

## **Provision of disregarded earnings (DE) under the Comprehensive Social Security Assistance (CSSA) Scheme**

The provision of DE under the CSSA Scheme aims to encourage CSSA recipients to find and maintain employment. DE refers to the earnings from employment that are disregarded when assessing the amount of assistance payable to a CSSA recipient.

### **BACKGROUND**

#### *Improvement to DE in 2003*

2. Arising from a review carried out by the Social Welfare Department (SWD) in 2002, the Administration recommended and Legislative Council later approved that the following changes to the DE arrangements should be made :

- (a) the maximum level of monthly DE should be raised from \$1,805 to \$2,500 and its 'no-deduction' limit should be raised from \$451 to \$600 for all categories of recipients subject to (b); and
- (b) no DE should be provided in the initial determination of eligibility, and in cases which have been on CSSA for less than three months.

3. The changes were introduced on 1 June 2003 as part of a package of intensified Support for Self-reliance (SFS) measures to help employable CSSA recipients move towards self-reliance. A summary of the intensified SFS measures is at *Annex A*.

### **CURRENT ARRANGEMENTS**

#### *Eligibility requirement for DE*

4. All categories of recipients in cases which have been on CSSA for not less than three months are eligible for DE benefits.

#### *DE benefits*

5. CSSA recipients meeting the eligibility requirement are entitled to the following DE benefits:

**(A) Monthly DE**

Monthly earnings from employment can be partially disregarded up to a maximum of \$2,500 per month, calculated as follows:

<u>Earnings</u>	<u>Level of disregard</u>	<u>Maximum amount to be disregarded</u>
First \$600	100%	\$600
Next \$3,800	50%	\$1,900
\$4,400 or above	The first \$600 and half of next \$3,800	\$2,500

(Two case examples are provided at [Annex B](#).)

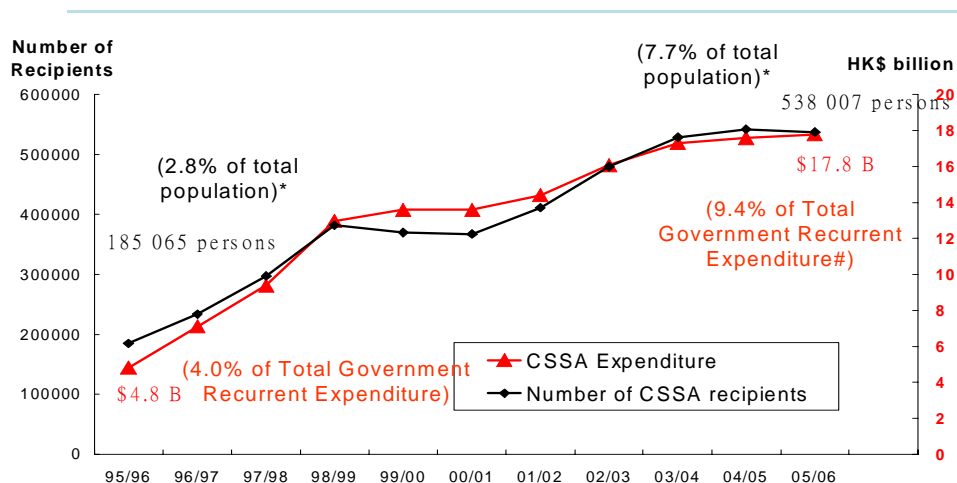
**(B) Total disregard of the first month's income**

The first month's income earned from a new job can be totally disregarded on condition that the recipient has not benefited from this provision during the past two years.

**KEY STATISTICS AND TRENDS****CSSA Recipients and Expenditure**

6. Overall, the number of CSSA recipients increased from 140 400 in 1994-95 to 538 007 in 2005-06, and the associated expenditure on this item increased from \$3.4 billion to \$17.8 billion. CSSA expenditure as a percentage of total government recurrent expenditure increased from 3.2% to 9.4% over the same period. The overall CSSA expenditure and the total number of recipients in the past 10 years are shown in Chart 1.

Chart 1. Overall CSSA expenditure and total number of recipients in the past decade



Notes : \* Figures refer to end 1995 and end 2005 respectively.

# The figure on total government recurrent expenditure in compiling the ratio refers to Revised Estimates.

*DE*

7. The total amount of CSSA recipients' earnings that were disregarded increased significantly from \$298.9 million in 2001-02 (equivalent to 2.1% of total CSSA expenditure) to \$830.7 million (equivalent to 4.7% of total CSSA expenditure) in 2005-06, up 531.8 million or 178%. Over the same period, by comparison, total CSSA expenditure increased by 23.3%.

