Living Supplement were implemented in April and August 2020 respectively. The Government will continue to implement the remaining CSSA improvement measures as soon as possible.

### **Special Scheme of Assistance to the Unemployed**

6. Having considered the unprecedented challenges posed by the Coronavirus Disease 2019 in Hong Kong, the FC approved on 18 April 2020 the funding proposal for the second round of anti-epidemic measures announced by the Chief Executive on 8 April 2020. These measures included the introduction of a time-limited Special Scheme of Assistance to the Unemployed (Special Scheme) through the CSSA system, under which SWD temporarily relaxed the CSSA asset limits for able-bodied persons by 100% for a period of six months from 1 June 2020 to 30 November 2020. On 28 September 2020, approval was obtained from the FC for the third round of anti-epidemic measures which included extending the Special Scheme for a further period of six months (i.e. from 1 December 2020 to 31 May 2021). In other words, the asset limits will be restored to the normal level on 1 June 2021. Furthermore, under the existing CSSA arrangement, the value of an owner-occupied residential property of households with able-bodied persons will be disregarded for a grace period of the first 12 months. This grace period also applies to able-bodied persons supported under the aforesaid 12-month measures for the unemployed.

7. In the ‘Chief Executive’s 2020 Policy Address’, another time-limited new arrangement under the Special Scheme has been announced to help more unemployed persons tide over their economic difficulties. Specifically, during the six-month period from 1 April to 30 September 2021, the cash value of insurance policies of able-bodied CSSA applicants will be disregarded as assets during the grace period of one year. In other words, for unemployed CSSA applicants whose applications are submitted within the six-month period of the new arrangement, all insurance policies owned by them, irrespective of the cash value, will be disregarded for the asset test during the one-year grace period. SWD will carefully consider the extent of assets owned by CSSA applicants and their household members within one year prior to their applications in processing the CSSA applications, so as to ensure that they are in genuine financial needs and fulfill the requirements under the financial tests of the CSSA Scheme. SWD will continue to process all CSSA applications according to established procedures to guard against abuse.

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## FINANCIAL IMPLICATIONS

### Adjustment to the standard payment rates under the CSSA Scheme and the rates of allowance under the SSA Scheme

8. Based on the latest caseload, we estimate that the total increase in recurrent expenditure arising from the proposal will be about \$1,448 million per year, with breakdown as follows –

		<b>\$ million</b>
(a)	2.7% increase in CSSA standard payment rates	456
(b)	2.7% increase in OAA rate	138
(c)	2.7% increase in OALA rates	738
(d)	2.7% increase in DA rates	116
	<b>Total</b>	<b>1,448</b>

9. Regarding the time-limited arrangement under which the total cash value of insurance policies of able-bodied CSSA applicants will be disregarded as assets, the expenditure will be met by the approved commitment under Head 170 SWD Subhead 700 General non-recurrent Item 809. No additional provision is required.

## PUBLIC CONSULTATION

10. On 23 November 2020, we briefed the Panel on Welfare Services of the Legislative Council on the proposed annual adjustment of social security payment rates in accordance with the established mechanism. The Panel supported in principle the submission of the funding proposal to the FC. On 30 December 2020, we also briefed the Panel on the aforementioned proposed time-limited arrangement under which the cash value of insurance policies of able-bodied CSSA applicants will be disregarded as assets. Members had no objection to the submission of the proposal to the FC.

## BACKGROUND

11. An explanatory note on the CSSA Scheme and the SSA Scheme is attached at Enclosure 2 for Members' reference. The Government adjusts the standard payment rates under the CSSA Scheme and the rates of allowances under

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the SSA Scheme each year, having regard to movements of the SSAIP. The SSAIP has a weighting system which reflects CSSA recipients' expenditures on individual categories of goods and services as a proportion of their total expenditures. It is compiled using the data from the Household Expenditure Survey on CSSA Households. By applying these weights in the calculation of the SSAIP, the impact of price changes on CSSA recipients will be illustrated more accurately. The weighting system is updated every five years to capture the latest expenditure pattern of CSSA recipients. In the latest updating exercise, 2014-15 was adopted as the new base year.

