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Panel on Manpower

Updated background brief prepared by the Legislative Council Secretariat for the special meeting on 16 September 2011

Progress of preparation for implementation of the Work Incentive Transport Subsidy Scheme

Purpose

This paper provides background information on the discussions of the Panel on Manpower ("the Panel") on the Work Incentive Transport Subsidy ("WITS") Scheme.

Background

2. At the briefing by the Secretary for Labour and Welfare on 21 October 2010 on policy initiatives relevant to the Panel in the Chief Executive's 2010-2011 Policy Address, the Administration informed members that in order to relieve the burden of transport costs for home-workplace commuting for employed persons from low-income families and encourage them to stay in employment, it would launch a territory-wide WITS Scheme. Each employed member of eligible low-income families could receive a monthly transport subsidy of \$600. The new scheme would replace the Transport Support Scheme ("TSS").

Deliberations of the Panel

3. The Panel was briefed on the WITS Scheme at its meeting on 16 December 2010. Members noted the following key features of the Scheme -

- (a) the WITS Scheme would benefit all employed persons, including self-employed persons, in low-income families who were lawfully employable in Hong Kong and had to incur travelling expenses

commuting to and from work, irrespective of the travelling distance, mode of transport and actual travelling expenses;

- (b) the subsidy would be provided on a recurrent basis. There was no deadline for application, and eligible applicants could continue to receive subsidy so long as they met the eligibility criteria;
- (c) to ensure that public resources were allocated to low-income earners genuinely in need, applicants would be means-tested on a household basis and, subject to all the eligibility criteria being met, the subsidy would be payable to each applicant of the household;
- (d) an applicant had to work for a minimum of 72 hours per month to be eligible for WITS; and
- (e) the monthly subsidy would be provided at a flat rate of \$600 per qualified applicant.

4. Members were generally of the view that -

- (a) applicants should be given the choice of undergoing a means test on a household basis or individual basis;
- (b) applicants who worked less than 72 hours per month should be eligible for transport subsidy calculated on a pro-rata basis;
- (c) the income limits for different household sizes should be raised;
- (d) the implementation date should be advanced from the third quarter of 2011 to 1 June 2011;
- (e) the meaning of "household" was unclear; and
- (f) a job search allowance should be provided under WITS.

5. According to the Administration -

- (a) a household-based means test was considered more equitable than one that assessed only the individuals' income and assets because the economic situation of the household was taken into consideration. This also accorded with the aim of the Administration to identify low-income families as the target recipients. There would also be less room for abuse through transfer of assets among different members of the same family;

- (b) providing allowance on a *pro rata* basis according to the actual number of working hours was not practicable, as it would increase substantially the workload for verification and result in disproportionately high administrative costs;
- (c) different income and asset thresholds for households of different sizes were set, having regard to income statistics and the prevailing thresholds for comparable schemes. Overall speaking, the income thresholds were close to 60% of the median household income for the corresponding household size and that for one-member households was close to the median. An employee's mandatory contribution to a Mandatory Provident Fund Scheme was not counted as income. Asset did not include self-occupied property;
- (d) time was required for developing the necessary information technology infrastructure to facilitate case processing and prevent abuse, finalizing the operational arrangements, setting up new offices, as well as recruiting and training of staff;
- (e) the concept of "household" was adopted under the WITS Scheme for the purpose of means-testing. It meant a unit which constituted persons with close economic ties and living on the same premises, including -
 - (i) core family members, i.e. the applicant's spouse, parents, grandparents, unmarried children (including adopted children and children/grandchildren under the applicant's guardianship), unmarried grandchildren, unmarried siblings; and
 - (ii) those who shared the provisions for a living, irrespective of their relationship under the law;
- (f) there was little demand for Job Search Allowance under TSS. Statistics indicated that as at the end of September 2010, 91.3% of admitted TSS applicants were already in employment at the time when they were admitted; and
- (g) a comprehensive review of the WITS Scheme, including its objectives, eligibility criteria, *modus operandi* and effectiveness, would be conducted three years after implementation.

6. The Panel passed a motion urging the Administration to give applicants the choice of undergoing a means test on a household basis or individual basis and to provide transport subsidy calculated on a pro-rata basis for those who worked less than 72 hours per month.

