

ITEM FOR FINANCE COMMITTEE

HEAD 90 – LABOUR DEPARTMENT Subhead 700 General non-recurrent Item 841 Work Incentive Transport Subsidy Scheme

Members are invited to approve the proposal to allow individual-based applications under the Work Incentive Transport Subsidy Scheme.

PROBLEM

The Work Incentive Transport Subsidy (WITS) Scheme only accepts household-based applications.

PROPOSAL

2. The Secretary for Labour and Welfare proposes to enhance the WITS Scheme by providing the option of individual-based applications as an alternative to household-based applications.

JUSTIFICATION

Background

3. To relieve the burden of work-related travelling expenses on low-income households with employed members and to promote sustained employment, the territory-wide WITS Scheme started receiving applications from October 2011. Applicants are required to meet the following criteria –

- (a) being employed or self-employed, and are lawfully employable in Hong Kong;

/(b)

- (b) incurring travelling expenses in commuting to and from work;
- (c) the household asset and monthly income not exceeding the specified limits; and
- (d) working no less than 72 hours per month (if applying for full-rate subsidy of \$600 per month), or working at least 36 hours per month, but less than 72 hours (if applying for half-rate subsidy of \$300 per month).

4. We have undertaken to conduct a mid-term review of the WITS Scheme to take account of the operational experience in the first year. We will also conduct a comprehensive review after three years of operation.

Operation of the WITS Scheme

5. During the period from October 2011 to November 2012, 71 504 applications involving 49 836 applicants have been received under the WITS Scheme. As WITS is paid in arrears and each applicant is allowed to apply for subsidy payments for the immediate past six to 12 months in each household-based application¹, some 40% of the applicants have submitted more than one round of applications. The gross applicant count was 78 567.

6. As at 30 November 2012, the Labour Department (LD) completed processing a total of 61 470 applications involving 45 747 applicants (a gross applicant count of 67 335). The total subsidy payment of \$214.8 million was granted to 36 419 applicants. Over 40% of the recipients were approved in more than one round of applications, and the gross count of successful applicants was 55 815. Of this total, 92% received full-rate subsidy (\$600 per month for the eligible period), 2% half-rate subsidy (\$300 per month), and the remaining 6% a mix of full-rate and half-rate subsidies for different months. The three districts with the highest gross count of WITS recipients were Kwun Tong (15%), Yuen Long (13%) and Tuen Mun (11%). Summary statistics on the WITS Scheme for October 2011 to November 2012

Encl. 1 are at Enclosure 1.

/Findings

¹ Applicants are allowed to apply for WITS to cover any time period for the previous six to 12 months in arrears. Such applicants could have submitted one application in October 2011 for the six months from April 2011 and another application in April 2012 for the six months from October 2011 and a 3rd application in October 2012 for the six months from April 2012, hence having more than one round of applications per applicant. There may also be more than one applicant in one application, because the application is household-based and more than one household member meeting the eligibility criteria may want to apply for WITS. Counted separately, the gross count is larger than the number of applicants or applications.

Findings of Mid-term Review and Enhancement Proposals

7. We have taken the initiative to advance the mid-term review of the WITS Scheme from October 2012 to August 2012. Our review findings and enhancement proposals are set out in the ensuing paragraphs.

Additional option of individual-based applications

8. The WITS Scheme operates on household-based applications with specified income and asset limits for different household sizes. The personal income of 64% of those successful applicants (35 707 out of the gross recipient count of 55 815) has exceeded the income limit for a single-person household but these applicants fall within the household-based income and asset limits. The household-based approach serves to assist low-income earners who are the sole or main breadwinners of households.

9. Notwithstanding this, we have carefully considered the need for allowing the additional option of individual-based applications in the context of the mid-term review. The Administration announced on 31 August 2012 that the WITS Scheme would be relaxed by including the option of individual-based applications as an alternative to household-based applications. Under the proposal, applicants meeting the personal income and asset limits for single-person households as well as other eligibility criteria can apply for WITS on an individual basis, as an alternative to applying on a household basis. Members of the same household can opt for (a) each member to be assessed individually or (b) all members to be assessed together as a household. They can choose between individual or household assessment upon initial application or re-application every six to 12 months. We also propose to put in place a transitional arrangement for those applicants who are eligible for subsidy payment on household-based application under the existing WITS but wish to make individual-based application under the enhanced WITS upon its commencement of operation. They will be allowed to apply for subsidy on a household basis to cover the period immediately before their first individual-based applications under the enhanced WITS, even if it falls short of six months.

10. The option of allowing individual-based applications will make the WITS Scheme more flexible, accessible and user-friendly. Applicants opting for individual-based assessment are not required to submit the details and financial position of their household members. We will simplify the application form accordingly to reduce the information to be provided for application. This will make the application for WITS simpler and easier.

Annual adjustment mechanism for income and asset limits

11. As set out in FCRI(2011-12)18, with effect from March 2012, the income limits of the WITS have been updated with reference to the median monthly household income in the fourth quarter of 2011, and the asset limits have been raised to three times the corresponding limits under the Comprehensive Social Security Assistance (CSSA) Scheme.

12. Upon the introduction of individual-based application under WITS, we will put in place a regular annual adjustment mechanism for both the income and asset limits before the comprehensive review as mentioned in paragraph 4 above. Specifically, both the income limits and asset limits will be adjusted concurrently with those for CSSA at the beginning of each year. The income limits will be updated on the basis of the median monthly household income in the third quarter of the previous year whereas the asset limits will be pegged to three times the asset limits of CSSA as adjusted annually. The income limits adjusted on the basis of the median monthly household income in the third quarter of 2012 are at Enclosure 2. The asset limits will be revised with reference to the asset limits under CSSA which will be separately adjusted in 2013 under delegated authority.

