

Commission on Poverty (CoP)

Comprehensive Social Security Assistance Scheme (CSSA)

Able-Bodied Caseload – Past Trend and 2014 Scenarios

PURPOSE

In designing our safety net, one of the policy objectives is to ensure that the system is financially sustainable taking into account the health of public finances and implications to tax payers (paragraph 4(d) in CoP Paper 19/2005 “Assisting the Unemployed: Welfare-to-Work”).

2. This paper sets out for Members’ reference the trend of CSSA caseload and expenditure, with particular focus on able-bodied CSSA cases¹. Several scenarios of the CSSA able-bodied caseload and expenditure have been made in order to demonstrate how the caseload may evolve in the coming decade, and its public finance implications.

PAST TREND

3. Annexes A to F demonstrate the CSSA caseload and expenditure pattern in the past decade, with a particular focus on able-bodied CSSA cases -

Annex A As at end 2004, the total number of CSSA cases amounted to 295 694, representing an increase of about 182% over that in 1994. The average growth in the number of cases per annum is 10.9%.

The annual growth rate of able-bodied cases (single parent, low earnings and unemployment) are 20.7%, 32.8% and 25.0% respectively, which have been increasing at a much faster rate than the growth of elderly/non-able bodied cases (around 8%).

¹ Able-bodied cases refer to those classified as single parent, low earnings and unemployment cases.

Annex B The total number of recipients receiving CSSA reaches 542 017 in end 2004, representing an increase of about 333% over that in 1994.

The number of able-bodied recipients² has grown from 44 912 to 261 040 over the same period, representing an increase around 480%.

Annex C Unemployment cases increased over 8 times from 4 866 cases at end 1994 to 45 231 in 2004. There was noticeable decline with the commencement of the Support for Self-Reliance (SFS) Scheme but there was a sharp rise from mid-2001 to mid-2003 amidst rise in unemployment rate. With improving economy and more intensified measures to help the unemployed, the unemployment caseload drops since late 2003.

Annex D The number of low earnings cases³ recorded a continued increase as some of the unemployment cases have become low earnings cases.

Annex E The median duration of stay on CSSA the able-bodied cases has increased over the past ten years, including able-bodied cases.

Annex F Government expenditure on CSSA has been increasing drastically, from \$3.4 billion in 1994/95 to \$17.6 billion in 2004/05. This represents a growth from 3.2% to 9.2% of total government recurrent expenditure. Its ratio to total tax revenue increased from 2.9% to 11.7% over the same period.

During the same period, Government expenditure on able-bodied CSSA cases increased from \$0.5 billion to \$6.9 billion, representing a growth from 0.5% to 3.6% of total government recurrent expenditure. Its ratio to total tax revenue increased from 0.5% to 4.6% over the same period.

² Able-bodied recipients refer to those able-bodied adults/children.

³ Low earnings cases are those which the CSSA recipients have earnings. To provide an incentive to work, certain earnings of the recipients from employment are disregarded (maximum \$2 500) in calculating assistance payable.

2014 SCENARIOS

4. To demonstrate how the caseload may evolve in the coming decade and its public finance implications, the Government Economist has drawn up different scenarios of CSSA able-bodied caseload and expenditure pattern in the next decade based on different assumptions with reference to past trends on selected socio-economic variables.

5. By different sets of assumptions, the derived average annual increase in the number of able-bodied cases ranges from -0.2% to 8.5% during the period of 2004 to 2014. While the average annual increase is much lower than the 23.9% in the period of 1994 to 2004, the expenditure on able-bodied cases could more than double to \$16 billion in 2014 from around \$7 billion in 2004 in the high scenario, despite edging up only slightly in the low scenario (Annex G). These estimates have not reflected the expenditure pattern of non-able-bodied CSSA cases, which would also grow due to aging population (Annex H). The public finance implications should also be read against a background of an aging labour force (Annex I) and an increasing dependency ratio of the old and the children on the working age population, starting with 2007 (Annex J).

ADVICE SOUGHT

6. Members are invited to note the content of this paper to facilitate their discussion on welfare-to-work initiatives in Hong Kong (CoP Paper 19/2005).

