

Community Care Fund
Subsidy for Comprehensive Social Security Assistance Recipients Living in
Rented Private Housing
Evaluation Report

Purpose

This paper concludes the ‘Subsidy for Comprehensive Social Security Assistance (CSSA) Recipients Living in Rented Private Housing’ Programme (the Programme) administered by the Social Welfare Department (SWD).

Background

2. Rent allowance is payable to CSSA households (including those who rented public rental housing and private housing) for meeting rental-related expenses. The amount of allowance is equal to the actual rent paid by the household, or the maximum rent allowance (MRA) determined with reference to the number of household members eligible for the CSSA, whichever is the less. The MRA is adjusted annually in accordance with the movement of the Consumer Price Index (A) rent index for private housing (rent index).

3. The objective of the non-contributory CSSA Scheme is to assist the recipients to meet their basic needs. The Government adjusts the MRA annually in accordance with the aforementioned established mechanism. The Government must be very cautious whenever it considers proposed increase in MRA as it may give rise to false expectations that the objective of the CSSA Scheme is to relentlessly upgrade the living conditions of CSSA recipients. Furthermore, each increase in the MRA could also induce the rise of the rent level at the lower end of the private rental market, thereby adding burden to the low-income non-CSSA households and resulting in a situation in which the living conditions for CSSA households are being improved at the expense of the low-income non-CSSA households, whereas the significant financial implications involved have to be borne by taxpayers.

4. Owing to economic downturn, the MRA was frozen from 2003 to 2011. The Programme was first launched in October 2011 to provide a transitional subsidy to relieve the financial burden faced by CSSA households in rented private housing in face of the periodic increase of rent. Specifically, the Programme provided a one-off subsidy to CSSA recipients living in rented private housing and paying a rent which exceeded the prevailing MRA under the CSSA Scheme. The subsidy was disbursed on one-off basis yearly and the monthly-calculated subsidy is either 50% of the portion of the household’s rental amount exceeding the applicable MRA or 15% of the applicable MRA, whichever is the less. The Government sought the approval from the Commission on Poverty in December 2020 for the last extension of the Programme until April 2021 so that the Government had time to assess the impact brought by the increase in the MRA as mentioned in paragraph 5 below and to assess whether the

recurrent MRA which had been significantly increased could help the recipients to meet the basic rental expense in the absence of this transitional Programme.

The Increase in MRA Following the CSSA Review and Annual Adjustments

5. In the 2019 Policy Address, the Government announced a host of CSSA improvement measures, which included increasing the MRA significantly. Following the approval of the Legislative Council Finance Committee in May 2020, the SWD raised the MRA from 1 July 2020. The increase ranged from 3% to 27% according to household sizes.

6. In addition to the increase implemented on 1 July 2020, the MRA level had also been raised under the annual adjustment mechanism in the same year as well as in 2021 (i.e. on 1 February 2020 and 1 February 2021 respectively). As illustrated in table below, the increase of the MRA as at February 2021 for different household sizes ranged from 8% to 33% comparing to that of January 2020 –

No. of eligible members in the household	Levels of MRA per month (\$)				Level of increase compare (a) to (d)
	Jan 2020 (a)	Feb 2020 (b)	July 2020 (c)	Feb 2021 (d)	
1	1,885	1,945	2,475	2,515	33.4%
2	3,795	3,915	4,370	4,440	17.0%
3	4,955	5,115	5,245	5,330	7.6%
4	5,275	5,445	5,910	6,005	13.8%
5	5,290	5,460	6,590	6,695	26.6%
6 or above	6,610	6,820	7,675	7,800	18.0%

Effectiveness of the Programme and Other Considerations

7. Having considered the following factors, the SWD has discontinued this transitional Programme –

- (a) the MRA was frozen from 2003 to 2011. The Programme was launched to provide a transitional allowance to relieve the financial burden faced by CSSA households as a result of the periodic increase of rent. It is important to note that, the MRA has been adjusted 11 times since 2011 according to the established annual adjustment mechanism and following the recent CSSA review, representing a total increase ranging from around 60% to 100% for different household sizes;

- (b) the Programme is never intended to bring the ratio of CSSA households in rented private housing whose rent allowance totally covered their rent to a certain level or to affect the rental behavior or preference of CSSA recipients which may otherwise result in the self-actualising effect of raising the rent paid and in turn the MRA;
- (c) the average total CSSA payment has increased significantly over the years. For instance, the average monthly CSSA payment for a four-person household has risen from \$10,371 in 2011 to \$16,975 in 2021, representing an increase of 63.7%. Over the same period, the Social Security Assistance Index of Prices (SSAIP)¹ and Consumer Price Index (A) only registered an increase of 42% and 40% respectively;
- (d) there has been a consistent drop in market rent level. The rent index has been recording a month-to-month decrease since April 2020. This is the first time since 2003 that the rent index recorded such downward trend for 12 months (from April 2020 to March 2021);
- (e) the Task Force for the Study on Tenancy Control of Subdivided Units (the Task Force) set up by the Transport and Housing Bureau (THB) in April 2020 submitted its report to the Government on 31 March 2021. The Task Force considers in principle that the Government should implement suitable tenancy control on subdivided units (SDUs) in order to safeguard the interests of grass-root tenants of SDUs, and recommends that the tenancy control measures on SDUs be effected through legislation. The THB has carefully considered the report of the Task Force, and agrees in principle with the various legislative proposals to introduce tenancy control on SDUs as put forward by the Task Force in its report. The Government is now working on the drafting of the enabling legislation, and aims to introduce the relevant bill into the Legislative Council as soon as possible within the current legislative session; and
- (f) while the Community Care Fund will continue to deploy its existing resources to implement the approved assistance programmes, the Government must take a prudent approach in the use of public fund.

¹ Under the established mechanism, the Government adjusts annually the CSSA payment rates (including the standard rates) in accordance with the movement of SSAIP.

Conclusion

8. The Programme has already achieved its objective of providing a transitional subsidy to temporarily relieve the financial burden faced by CSSA households in view of the frozen MRA level. With the Government's continued implementation of improvements under the CSSA Scheme (especially for the recurrent rental allowance) and the continued drop in market rent level as reflected by the rent index, this transitional Programme has concluded in end-April 2021. The Government will continue to monitor the situation and provide effective and timely assistance under the CSSA Scheme to CSSA recipients to meet their basic needs.

Social Welfare Department
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