Review of subsidy rate

13. According to the General Household Survey (GHS) conducted by the Census and Statistics Department in the third quarter of 2011, the average monthly expense of target beneficiaries incurred for travelling to and from work was \$436, and that for those working across districts was \$472, which were only slightly above the respective figures of \$410 and \$460 in the second quarter of 2010 when the subsidy rate was first set. Statistics on the average monthly expense by area of residence are at Enclosure 3. We consider that the present full-rate WITS at \$600 per month should provide sufficient support to most eligible applicants and do not see the need for revising the subsidy rate. We will monitor the relevant statistics in the GHS and, where necessary, review and update the level of the subsidy.

Implementation

14. Subject to Members' approval, the inclusion of individual-based applications together with the updated income and asset limits under the WITS Scheme as mentioned in paragraph 12 will take effect from the claim month immediately following the month of Finance Committee (FC)'s approval. The LD will launch promotional activities to publicize the revised eligibility criteria.

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FINANCIAL IMPLICATIONS

15. The FC approved on 25 February 2011 a non-recurrent commitment of \$4,805 million (time-limited up to 2014-15) for implementing the WITS Scheme. A total of \$214.8 million has been disbursed to eligible applicants. As the GHS does not collect data on the level of individual or household assets, we cannot estimate the number of additional beneficiaries following the implementation of the enhancement proposals. The additional expenditure arising from the proposed enhancement of the WITS during the remaining period up to 2014-15 will be absorbed within the outstanding balance of this commitment. The Administration will address the longer-term funding arrangement in the context of the comprehensive review of the WITS Scheme as mentioned in paragraph 4.

PUBLIC CONSULTATION

16. We consulted the Panel on Manpower on the findings of the mid-term review and the enhancement proposals on 3 December 2012. The Panel indicated support for submitting the proposal to FC for approval.

Labour and Welfare Bureau
Labour Department
December 2012

**Statistics of the WITS Scheme
for October 2011 to November 2012**

Breakdown of WITS applications received

Breakdown	No. of applicants	Gross applicant count	No. of applications
Applications approved with WITS	36 419	55 815	51 251
Applications withdrawn by applicants	8 153	10 093	9 136
Applications rejected	1 175	1 427	1 273
Applications under processing	10 940	11 232	10 034
Total	49 836¹	78 567	71 504²

1 Individual items do not add up to the total because some applicants have submitted more than one round of applications. Applicants are categorised under “Applications approved with WITS” when one of their applications was approved. Otherwise, they are categorised under “Applications rejected” when one of their applications was rejected.

2 Individual items do not add up to the total because some applications have both successful and unsuccessful applicants.

Breakdown of WITS recipients by district

District Council district	Gross recipient count
Central & Western	374
Wan Chai	224
Eastern	2 047
Southern	1 074
Kwun Tong	8 191
Wong Tai Sin	4 012
Kowloon City	1 863
Yau Tsim Mong	1 220
Sham Shui Po	4 113
Kwai Tsing	5 927
Tsuen Wan	1 553
Tuen Mun	6 065
Yuen Long	7 242
Sha Tin	3 801
Tai Po	1 462
North	2 790
Sai Kung	2 062
Islands	1 562
Outside Hong Kong	233
Total	55 815

Breakdown of WITS recipients by household size

Household size	Gross recipient count
1	4 785
2	16 259
3	16 750
4	13 577
5	3 339
6 or above	1 105
Total	55 815

Breakdown of WITS applications rejected

Reason	Gross applicant count
Household income limit being exceeded	672
Household asset limit being exceeded	590
Travelling expenses not incurred in commuting to and from work	121
Insufficient supporting information	97
Applicant not being lawfully employed or self-employed	90
Applicant working less than 36 hours per month	89
Applicant being a full-time student or trainee not in employment	54
On-the-job transport allowance granted under the Transport Support Scheme	10
Total	1 427³

3 Individual items do not add up to the total because more than one reason may be applicable to the same applicant.

New Monthly Income Limits of the WITS Scheme

Household size	Current income limit	New income limit	% of median household income	Increase	Current effective income level ¹	New effective income level ¹
1	\$7,300	\$7,700 ²	100%	\$400 (+5.5%)	\$7,684	\$8,105
2	\$13,400	\$13,800	85%	\$400 (+3.0%)	\$14,105	\$14,526
3	\$14,800	\$15,300	65%	\$500 (+3.4%)	\$15,578	\$16,105
4	\$16,400	\$17,100	60%	\$700 (+4.3%)	\$17,263	\$18,000
5	\$16,700	\$18,100	60%	\$1,400 (+8.4%)	\$17,578	\$19,052
6 or above	\$18,600	\$20,200	60%	\$1,600 (+8.6%)	\$19,578	\$21,284

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- 1 Under the WITS Scheme, “income” does not include employee’s mandatory contribution to a Mandatory Provident Fund (MPF) Scheme (i.e. 5% of employees’ salary). “Effective income level” refers to income before deducting mandatory employees’ MPF contribution.
 - 2 The limit will also be applicable to individual-based applications.

**Average Monthly Expense of WITS Target Beneficiaries
on Public Transport for Travelling to and from Work
by Area of Residence
(Third Quarter of 2011)**

Area of Residence	Average Monthly Expense	
	All target beneficiaries	Target beneficiaries requiring to work across District Council districts
Hong Kong Island	\$339	\$397
Kowloon	\$381	\$397
New Territories	\$486	\$528
Overall	\$436	\$472

Source: General Household Survey (third quarter of 2011), Census and Statistics Department

Note: Owing to limited sample size of the General Household Survey, the corresponding statistics by District Council district were not available as they would be subject to relatively large sampling error.