Commission Secretariat

(with input from Health, Welfare and Food Bureau and Government Economist)

June 2005

Number of CSSA Cases by Nature of Case, 1994 – 2004

Nature of case	Old age	Permanent disability	Ill health	Single parent	Low earnings	Unemployment	Others	Total
1994	69 927	7 990	10 886	6 048	947	4 866	4 143	104 807
	(66.7%)	(7.6%)	(10.4%)	(5.8%)	(0.9%)	(4.6%)	(4.0%)	(100.0%)
1995	80 882	9 679	13 767	8 268	1 656	8 816	6 177	129 245
	(62.6%)	(7.5%)	(10.7%)	(6.4%)	(1.3%)	(6.8%)	(4.8%)	(100.0%)
1996	95 104	11 407	17 217	12 340	2 871	14 185	6 713	159 837
	(59.5%)	(7.1%)	(10.8%)	(7.7%)	(1.8%)	(8.9%)	(4.2%)	(100.0%)
1997	109 150	12 801	20 438	15 849	4 148	16 976	7 570	186 932
	(58.4%)	(6.8%)	(10.9%)	(8.5%)	(2.2%)	(9.1%)	(4.0%)	(100.0%)
1998	121 778	14 932	25 089	24 595	7 348	30 290	3 422	227 454
	(53.5%)	(6.6%)	(11.0%)	(10.8%)	(3.2%)	(13.3%)	(1.5%)	(100.0%)
1999	133 613	11 732	19 946	25 476	8 008	28 085	3 821	230 681
	(57.9%)	(5.1%)	(8.6%)	(11.0%)	(3.5%)	(12.2%)	(1.7%)	(100.0%)
2000	134 230	12 243	19 800	25 902	8 432	23 573	3 880	228 060
	(58.9%)	(5.4%)	(8.7%)	(11.4%)	(3.7%)	(10.3%)	(1.7%)	(100.0%)
2001	138 232	13 522	19 705	28 504	9 008	28 886	3 816	241 673
	(57.2%)	(5.6%)	(8.2%)	(11.8%)	(3.7%)	(12.0%)	(1.6%)	(100.0%)
2002	142 762	14 717	20 874	33 156	10 607	40 513	3 942	266 571
	(53.6%)	(5.5%)	(7.8%)	(12.4%)	(4.0%)	(15.2%)	(1.5%)	(100.0%)
2003	147 032	15 697	22 198	37 301	13 534	50 118	4 326	290 206
	(50.7%)	(5.4%)	(7.6%)	(12.9%)	(4.7%)	(17.3%)	(1.5%)	(100.0%)
2004	149 821	16 764	23 201	39 536	16 176	45 231	4 965	295 694
	(50.7%)	(5.7%)	(7.8%)	(13.4%)	(5.5%)	(15.3%)	(1.7%)	(100.0%)
Average growth per annum	7.9%	7.7%	7.9%	20.7%	32.8%	25.0%	1.8%	10.9%

Notes: (1) Figures refer to those as at end of the year.

(2) Figures in brackets denote % to totals.

