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## WELFARE STIGMA NEEDS TO BE ADDRESSED TO PROTECT THE INCOMES OF HONG KONG OLDER ADULTS

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A new research project (Project No.: 2019.A5.055.19B) funded by the Public Policy Research Funding Scheme from the Policy Innovation and Co-ordination Office (PICO) is the first to assess which personal, household, programme factors, besides stigma, contribute to the non-take-up of old-age Comprehensive Social Security Assistance (CSSA), higher Old Age Living Allowance (OALA) and normal OALA in Hong Kong.

A collaborative research team conducted the research project at the Education University of Hong Kong and Lingnan University.

Non-take-up refers to situations where Hong Kong older adults meet all eligibility requirements for these different welfare programmes' full cash payments but still fail to receive them.

### **Summary of key findings:**

- Based on a representative survey of 3,802 Hong Kong older adults, the study finds that the take-up rate of old-age CSSA, higher OALA and normal OALA has significantly improved over the last decade. Nevertheless, between 11% and 14% of eligible Hong Kong older adults for these benefits fail to receive them.
- The perceived insufficiency of the benefits, difficulties in the application procedure, time and effort in searching for information, and transaction costs were significantly associated with the non-take-up of old-age CSSA among eligible recipients. To increase the take-up rate of old-age CSSA further, the benefits stigma related to this scheme must also be reduced.
- The perceived insufficiency of the benefits and transaction costs were found to be significant correlates of non-take-up of higher OALA. In comparison, personal stigma and stigmatization by the public increased non-take-up of higher OALA, but not claim stigma. Transaction costs were the strongest predictor of non-take-up of normal OALA, followed by the application procedure's perceived difficulties. By contrast, the perceived insufficiency of the benefit, information costs, and stigma-related factors were not significantly associated with the non-take-up of normal OALA.
- Despite the recent success in increasing take-up rates, the study proposes various measures to reduce further the stigma and administrative burdens associated with existing cash benefit programmes for Hong Kong older adults.

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## *Existing income support for older adults in Hong Kong*

Before Covid-19, 31% of older adults lived in poverty using the official poverty line adopted by the Hong Kong Government, amounting to about 391,200 older adults in total.

Without a social insurance program in place, and besides subsidies for housing, healthcare, and transportation, Hong Kong older adults facing economic hardship rely on three cash welfare programmes. The old-age Comprehensive Social Security Assistance (old age CSSA) aims to alleviate poverty by serving as a safety net for needy older people. In 2013, the Hong Kong Government introduced the Old Age Living Allowance (OALA), a tax-funded social pension program for those aged 65 and older. Finally, the Old Age Allowance (OAA) is a universal scheme for those aged 70 and older to meet their special needs.

### *Take-up rate of old-age CSSA, higher OALA, and normal OALA significantly improved*

Measures have been introduced in Hong Kong to relax the eligibility criteria of the means-tested old-age CSSA, partly to increase the take-up rate of old-age CSSA. In 2017, the Hong Kong Government abolished the arrangement whereby family members living apart had to declare that they provided financial support to their elderly family members who were applying for the CSSA (the so-called “bad son statement”). Yet, the requirement that applicants to the CSSA scheme must apply on a household basis was maintained.

In 2018, the Social Welfare Department (SWD) issued a notification letter (green) to normal OALA recipients who, according to the SWD’s records, met the monthly income and asset limits of the higher OALA in 2017. This was the first phase of the application process for this newly introduced benefit and resulted in those individuals automatically receiving the higher OALA without having to reply or make a new application. In the second phase, the SWD issued a notification letter (yellow) to normal OALA recipients who were not eligible for the higher OALA according to the Department’s records but who could apply for the higher OALA if they met the income and asset limits, by completing the application form attached to the letter. This auto-enrolment shifted the administrative burden related to claiming cash payments from eligible Hong Kong older adults to the Hong Kong Government.

**Table 1. Welfare take-up rates of study participants**

|   | N     | %            | 95% Confidence Interval<br>(C.I.) for proportion |
|---|-------|--------------|--|
| Participants who were eligible for old-age CSSA                         | 1,094 |              |  |
| Take-up   | 950   | 86.8%        | (84.7%, 89.0%)                                   |
| Non-take up   | 144   | <b>13.2%</b> |  |
| Participants who were eligible for higher OALA,<br>but not old-age CSSA | 1,106 |              |  |
| Take-up   | 991   | 89.2%        | (87.7%, 91.5%)                                   |
| Non-take up   | 115   | <b>10.8%</b> |  |
| Participants who were eligible for normal OALA,<br>but not higher OALA  | 1,099 |              |  |
| Take-up   | 947   | 86.2%        | (84.0%, 88.4%)                                   |
| Non-take up   | 152   | <b>13.8%</b> |  |

Compared with a similar study conducted in 2010, the new study finds that the take-up rate of old-age CSSA has increased from 57.1% to 86.8%. Findings also show that the take-up rate of higher OALA (89.2%) was higher than that of old-age CSSA and normal OALA (86.2%) (**Table 1**).