12. The special grants and financial limits under the CSSA Scheme and the SSA Scheme (including the MRA under the CSSA Scheme) are adjusted annually under delegated authority in accordance with changes to the relevant price indices. It is noteworthy that the 12-month moving average of the rent index for the period ending October 2020 indicates that there is still room for increasing the MRA by 1.6%. The following table sets out the MRA levels as at February 2020, as well as the levels incorporating the one-off increase in the MRA with effect from 1 July 2020 and the upward adjustment of 1.6% with reference to the figures for the period ending October 2020, with increases ranging from 4% to 29% –

<b>Eligible household members</b>	<b>Level as at February 2020</b>	<b>Level incorporating the one-off increase with effect from 1 July 2020 and the upward adjustment of 1.6% with reference to the figures for the period ending October 2020</b>	<b>Increase (Percentage)</b>
1	\$1,945	\$2,515	\$570 (+29%)
2	\$3,915	\$4,440	\$525 (+13%)
3	\$5,115	\$5,330	\$215 (+4%)
4	\$5,445	\$6,005	\$560 (+10%)
5	\$5,460	\$6,695	\$1,235 (+23%)
6 or above	\$6,820	\$7,800	\$980 (+14%)

**Standard Payment Rates  
under the Comprehensive Social Security Assistance (CSSA) Scheme  
and the Rates of Allowances  
under the Social Security Allowance (SSA) Scheme after the Adjustment**

**CSSA Scheme**

**A. Standard rates**

**1. *Elderly persons and non-able-bodied recipients***

	Existing (per month) (\$)		Proposed (per month) (\$)	
	Single person	Family member	Single person	Family member
<b>(a) Elderly person</b>				
Able-bodied/ 50% disabled	3,715	3,495	<b>3,815</b>	<b>3,590</b>
100% disabled	4,490	3,970	<b>4,610</b>	<b>4,075</b>
Requiring constant attendance	6,315	5,790	<b>6,485</b>	<b>5,945</b>
<b>(b) Ill-health/ Disabled adult</b>				
Ill-health/ 50% disabled	3,715	3,495	<b>3,815</b>	<b>3,590</b>
100% disabled	4,490	3,970	<b>4,610</b>	<b>4,075</b>
Requiring constant attendance	6,315	5,790	<b>6,485</b>	<b>5,945</b>
<b>(c) Disabled child</b>				
50% disabled	4,175	3,635	<b>4,290</b>	<b>3,735</b>
100% disabled	4,950	4,425	<b>5,085</b>	<b>4,545</b>
Requiring constant attendance	6,770	6,250	<b>6,955</b>	<b>6,420</b>

2. *Able-bodied recipients*

	Existing (per month) (\$)	Proposed (per month) (\$)
<b>(a) Adult</b>		
<i>Single parent/Family carer</i>		
- in a family comprising not more than two able-bodied adults/children	2,840	<b>2,915</b>
- in a family comprising three able-bodied adults/children	2,565	<b>2,635</b>
- in a family comprising four or more able-bodied adults/children	2,275	<b>2,335</b>
<i>Others</i>		
Single person	2,615	<b>2,685</b>
Family member		
- in a family comprising not more than two able-bodied adults/children	2,330	<b>2,395</b>
- in a family comprising three able-bodied adults/children	2,105	<b>2,160</b>
- in a family comprising four or more able-bodied adults/children	1,875	<b>1,925</b>
<b>(b) Child</b>		
Single person	3,145	<b>3,230</b>
Family member		
- in a family comprising not more than two able-bodied adults/children	2,605	<b>2,675</b>
- in a family comprising three able-bodied adults/children	2,335	<b>2,400</b>
- in a family comprising four or more able-bodied adults/children	2,090	<b>2,145</b>

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## B. Supplements

	Existing (\$)	Proposed (\$)
1. Annual long-term supplement (for those who are old, disabled or medically certified to be in ill-health, and who have received CSSA continuously for 12 months or more)		
Family with one such eligible member	2,320	<b>2,385</b>
Family comprising two or more eligible members	4,640	<b>4,765</b>
2. Monthly single parent supplement	370	<b>380</b>
3. Monthly community living supplement (for recipients who are old, disabled or medically certified to be in ill-health and not living in homes, or able-bodied adult recipients aged between 60 and 64)	350	<b>360</b>
4. Monthly residential care supplement (for recipients who are old, disabled or medically certified to be in ill-health and living in non-subsidised homes)	350	<b>360</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)	295	<b>305</b>
6. Monthly employment support supplement (for able-bodied adult recipients aged between 60 and 64)	1,100	<b>1,130</b>

## C. Special grants

	Existing (per month) (\$)	Proposed (per month) (\$)
Meal allowance (for students attending full-day school and taking lunch away from home)	310	<b>320</b>