Number of CSSA Recipients by Nature of Case, 1994 – 2004

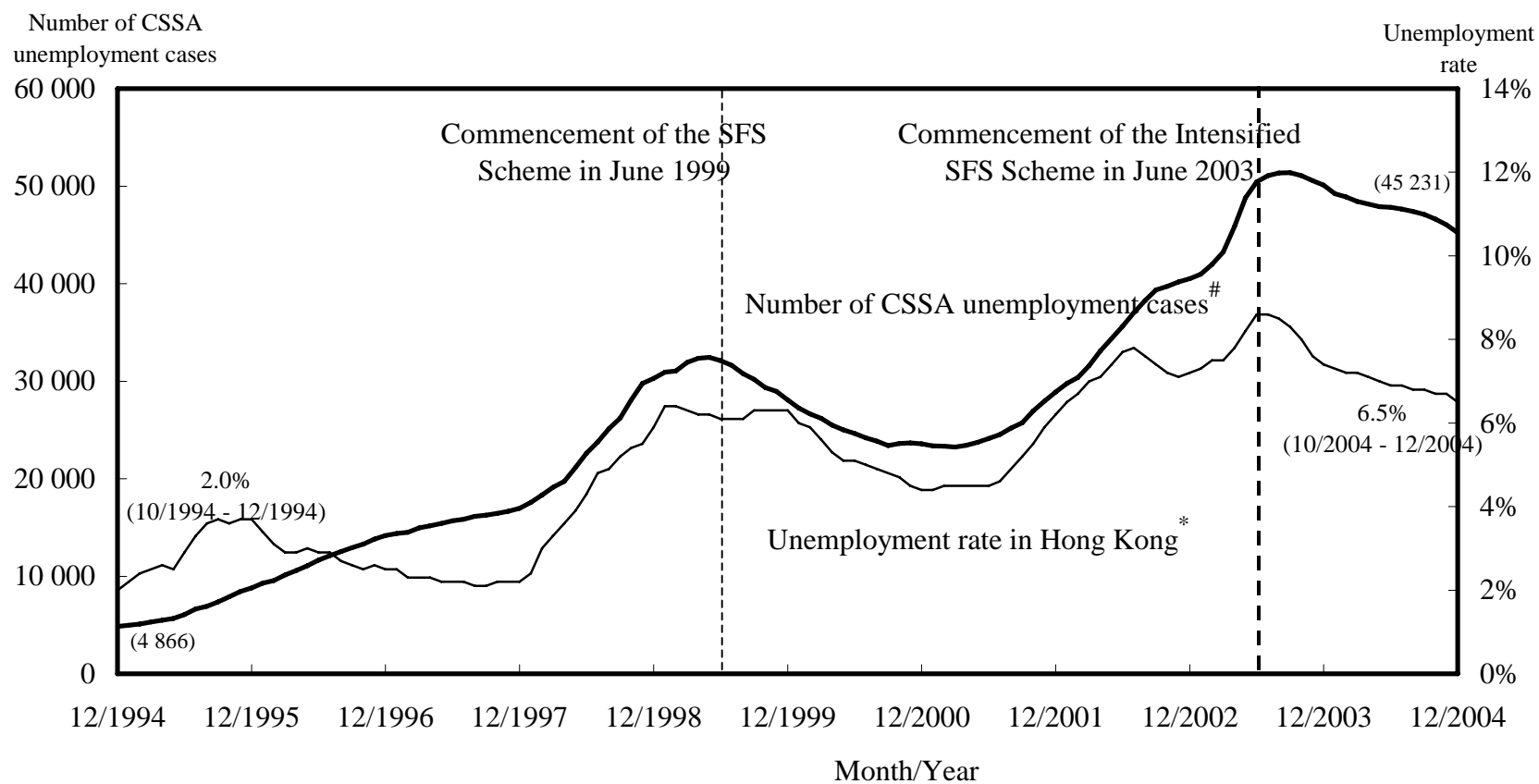
Nature of case	Old age	Permanent disability	Ill health	Single parent	Low earnings	Unemployment	Others	Total
1994	-	-	-	-	-	-	-	125 045
1995	82 742	11 703	25 607	24 606	8 008	12 298	9 191	174 155
	(47.5%)	(6.7%)	(14.7%)	(14.1%)	(4.6%)	(7.1%)	(5.3%)	(100.0%)
1996	96 978	15 862	28 728	36 605	13 041	19 724	12 446	223 384
	(43.4%)	(7.1%)	(12.9%)	(16.4%)	(5.8%)	(8.8%)	(5.6%)	(100.0%)
1997	116 977	18 708	39 825	47 868	18 590	28 117	12 538	282 623
	(41.4%)	(6.6%)	(14.1%)	(16.9%)	(6.6%)	(9.9%)	(4.4%)	(100.0%)
1998	145 049	18 937	43 946	68 155	28 412	58 771	5 353	368 623
	(39.3%)	(5.1%)	(11.9%)	(18.5%)	(7.7%)	(15.9%)	(1.5%)	(100.0%)
1999	159 860	15 906	37 947	68 848	30 737	56 988	6 221	376 507
	(42.5%)	(4.2%)	(10.1%)	(18.3%)	(8.2%)	(15.1%)	(1.7%)	(100.0%)
2000	163 058	16 860	36 958	67 374	31 412	43 500	6 023	365 185
	(44.7%)	(4.6%)	(10.1%)	(18.4%)	(8.6%)	(11.9%)	(1.6%)	(100.0%)
2001	172 644	19 950	38 785	73 764	33 276	53 189	5 860	397 468
	(43.4%)	(5.0%)	(9.8%)	(18.6%)	(8.4%)	(13.4%)	(1.5%)	(100.0%)
2002	184 267	22 624	42 600	86 918	39 688	84 509	6 262	466 868
	(39.5%)	(4.8%)	(9.1%)	(18.6%)	(8.5%)	(18.1%)	(1.3%)	(100.0%)
2003	192 458	24 504	45 199	96 957	50 146	106 348	6 844	522 456
	(36.8%)	(4.7%)	(8.7%)	(18.6%)	(9.6%)	(20.4%)	(1.3%)	(100.0%)
2004	199 085	26 342	47 458	102 623	59 852	98 565	8 092	542 017
	(36.7%)	(4.9%)	(8.8%)	(18.9%)	(11.0%)	(18.2%)	(1.5%)	(100.0%)