8. As at March 2006, 37 943 CSSA recipients benefited from DE. These included 25 335 able-bodied low-income recipients, whose average monthly income was \$4,688. 56% of these low-income recipients benefited from the maximum monthly DE. The age and status profiles of the CSSA recipients who are benefiting from DE are shown in the pie charts below:

Chart 2. Age of the CSSA recipients who are benefiting from DE

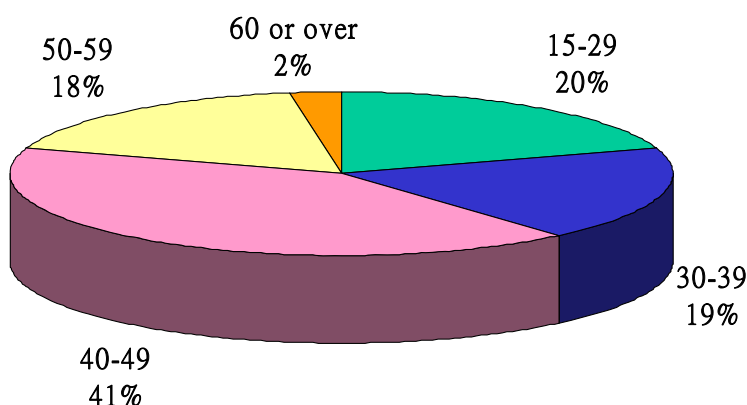
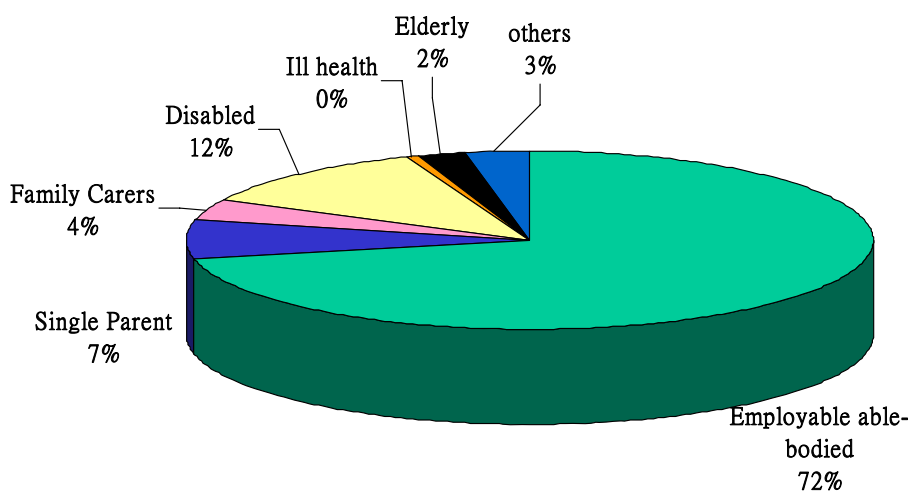


Chart 3. Status of the CSSA recipients who are benefiting from DE



***Disposable income***

9. In accordance with CSSA rates as from 1 February 2006, the estimated monthly disposable incomes (i.e. CSSA + income from employment) of 'low earnings' cases are:

<u>Household size</u> <sup>(Note)</sup>	<u>Estimated average monthly disposable income</u>
Single persons	\$3,490
2-persons households	\$5,937
3-persons households	\$8,255
4-persons households	\$9,972
5-persons households	\$11,873

Note: Only eligible members are counted

***Duration of receipt***

10. Duration of receipt of CSSA by able-bodied low-income CSSA recipients and able-bodied unemployed CSSA recipients are shown in the tables below:

Duration of receiving CSSA of the able-bodied low-income CSSA recipients

	<b>As at Mar 2003 (%)</b>	<b>As at Mar 2004 (%)</b>	<b>As at Mar 2005 (%)</b>
Duration of receipt of CSSA			
< 6 months	13.6%	7.6%	5.2%
6 - < 12 months	16.4%	16.1%	8.3%
1 - < 2 years	18.9%	22.1%	20.0%
2 - < 3 years	10.4%	13.7%	18.7%
3 years and above	40.8%	40.5%	47.8%
Median length (months)	25	27	35

Duration of receiving CSSA of the able-bodied unemployed CSSA recipients

	<b>As at Mar 2003 (%)</b>	<b>As at Mar 2004 (%)</b>	<b>As at Mar 2005 (%)</b>
Duration of receipt of CSSA			
< 6 months	20.8%	14.4%	11.7%
6 - < 12 months	17.9%	17.7%	10.1%
1 - < 2 years	18.7%	21.3%	19.3%
2 - < 3 years	8.6%	13.0%	16.4%
3 years and above	34.0%	33.6%	42.4%
Median length (months)	18	22	31