7. At its special meeting on 4 January 2011, the Panel received the views of 33 deputations on the proposed WITS Scheme which generally shared the following views –

- (a) the asset thresholds for households of different sizes should be relaxed;
- (b) part-time workers should be eligible for WITS;
- (c) a comprehensive review of the WITS Scheme should be conducted annually; and
- (d) the amount of the subsidy should be increased.

8. According to the Administration, it had considered the suggestion of providing transport subsidy to people who worked less than 72 hours per month. The working hour requirement under the proposed WITS Scheme, i.e. an applicant had to work for a minimum of 72 hours per month in order to be eligible for WITS, was the same as the requirement under TSS. The Administration would provide enhanced employment services to help those part-time employees who wished to seek more part-time jobs to increase their employment earnings. The Administration considered that a WITS of \$600 per eligible person per month should provide sufficient support to most people in need to relieve the burden on travelling expenses.

9. The Administration subsequently informed members at the Panel meeting on 17 February 2011 that having considered the views of members and to benefit more low-income earners, it would propose enhancements to the WITS Scheme by raising the income threshold for two-member households from \$8,500 to \$12,000 and providing a half-rate subsidy of \$300 to qualified applicants who worked for less than 72 hours but at least 36 hours per month.

10. While members in general supported the Administration's proposed enhancements to the WITS Scheme, they considered that there was still room for further improvement. A suggestion was made to the Administration to explore the feasibility of adopting the "dual-track" approach and streamlining the means test procedures in its future review of the Scheme.

11. Concerns were raised as to whether the requirement to pass a restrictive income and asset assessment would discourage needy low-income employees from submitting applications. Some members called on the Administration to drop the means test requirement, in particular the asset threshold requirement.

12. According to the Administration, a household approach was adopted by other Government assistance schemes which required means testing. For the purpose of the WITS Scheme, different income and asset thresholds for households of different sizes were set having regard to income statistics and the prevailing thresholds for comparable financial assistance schemes. The Administration considered the asset limits under the WITS Scheme not stringent as they were two to three times of those under the Comprehensive Social Security Assistance Scheme for the same household size.

13. There were concerns that despite the improvements made to the income threshold for two-member households and the working hour requirement, the enhanced WITS Scheme had the shortcoming of driving some eligible recipients under the existing TSS out of the net. The Administration was requested to retain the individual-based mechanism for applying transport subsidy and allow applicants the choice of undergoing a means test on an individual or household basis, in implementing the WITS Scheme.

14. According to the Administration, there was a need to strike a reasonable balance between devising a scheme to assist low-income earners on the one hand, and ensuring the prudent and equitable use of public resources on the other. The Administration believed that with the implementation of the relaxation measures, more low-income earners would benefit from the WITS Scheme. Members were assured that the Administration would closely monitor the implementation of the WITS Scheme. Apart from conducting a comprehensive review based on the experience of the first three years of implementation, the Administration would conduct a mid-term review having regard to the experience gained during the first year of operation. The Administration would provide assistance to those working-poor who might be left out from the new scheme through existing welfare and employment measures.

15. Information was sought on the Administration's estimate of the number of applications to be received and approved in the first three years of implementation. According to the Administration, there were 436 000 employed persons who could meet the criteria for household income levels and working hours in the second quarter of 2010 according to the General Household Survey conducted by the Census and Statistics Department. Assuming that 50% of those 436 000 persons, i.e. 218 000 persons, would apply for WITS and could meet all the eligibility criteria, the Administration

estimated that the implementation of the WITS Scheme would require a non-recurrent commitment of \$4,805 million for the first three years of operation.

Relevant papers

16. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
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**Relevant papers on
the Progress of preparation for implementation of
the Work Incentive Transport Subsidy Scheme**

Committee	Date of meeting	Paper
Panel on Manpower	20.3.2008 (Item IV)	Agenda Minutes
Panel on Manpower	21.1.2009 (Item IV)	Agenda Minutes
Panel on Manpower	19.11.2009 (Item IV)	Agenda Minutes
Panel on Manpower	16.12.2010 (Item III)	Agenda Minutes
Panel on Manpower	16.12.2010 (Item III)	Motion on "Work Incentive Transport Subsidy Scheme"
Panel on Manpower	4.1.2011 (Item I)	Agenda
Panel on Manpower	17.2.2011 (Item IV)	Agenda Minutes