Notes: (1) Figures refer to those as at end of the year.

(2) Figures in brackets denote % to totals.

(3) Figures on breakdown by nature of case are available as from 1995.

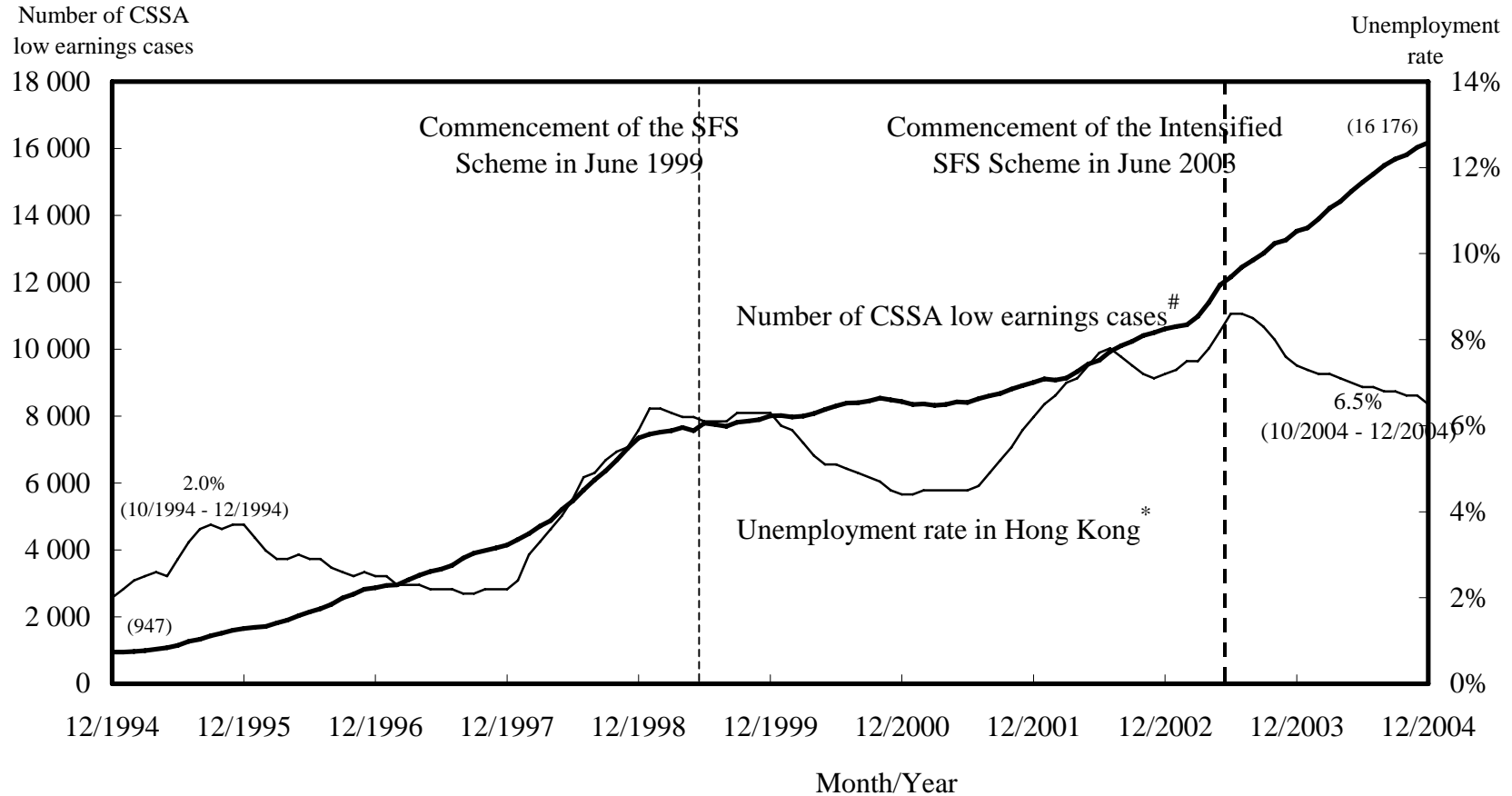
Number of CSSA Unemployment Cases and Unemployment Rate in Hong Kong, 1994 - 2004