Although the take-up rates of old-age CSSA, higher and normal OALA are relatively high in international comparison, the study shows that it remains important to investigate why between 11% to 14% of Hong Kong older adults eligible for cash payments still fail to receive them.

## *Welfare stigma makes a unique contribution to non-take-up of income support*

There are various reasons why Hong Kong older adults would choose not to claim financial government subsidies to which they would usually be entitled. The perceived insufficiency of the benefit amount provided and difficulties in the application procedures, including filling in forms and the time and effort in searching relevant information, are common programme factors shown to be associated with the non-take-up of welfare programmes.

Besides, transaction costs were measured in the study by asking participants' agreement with statements such as "It is not worth the hassle to apply for CSSA (OALA)", "It is hard to get the documents needed to apply for the CSSA (OALA)", "The application for the CSSA (OALA) is long and complicated", "The opening hours of the CSSA (OALA) office are not convenient" and "It is difficult to get to the CSSA (OALA) office".

**Table 2. Correlational analysis among welfare stigma factors**

|  | Personal stigma | Stigmatisation by general public | Claims stigma |
|--|-----------------|----------------------------------|---------------|
| Eligible for Old-age CSSA (n=1,094)                      |                 |                                  |               |
| Personal stigma  | 1               |                                  |               |
| Stigmatisation by the general public                     | .727***         | 1                                |               |
| Claim stigma   | -.615***        | -.463***                         | 1             |
| Eligible for higher OALA, but not old-age CSSA (n=1,106) |                 |                                  |               |
| Personal stigma  | 1               |                                  |               |
| Stigmatisation by the general public                     | .887***         | 1                                |               |
| Claim stigma   | .831***         | .796***                          | 1             |
| Eligible for normal OALA, but not higher OALA (n=1,099)  |                 |                                  |               |
| Personal stigma  | 1               |                                  |               |
| Stigmatisation by the general public                     | .880***         | 1                                |               |
| Claim stigma   | .789***         | .741***                          | 1             |

*Significance levels: \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001.*

Also, the new study explores three different types of stigma attached to welfare benefit receipt, including a person's feeling that claiming benefits reflects a degraded identity (personal stigma), their perception that other individuals consider welfare recipients less worthy (stigmatisation by the general public), and their feeling of shame related to the application process (claim stigma).

Of those eligible for old-age CSSA, there were strong positive correlations between personal stigma and the perceived stigmatisation by the general public. However, there were negative correlations of claim stigma with personal stigma and stigmatisation by the general public. For higher and lower OALA, the new study finds robust positive correlations between all the stigma factors (**Table 2**).

### *Measures to address transaction costs and welfare stigma among Hong Kong older adults*

The study assessed which personal, household, and programme factors, besides welfare stigma, contribute to the non-take-up of old-age CSSA, normal OALA, and higher OALA.

The research findings indicate that transaction cost is the most crucial predictor of non-take-up of old-age CSSA. Therefore, to further increase take-up rates of old-age CSSA, the benefit amount ought to be improved. Any difficulties in the application procedures ought to be reduced as far as possible. A large-scale survey must be conducted to estimate the minimum amount of money needed for older adults to live in Hong Kong using a budget approach. To make the application procedures easier, an online application system for old-age CSSA combined with phone interviews and mailing of verification documents should be designed and launched.

A means to reduce information costs and make it easier for older adults to understand whether they are eligible for income support would be to put the existing schemes for Hong Kong older adults, namely old-age CSSA, normal OALA, and higher OALA, under the umbrella of a single programme. This would allow the Hong Kong Government to streamline its marketing message, and to communicate eligibility more broadly for the whole population of Hong Kong older adults rather than only for the poor, thereby reducing the psychological costs of participation.

Beyond transaction and information costs, the research findings establish a unique link between stigma and non-take-up of old-age CSSA (**Table 3**). To further increase the take-up rate of old-age CSSA, the research study recommends that mass media and politicians change how to report and communicate with people receiving old-age CSSA. Staff at the Department of Social Welfare staff ought to be trained to ensure that all applicants for old-age CSSA are treated sympathetically and with respect. The asset and income criteria of old-age CSSA should be increased. The old-age CSSA could be rebranded with a more “user-friendly” name for Hong Kong older adults to delink it from the wider welfare programme.