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**SSA Scheme**

<b>A.</b>	<b>Old Age Allowance (OAA) <sup>1</sup></b>	<b>1,435</b>	<b>1,475</b>
<b>B.</b>	<b>Old Age Living Allowance (OALA) <sup>2</sup></b>		
1.	Normal OALA	2,770	<b>2,845</b>
2.	Higher OALA	3,715	<b>3,815</b>
<b>C.</b>	<b>Disability Allowance (DA)</b>		
1.	Normal DA	1,835	<b>1,885</b>
2.	Higher DA <sup>3</sup>	3,670	<b>3,770</b>
3.	Transport supplement (for those aged between 12 and 64)	295	<b>305</b>

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<sup>1</sup> Same as the monthly rate of OAA provided under the Guangdong (GD) Scheme and the Fujian (FJ) Scheme.

<sup>2</sup> Same as the monthly rate of OALA provided under the GD Scheme and the FJ Scheme.

<sup>3</sup> The rate of Higher DA is set at twice the amount of that of Normal DA and will be \$3,770 per month after adjustment (i.e. \$1,885 x 2).

## **Comprehensive Social Security Assistance (CSSA) Scheme and Social Security Allowance (SSA) Scheme**

### **Introduction**

The CSSA Scheme provides a safety net for those who cannot support themselves financially to help them meet their basic needs. The SSA Scheme provides monthly allowance to severely-disabled and elderly persons to help them meet special needs arising from severe disabilities or old age. Both Schemes are non-contributory. A person may only apply for either assistance under the CSSA Scheme or one of the allowances under the SSA Scheme.

### **Eligibility and Payment**

#### *The CSSA Scheme*

2. The amount of assistance under the CSSA Scheme is determined by the assessable 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 recognised 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 recipients with an incentive to work and receive training/retraining.

3. The 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 CSSA Scheme provides various supplements to recipients with special needs, such as elderly persons, persons with disabilities or in ill-health, single parents and able-bodied adult recipients aged 60 to 64. 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.

4. Elderly persons 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 Guangdong (GD) or Fujian (FJ).

5. As at the end of November 2020, there were 319 884 recipients under the CSSA Scheme. The estimated expenditure of CSSA for 2020-21 is \$22 billion<sup>1</sup>, representing 4.5% of the estimated total recurrent Government expenditure.

### *The SSA Scheme*

6. Five allowances are payable on a monthly basis under the SSA Scheme as follows –

- (a) Old Age Allowance (OAA) (\$1,435): non-means-tested allowance for elderly persons aged 70 or above<sup>2</sup>.
- (b) Normal Old Age Living Allowance (OALA) (\$2,770): means-tested allowance for elderly persons aged 65 or above who are in need of financial support<sup>3</sup>.
- (c) Higher OALA (\$3,715): means-tested allowance for elderly persons aged 65 or above who have more financial need<sup>4</sup>.
- (d) Normal Disability Allowance (DA) (\$1,835): non-means-tested allowance for severely-disabled persons.
- (e) Higher DA (\$3,670): non-means-tested allowance for severely-disabled persons who require constant attendance from others in their daily life, but are not receiving such care in residential homes 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.

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<sup>1</sup> The figure for 2020-21 is the approved provision in the Budget for that year, and does not include the one-off supplementary provision for extra standard rate payment to CSSA recipients.

<sup>2</sup> Same as the monthly rate of OAA provided under the GD Scheme and the FJ Scheme.

<sup>3</sup> Same as the monthly rate of Normal OALA provided under the GD Scheme and the FJ Scheme.

<sup>4</sup> Same as the monthly rate of Higher OALA provided under the GD Scheme and the FJ Scheme.

7. As at the end of November 2020, there were 1 057 825 recipients under the SSA Scheme. Of these recipients, 292 592 were OAA recipients, 608 165 were OALA recipients (including 50 525 Normal OALA recipients and 557 640 Higher OALA recipients) and 157 068 were DA recipients (including 139 026 Normal DA recipients and 18 042 Higher DA recipients). The estimated expenditures of OAA, OALA and DA for 2020-21<sup>5</sup> are \$5 billion, \$27.5 billion and \$4.2 billion respectively, representing 1.0%, 5.7% and 0.9% of the estimated total recurrent Government expenditure.

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<sup>5</sup> The figures for 2020-21 are the approved provisions in the Budget for that year, and do not include the one-off supplementary provision for extra allowance to SSA recipients.