Notes: # CSSA unemployment cases refer to the number as at the end of the given month.

* The unemployment rate pertaining to the given month is the seasonally adjusted unemployment rate for the 3-month period ending in that month.

Number of CSSA Low Earnings Cases and Unemployment Rate in Hong Kong, 1994 - 2004



Notes: # CSSA low earnings cases refer to the number as at the end of the given month.

* The unemployment rate pertaining to the given month is the seasonally adjusted unemployment rate for the 3-month period ending in that month.

Median duration of stay on CSSA (years) by nature of case, 1995 – 2004

Nature of case	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Unemployment	0.8	0.8	1.3	1.1	1.4	2.3	2.0	1.3	1.6	2.3
Low earnings	0.8	1.0	1.1	1.0	1.4	2.3	3.0	2.5	2.2	2.7
Single parent	1.9	1.5	1.9	2.0	2.4	2.8	3.4	3.3	3.2	3.4
Old age	3.0	2.7	2.8	3.1	3.7	4.3	4.8	5.4	5.8	6.3
Permanent disability	2.8	2.8	2.5	3.2	3.4	4.9	5.1	5.4	5.8	6.2
Ill health	1.5	1.4	1.8	2.0	2.5	3.5	3.6	3.7	3.6	3.8
Others	2.0	1.5	2.1	2.0	1.9	1.9	2.9	2.4	2.2	2.2
Overall	2.4	2.3	2.3	2.4	3.1	3.7	4.2	4.4	4.5	4.6

