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Subcommittee on Poverty

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 28 October 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 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 a higher Basic Allowance of \$1,000 per month, depending on the working hours tier to which it belongs. To help prevent poverty, eligible low-income working families with a monthly income exceeding 50% of MMDHI but not higher than 60% of MMDHI would receive a half Basic Allowance and a half Child Allowance. A two-tier working hour requirement is 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. Having considered the views collected, the Administration subsequently proposed to lower the working hour threshold for receiving the higher Basic Allowance from 208 hours to 192 hours per month.

Members' deliberations

4. LIFA was discussed by the Panel at its meeting on 23 January 2014 and by the Subcommittee at its meetings on 29 January, 12 May and 27 May 2014. 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 requirements

7. Expressing concern that it might be difficult for some low-income families, part-time workers and casual workers to meet the working hour requirement for the higher Basic Allowance, some Members urged the Administration to lower the working hour threshold to 176 hours a month. 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. 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 the higher Basic Allowance respectively. Some Members 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 other Members took the view that an extra tier of working hour threshold should be set between 144 hours and 192 hours, and the two-tiered working hour thresholds should be set at 36 hours and 72 hours per month for carers of the elderly family members and carers of disabled family members.

9. The Administration advised that having considered the views collected, it had proposed to lower the working hour threshold for the higher Basic Allowance from 208 hours to 192 hours per month, which was the Administration's bottom line.

10. 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. 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 thresholds 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.

Arrangement for counting paid holidays towards the working hour requirements under LIFA

11. Some Members held the view that general/statutory holidays, on the basis of eight hours a day, should be counted towards the working hour requirements per month for all applicants, regardless of whether they were full-time workers, casual workers or self-employed. This would avoid their working hours being affected by the number of general/statutory holidays.

12. According to the Administration, paid holidays/leave/absence from duty would be counted towards the working hour requirements for the purpose of LIFA's eligibility assessment. The number of hours an applicant worked on working days would be taken as a reference for considering how the applicant's paid holiday/leave/absence from duty would be counted in LIFA's working hour assessment. Detailed arrangements would be worked out at a later stage and the treatment of holidays/leave/absence from duty would be subject to review. The Administration was of the view that using eight hours a day as a basis for calculating the working hours for general/statutory holidays would not be feasible as it could not reflect the actual working hours of the applicants, which could vary to a great extent.

Target beneficiaries

13. 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.

14. 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 ("CoP") 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 ("WITS") Scheme, the income of a full-time singleton worker would not be too low.

15. Some Members were of the view that needy youths aged between 15 and 21 who were not students should also be eligible for the Child Allowance under LIFA; and for an applicant to be regarded as a single-parent, the age limit of his/her children should be reviewed.

16. The Administration explained that the age requirement for the Child Allowance accorded with one of LIFA's objectives i.e. promoting upward mobility of children and youths of low-income families. Providing Child Allowance to youths aged between 15 and 21 who were neither students nor in employment would be inconsistent with the LIFA's objective to promote young people's upward mobility.

17. Some Members considered it unreasonable to disallow LIFA households to benefit from household-based WITS. The Administration advised that CoP had discussed at length the interface between LIFA and WITS and considered that allowing LIFA household members (except the LIFA applicant) to apply for or continue to benefit from individual-based WITS would be an appropriate arrangement. The second worker within a LIFA household might also continue to benefit from individual-based WITS.

Asset test and income test

18. 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.

19. 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.

20. Some Members took the view that OALA and the living allowance for carers under the Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low-income Families ("the Pilot Carer Allowance Scheme") should not be counted in LIFA's income test. The Administration advised

that OALA and the allowance under the Pilot Carer Allowance Scheme were living allowances and should be counted in the LIFA's income test.

Latest development

21. At the meeting of the Subcommittee on 27 May 2014, Members were briefed on the implementation framework of LIFA and the manpower and financial resources required for taking forward the LIFA Scheme. Members supported in principle the relevant manpower proposals and funding requirements. The manpower proposals for the Scheme had been endorsed by the Establishment Subcommittee at its meeting on 11 June 2014 and approved by the Finance Committee ("FC") on 11 July 2014. The relevant funding requirements were originally scheduled for consideration by FC in July 2014 but were deferred to its meeting on 24 October 2014. According to the Administration, it would require, barring unforeseeable circumstances, a lead time of 15 to 18 months after obtaining such funding approval before launching the LIFA Scheme.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
24 October 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 Minutes
Subcommittee on Poverty	12 May 2014 (Item I)	Agenda Minutes
Subcommittee on Poverty	27 May 2014 (Item I)	Agenda Minutes
Establishment Subcommittee	11 June 2014 (Item 3)	Agenda Minutes

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