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Subcommittee on Poverty

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 12 May 2014**

Low-income Working Family Allowance

Purpose

This paper summarizes the discussions by the Panel on Welfare Services ("the Panel") and the Subcommittee on Poverty ("the Subcommittee") under the House Committee on Low-income Working Family Allowance ("LIFA").

Background

2. According to the Administration's analysis of poverty statistics, while the working poor families not receiving Comprehensive Social Security Assistance ("CSSA") have been working hard and striving for self-reliance, they are more prone to poverty. This is because these families have fewer working members and need to support more children. The working members of these families are mostly engaged in lower-skilled jobs. The Government considers that priority should be accorded to assisting non-CSSA working families living below the poverty line, especially those with children and young members at school. In this connection, the Administration proposes to introduce LIFA with the following policy objectives –

- (a) to relieve the financial burden of non-CSSA low-income working households;
- (b) to encourage working members in these households to stay in active employment to promote self-reliance and to prevent them from falling into the CSSA net; and
- (c) to help alleviate inter-generational poverty and promote upward social mobility in the long run.

3. Under the Administration's tentative proposal, LIFA comprises the basic allowance and the child allowance. The basic allowance will be granted on a family basis and tied to employment and working hours to encourage self-reliance. More allowance will be granted to those who work more. Each eligible child of a LIFA beneficiary household will receive an additional child allowance of \$800 per month. There will be an income test and an asset test for LIFA. If the income of a family is equivalent to or below 50% of the median monthly domestic household income ("MMDHI") and the applicant is a working member who meets the working hour threshold, this family would be eligible for a full basic allowance of \$600 or \$1,000 per month, depending on the working hours tier to which it belongs. To help prevent poverty, low-income working families with a monthly income slightly higher than 50% of MMDHI may receive half-rate allowance. A two-tier working hour requirement is initially proposed. The first tier is in the range of 144 hours a month to less than 208 hours a month and the second tier is set at 208 hours or more a month.

Members' deliberations

4. LIFA was discussed by the Panel and the Subcommittee at their meetings of 23 and 29 January 2014 respectively. Members' major concerns are summarized in the ensuing paragraphs.

Level of allowance

5. Some Members expressed the view that needy families should be offered a higher amount of basic allowance so that their household income could be supplemented to exceed 50% of MMDHI, thereby reducing the number of households below the poverty line. They were of the view that an allowance similar to the child allowance should be offered to needy families with elderly persons and persons with disabilities. Some Members considered that a special allowance should be provided for LIFA recipients who were still living below the poverty line to lift them above the poverty line.

6. The Administration explained that the poverty line was not a poverty alleviation line but a measurement tool to assist policy formulation. The design of LIFA aimed to provide assistance for needy low-income working families, including those having income below or slightly higher than 50% of MMDHI. LIFA's objectives were to encourage employment, promote self-reliance and help alleviate inter-generational poverty.

Working hour requirement

7. Some Members were of the view that the threshold of 208 working hours a month was too high and departed from the 5-day work week and work-family balance practices advocated by the Government. Expressing concern that it might be difficult for some low-income families to meet the working hour requirement, they urged the Administration to lower the working hour threshold. Pointing out that many grass-roots were under-employed for reasons beyond their control and some elderly persons could only work for a few hours a day because of their health conditions, they considered that LIFA should be provided for the needy regardless of the number of hours they worked.

8. The Administration advised that LIFA would not be designed to meet the needs of all types of low-income families. According to the statistics collected by the Census and Statistics Department, around 60% of workers coming from low-income families not receiving CSSA worked at least 144 but fewer than 208 hours a month, and more than 30% of these workers worked 208 hours or more a month. Setting too low the thresholds might discourage low-income earners to work more and thus had an adverse impact on the labour force.

9. Some Members pointed out that, as the majority of workers worked 144 hours a month, the working hour requirement for basic allowance should not be higher than that level. Given that an employee working 72 hours a month was generally regarded as in continuous employment, the working hour threshold should be lowered to 72 hours a month and 144 hours a month for receiving the basic allowance and a higher amount of allowance respectively. They also considered it infeasible to verify the number of working hours. To simplify the operation of LIFA, a one-tier system should be adopted for both the working hours and the allowance, i.e. setting the working hours at 144 hours a month and the allowance at \$1,000 a month. Some Members opined that the working hours of the second breadwinner of a household should be counted to tie in with the Government policy on gender mainstreaming and encourage family members to stay in employment.

10. According to the Administration, counting the total working hours of all workers of a family might discourage some of them to work longer hours when the family reached the working hour threshold for LIFA. A suitable balance should be struck between helping the needy families with LIFA and maintaining work incentive. Given that LIFA's objective was to encourage employment and promote self-reliance, the working hour threshold should not be too low. Having regard to the long working hours of many low-income working people, a higher amount of allowance was proposed to recognize

their hard work.

Target beneficiaries

11. Members considered that low-income working families with elderly, chronically ill or disabled members and with members who were not on Disability Allowance ("DA"), Old Age Allowance or Old Age Living Allowance ("OALA") should also be covered by the LIFA scheme. Some Members cast doubt on the design of LIFA which did not cover low-income singletons or give special considerations to full-time carers of the chronically ill. If LIFA could not benefit these people, the Community Care Fund ("CCF") should provide them with the necessary assistance.

12. The Administration advised that LIFA would be granted to the needy on a family basis. LIFA focused on helping to alleviate inter-generational poverty and promoted upward social mobility in the long run. The Administration had been offering assistance for the needy elderly people through social security measures such as OALA, and the Commission on Poverty had commissioned a consultancy study on retirement protection which would make recommendations on the way forward. A host of CCF programmes had been implemented to assist the needy. The Administration was also conducting a review on the eligibility criteria for DA. As regards assistance to singletons, the Administration was of the view that, with the introduction of statutory minimum wage, the recovery of labour market, and the enhancement of the Work Incentive Transport Subsidy Scheme, the income of a full-time singleton worker would not be too low.

Asset test

13. While some Members considered that the asset test for LIFA should be removed, some other Members considered the asset test necessary. Some Members were of the view that should there be any asset test, a cumbersome mechanism for implementation should be avoided. Given that public rental housing ("PRH") applicants currently waiting for PRH allocation had already met the asset test when applying for PRH, they should be exempted.

14. According to the Administration, to ensure that limited public resources would be put on those households most in need, an income test and an asset test would be introduced for LIFA, but the thresholds would be more generous.

Implementation schedule

15. Members urged the Administration to launch LIFA expeditiously.

Some Members called on the Administration to review LIFA no later than six months after its implementation. The Administration advised that it would listen to the views of Members and the public in the coming few months to work out the operational details of the scheme. The Administration planned to submit the relevant funding proposal for LIFA to the Finance Committee in 2014 and targeted to launch the scheme in 2015.

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
8 May 2014

Appendix

Relevant papers on Low-income Working Family Allowance

Committee	Date of meeting	Paper
Panel on Welfare Services	23 January 2014 (Item II)	Agenda Minutes
Subcommittee on Poverty	29 January 2014 (Item I)	Agenda

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