CSSA Expenditure 1994/95 – 2004/05

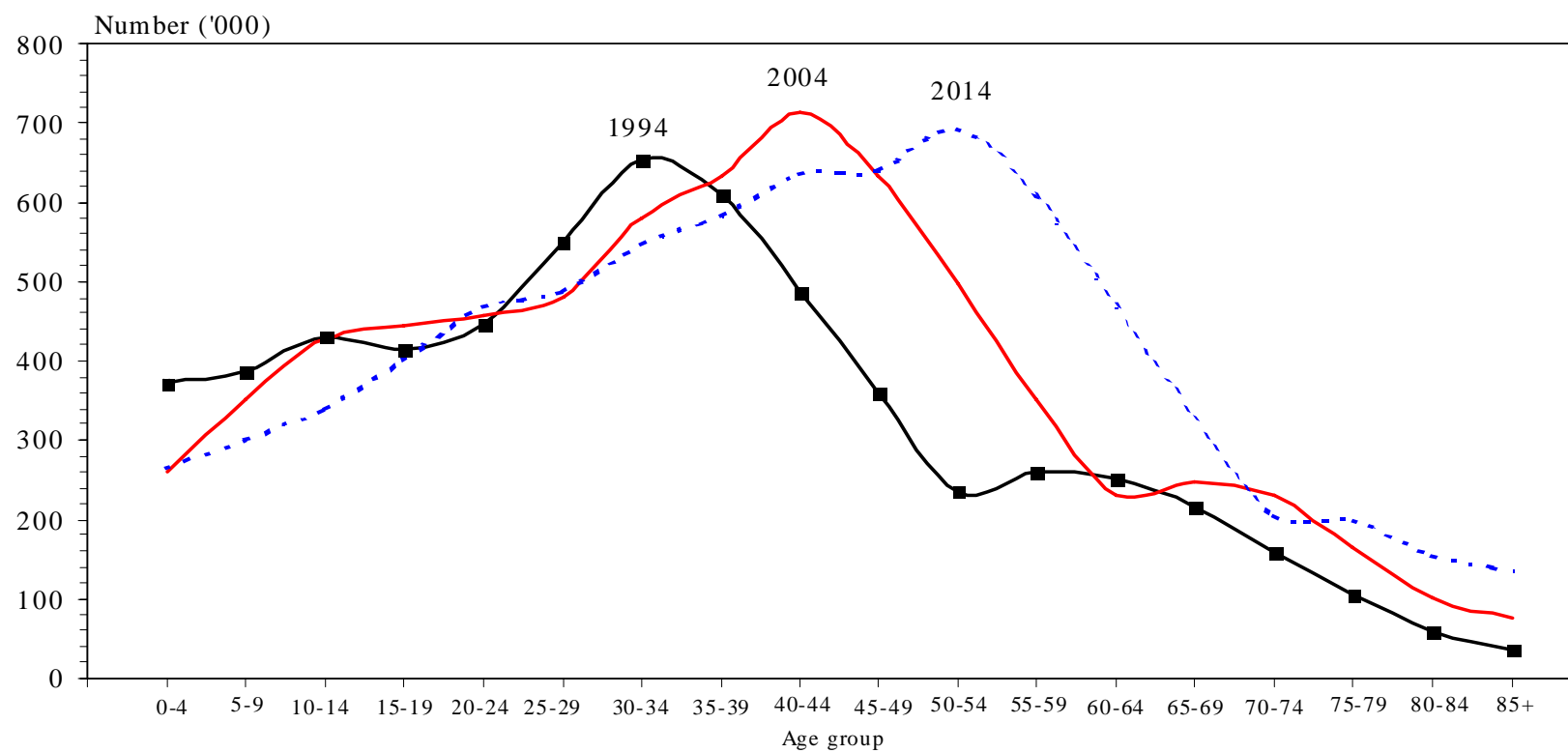
Year	(a) Total CSSA expenditure (\$Mn)	CSSA expenditure on cases mainly included able-bodied recipients (\$Mn)			(e) Total CSSA expenditure on cases mainly included able-bodied recipients (\$Mn) (b) - (d)	(a) as % of total Government recurrent expenditure	(e) as % of total Government recurrent expenditure	(a) as a ratio (%) to total Government tax revenue	(e) as a ratio (%) to total Government tax revenue
		(b) Single parent	(c) Low earnings	(d) Unemployment					
1994/95	3,427	384	51	113	548	3.2%	0.5%	2.9%	0.5%
1995/96	4,831	609	97	237	942	4.0%	0.8%	4.0%	0.8%
1996/97	7,128	1,041	207	535	1,782	5.3%	1.3%	5.1%	1.3%
1997/98	9,441	1,482	340	784	2,606	6.3%	1.7%	6.0%	1.6%
1998/99	13,029	2,345	573	1,537	4,456	7.9%	2.7%	11.3%	3.9%
1999/2000	13,623	2,317	624	1,495	4,437	7.8%	2.6%	12.2%	4.0%
2000/01	13,560	2,275	650	1,251	4,175	7.3%	2.3%	10.7%	3.3%
2001/02	14,405	2,479	674	1,418	4,571	7.4%	2.3%	11.5%	3.7%
2002/03	16,131	2,838	755	2,173	5,766	8.1%	2.9%	14.2%	5.1%
2003/04	17,306	3,022	923	2,731	6,677	8.8%	3.4%	13.6%	5.2%
2004/05	17,631	3,176	1,132	2,586	6,893	9.2%	3.6%	11.7%	4.6%
Average growth per annum	17.8%	23.5%	36.2%	36.7%	28.8%	11.0%	21.4%	15.0%	25.7%