## Summary of the Intensified Support for Self-reliance (SFS) measures

A package of intensified SFS measures has been rolled out since 1 June 2003 mainly to encourage and assist employable able-bodied CSSA recipients to move towards self-reliance. These measures included:

- (a) enhancing the Active Employment Assistance (AEA) programme under the SFS Scheme;
- (b) enhancing the Community Work (CW) programme under the SFS Scheme;
- (c) commissioning non-governmental organizations (NGOs) to run Intensive Employment Assistance Projects (IEAPs) for employable CSSA recipients and the 'near-CSSA' unemployed<sup>1</sup>; and
- (d) enhancing the provision of disregard earnings (DE) under the CSSA Scheme to provide more financial incentives to work.

### Enhanced AEA programme

2. The main features of the enhanced AEA programme are as follows:
- (a) To provide more targeted assistance including job matching where possible and referrals to intensive employment assistance projects;
  - (b) to provide post-placement services for those having secured employment; and
  - (c) to strictly enforce sanction against those who fail to fulfill their job search obligations.

### Enhanced CW programme

3. The main features of the enhanced CW programme are as follows:
- (a) to arrange unemployed CSSA recipients to perform community work for one day (or two half-days) a week for a period of six months within the first three months of their entry to the system;

---

<sup>1</sup> These refer to those who are likely to turn to CSSA if no additional help is given to help them to find work and to develop their capacity for self-reliance.

- (b) to arrange those having joined the AEA programme for 12 months or longer to perform community work for three days a week for a period of six months<sup>2</sup>; and
- (c) to strictly enforce sanctions against those who fail to meet their CW obligations without good cause.

### **IEAPs**

4. SWD has secured \$200 million from the Lotteries Fund and the Hong Kong Jockey Club Charities Trust to commission NGOs to run IEAPs for employable CSSA recipients and the 'near-CSSA' unemployed to assist them to remove work barriers, enhance their employability and get back to work through a range of activities such as job matching, job skills training, employment counseling and post-employment support. 'Temporary Financial Aid' is provided to needy participants to tide them over short-term financial hardship or to meet employment-related expenses. SWD's plan is to launch 105 projects over four years by three annual batches of 40, 30 and 35 from October 2003.

### **Enhanced DE**

5. The following changes to the provision of DE have been implemented since June 2003 :

- (a) Allowing no DE for all categories of recipients in the initial determination of eligibility and in cases which have been on CSSA for less than three months; and
- (b) raising the maximum level of monthly DE from \$1,805 to \$2,500 and its 'no-deduction' limit from \$451 to \$600 for all categories of recipients in cases which have been on CSSA for at least three months since 1 June 2003 or thereafter.

---

<sup>2</sup> Those who have completed the six-month community work will be put on the waiting list again.

**Example 1: The recipient benefiting from the maximum DE**

A 4-member family comprises the unemployed able-bodied applicant, his wife who is a homemaker, and two children studying in secondary schools. The monthly assistance payable to this incomeless family is \$8,500. After relying on CSSA for half a year, the applicant finds a full time job with a monthly salary of \$5,000. As his first month's income earned from a new job can be totally disregarded, the first month's salary received by him does not affect the amount of assistance payable to the family (i.e. \$8,500). The total monthly income of the family starting from the following month is:

<b>Recognized needs under CSSA</b>	\$8,500
<b>Minus</b>	
<b>Assessable income</b>	\$2,500
monthly income – maximum amount of DE (i.e. \$5,000-\$2,500)	
<b>= Assistance payable</b>	\$6,000
<b>Total family income</b>	
= earnings from employment + CSSA payment (i.e. \$5,000 + \$6,000)	<b><u>\$11,000</u></b>

**Example 2: The recipient benefiting from monthly DE of less than \$2,500**

The same family where the applicant after receiving CSSA for half a year successfully finds a part time job with a monthly salary of \$2,000. As his first month's income earned from a new job can be totally disregarded, the first month's salary received by him does not affect the amount of assistance payable to the family (i.e. \$8,500). The total monthly income of the family starting from the following month is:

<b>Recognized needs under CSSA</b>	\$8,500
<b>Minus</b>	
<b>Assessable income</b>	\$700
\$2,000 - \$1,300 ( income disregard)*	
*income disregard : \$600 + [ ( \$2,000-\$600) ÷ 2 ] = \$1,300	
<b>= Assistance payable</b>	\$7,800
<b>Total family income</b>	
= earnings from employment + CSSA payment (i.e. \$2,000 + \$7,800)	<b><u>\$9,800</u></b>