

立法會
Legislative Council

LC Paper No. CB(2)1021/11-12(04)

Ref : CB2/PL/MP

Panel on Manpower

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 16 February 2012**

Implementation of the Work Incentive Transport Subsidy Scheme

Purpose

This paper provides background information on the discussions by 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 WITS Scheme were discussed at four Panel meetings respectively held on 16 December 2010, 4 January 2011, 17 February 2011, and 16 September 2011. The deliberations of the Panel are summarized below.

Key features of the WITS Scheme

4. 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.
5. 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.

6. The Administration advised the Panel that -

- (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.

7. At the Panel meeting on 16 December 2010, 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 was passed.

8. 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.

9. 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.

10. 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.

Suggestions on the improvement to the WITS Scheme

11. 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.

12. 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. The Administration was requested to drop the means test requirement, in particular the asset threshold requirement.

13. Members noted that most low-paid workers in Hong Kong generally enjoyed a pay rise after the implementation of statutory minimum wage ("SMW"). Information was sought on whether the Administration would consider raising the monthly income limits for eligible applicants. Members also noted that the recent rise in transport cost had aggravated the inflationary pressure faced by low-income earners. The Administration was requested to consider increasing the subsidy level for successful WITS applicants.

14. 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. In considering whether to adjust the income limits, the Administration had to take into account relevant factors, including but not limited to the changes in the median monthly household income levels in the light of the implementation of SMW.

15. 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.

16. 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. The Administration would closely monitor the implementation of the WITS Scheme. A comprehensive review based on the experience of the first three years of implementation would be conducted. Relevant factors including inflation, median household income, as well as data indicating the take-up rate, the total number of applications received, approved and rejected, and the reasons given for rejecting an application would be collected for analysis. The Administration would also conduct a mid-term review having regard to the experience gained during the first year of operation. The review of the income and asset thresholds would be advanced should the take-up rate and the actual number of persons who would benefit from the WITS Scheme in the first few months so warrant.

The estimated scope of the WITS Scheme

17. Information was sought on the Administration's up-to-date estimate of the number of applications to be received and approved in the first three years of implementation. According to the Administration, based on figures in the second quarter of 2011, the total number of persons who could meet the eligibility criteria for household income levels and working hours under the Scheme was about 404 000, representing a decrease of 32 000 persons over the original figure of 436 000 persons in the second quarter of 2010. The estimated number of beneficiaries provided by the Administration earlier was based on statistics of household income distribution and working hours of employed persons. As the Census and Statistics Department did not have information on household assets, that factor could not be taken into account. As such, the figure provided at that time was a rough indication for reference only, not the exact number of eligible persons or beneficiaries. The main objective of the WITS Scheme was to help employed members of low-income households reduce the burden of home-to-work travelling expenses and encourage them to stay in employment. The Administration had not set any specific target on the number of beneficiaries.

Issues relating to eligibility and application of the WITS Scheme

18. Members considered the application procedures for WITS cumbersome, inflexible and not user-friendly to the applicants, and that the application form for WITS far too complicated for low-income employees to complete. The Administration was requested to conduct a review as soon as possible on the application procedures and the work flow, with a view to streamlining them to enhance efficiency and making them more user-friendly to encourage more low-income earners to apply.

19. According to the Administration, in designing the operational details of the WITS Scheme, it strived to make the procedures and application form simple and user-friendly on the basis of the eligibility criteria. Applicants were required to provide basic and essential information to facilitate eligibility assessment. The Administration had struck a balance between the need for eligibility assessment and user-friendliness. If certain information was identified as unnecessary and where there was room for improvement, the Administration would stand ready to improve the application form to enhance its user-friendliness.

20. Concern was raised as to whether street sleepers and eligible applicants who were unable to open a bank account could apply for and receive WITS. The Administration advised members that street sleepers could apply for WITS as long as they met the eligibility criteria and made available in the application form the means to be contacted by the Labour Department for processing purpose. For those who did not have a bank account, the subsidy payment would be made in the form of uncrossed order cheques.

21. As to whether low-income workers who lived in the Mainland but employed in Hong Kong, or vice versa, were eligible for WITS, members were advised that the Administration was inclined to adopt a lenient and facilitating approach in taking forward the WITS Scheme. Therefore, such low-income workers could apply for WITS if they met the eligibility criteria.

22. Information was sought on whether flexibility would be allowed to approve applications by those persons whose income just exceeded the prescribed limit due to the implementation of SMW. The Administration responded that while there was little room for discretion, staff members of the WITS Division would carefully assess eligibility for the subsidy, with due regard to the information provided by the applicant and the unique situation of each case. Where necessary, they would contact the applicant, household members and concerned parties for supplementary information and investigation.

23. Information was also sought on whether sufficient training had been provided to the staff of "1823 Call Centre" for answering public enquiries on the WITS Scheme.

24. According to the Administration, while details of the WITS Scheme and samples for completing the application form were contained in the *Guidance Notes on Application for Work Incentive Transport Subsidy Scheme* for applicants' reference, the Administration had plans to hold two briefings for various groups and organizations in late September 2011 to publicize the Scheme. In addition, adequate training had been provided to staff of "1823 Call Centre" responsible for answering public enquiries on the WITS Scheme.

25. There was a suggestion for the Administration to draw up a list of frequently asked questions and answers about completing WITS applications for public information. The Administration agreed to give due consideration to the suggestion.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
10 February 2012

Appendix

Relevant papers on 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 Minutes
Panel on Manpower	17.2.2011 (Item IV)	Agenda Minutes
Panel on Manpower	16.9.2011 (Item II)	Agenda Minutes

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