Able-bodied CSSA – 2014 scenarios

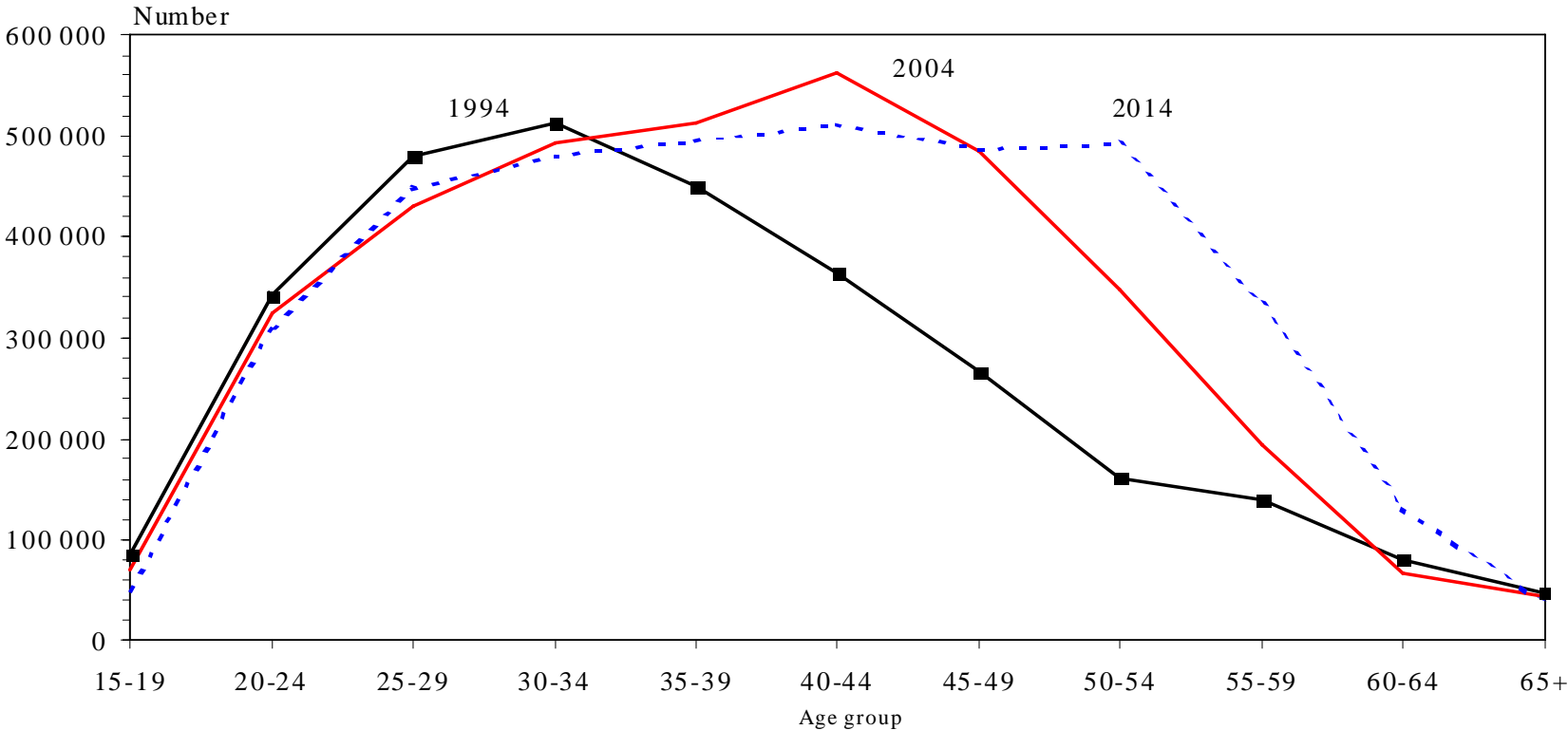
	<u>1994</u>	<u>2000</u>	<u>2004</u>	<u>2014 scenarios</u>		
				<u>Low</u>	<u>Medium</u>	<u>High</u>
◀ All able-bodied CSSA cases ('000)	11.9	58.5	101.2	99.0	154.8	228.1
<i>Average annual growth (%)</i> <i>(1994-2004*, 2004-2014#)</i>			23.9*	-0.2#	4.3#	8.5#
◀ Expenditure on able-bodied CSSA cases \$Bn, 2004 prices	0.6[^]	3.9[^]	6.9[@]	7.3	11.0	16.0
<i>Average annual growth (%)</i> <i>(1994-2004*, 2004-2014#)</i>			27.8* [@]	0.6#	4.8#	8.8#

Notes: (^) Fiscal year figures
 (@) Estimation

Hong Kong's ageing population



Hong Kong's labour force will age



**Hong Kong's dependency ratio will rise after 2007 :
less working age population to support the old and the children**