Another related vehicle to achieve a higher take-up rate of old-age CSSA is to eliminate the requirement that older adults who apply for the CSSA scheme must do so on a household basis. Families may reject an elderly individual’s application because they want to avoid the associated stigma, and as a result, Hong Kong older adults may be denied financial independence. The researchers recommend that older adults should be able to apply for CSSA on an individual or couple basis similar to OALA.

The study finds that 54% and 37% of higher OALA beneficiaries applied for it via green letters and yellow letters issued by the Department of Social Welfare. These findings indicate the encouraging success of auto-enrolment of higher OALA. They suggest that similar measures could be applied to other welfare schemes for Hong Kong older adults if possible.

**Table 3. Logistic regression of association between programme and welfare stigma factors and non-take-up of old-age CSSA**

| Odds ratio<br>(95% C.I.)                 | Eligible for old-age CSSA |         |         |         |
|--|---------------------------|---------|---------|---------|
|  | Model 1                   | Model 2 | Model 3 | Model 4 |
| Perceived insufficiency of the benefits  | ***                       | ***     | ***     | **      |
| Difficulties in application procedure    | ***                       | ***     | ***     | ***     |
| Time and effort in searching information | +                         | +       | +       | *       |
| Transaction costs                        | ***                       | ***     | ***     | ***     |
| Personal stigma                          | ***                       |         |         | ***     |
| Stigmatization by the general public     |                           | ***     |         | ***     |
| Claim stigma                             |                           |         | **      | ***     |
| N  | 1,094                     | 1,094   | 1,094   | 1,094   |
| Pseudo R <sup>2</sup>                    | 0.725                     | 0.763   | 0.603   | 0.790   |

*Dependent variable: 0=take-up; 1=non-take-up. Other control variables included in Models 1-4: gender, marital status, education level, employment status, self-rated health, chronic illness, pain, ADL, household size, household expenditure, impact of abolishment of ‘bad sin statement’. Significance levels: \*p < 0.05, \*\*p < 0.01, \*\*\*p < 0.001.*

Finally, the study finds that perceived insufficiency of the benefits and transaction costs are important correlates of non-take-up of higher OALA. Only personal stigma and stigmatisation increased its non-take-up, but not claim stigma. On the other hand, only transaction costs were a strong predictor of non-take-up of normal OALA followed by difficulties in application procedures. The study recommends that measures similar to old-age CSSA should be devised and implemented to increase the benefit amount for higher OALA, reduce its transaction costs as well as stigma associated with it. Policy must also be designed and implemented to further decrease the transaction costs of normal OALA.

### *Improving take-up to alleviate poverty among Hong Kong older adults*

The study results shed light on how to further improve take-up, helping policymakers devise and implement measures that can boost it and more effectively alleviate poverty among Hong Kong's older adults.

Non-take-up of welfare programmes may save public money in the short term, but this may not be true in the long run. Specifically, for Hong Kong older adults, non-take-up of welfare payments may go hand in hand with poor and diminishing physical and mental health, which in turn threatens to increase the future costs of Hong Kong's health care and long-term care system.

Consequently, raising take-up of income support programmes presents an opportunity for the Hong Kong Government to more efficiently alleviate the current financial uncertainties faced by Hong Kong older adults, while recognising their substantial contribution to Hong Kong's economic progress during their working adult lives.

#### **Summary of policy recommendations:**

1. Hong Kong older adults should be able to apply for old-age CSSA on an individual or couple basis like OALA.
2. The amount of benefits for old-age CSSA should be reviewed with empirical data in which cost of living for older adults are estimated using a budget approach.
3. Online application for old-age CSSA combined with phone interview and mailing of verification documents should be launched so as to reduce information costs and make application easy.
4. The different welfare schemes for Hong Kong older adults should be integrated with one set of rules in order to simplify and streamline the application procedures.
5. Applicants for old-age CSSA should be treated with respect and sympathetically by mass media, politicians, and staff in the Department of Social Welfare.
6. The asset and income criteria of old-age CSSA should be increased.
7. Old-age CSSA should be rebranded with a more "user-friendly" name so as to delink it from the broader welfare programme.
8. The success of auto-enrolment of higher OALA is encouraging and a similar measure should be applied to old-age CSSA and normal OALA if possible.
9. Measures similar to old-age CSSA should be devised and implemented to increase the benefit amount of higher OALA, reduce its transaction costs as well as the stigma associated with it.
10. Measures similar to old-age CSSA should be designed and implemented to further decrease the transaction costs of normal OALA.

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