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LABOUR AND WELFARE BUREAU
GOVERNMENT SECRETARIAT

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By e-mail: cwschui@legco.gov.hk
30 June 2014

Mr Colin Chui
Clerk to Subcommittee on Poverty
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong

Dear Mr Chui,

Low-income Working Family Allowance and Work Incentive Transport Subsidy

Please refer to your e-mail of 29 May 2014 requesting the Government to provide a response to questions on the Low-income Working Family Allowance (LIFA) and the Work Incentive Transport Subsidy (WITS) raised by Members of the Legislative Council (LegCo) Subcommittee on Poverty. Our response is as follows –

Hon Fernando Cheung's Letter of 23 May 2014

(a) Coverage of the LIFA Scheme

2. LIFA will be granted on a family basis. A major consideration behind the LIFA Scheme is the fact that many grassroots workers, as the sole breadwinners of families, bear a heavy financial burden. Providing them with suitable assistance and encouraging them to remain employed will help prevent them from falling into the Comprehensive Social Security Assistance (CSSA) net. One-person working households are protected by the statutory minimum wage. If they meet the relevant eligibility criteria, they may apply for the WITS Scheme on an individual basis.

(b) The Elderly Working People and WITS

3. After the launch of the WITS Scheme in October 2011, we have implemented enhancement measures from the claim months of 2013 by which applicants may choose to apply on an individual or household basis. The enhancement measures make the WITS Scheme more flexible and accessible, and more grassroots workers including elderly working members can benefit from the Scheme. Moreover, the income and asset limits for the Scheme have been raised again from the claim month of February 2014 onwards under the annual adjustment mechanism. The income limits were updated on the basis of the median monthly household income in the third quarter of 2013 and the increase was up to \$1,600. The asset limits are pegged to three times the asset limits of the CSSA Scheme as adjusted, and the increase ranged from \$4,500 to \$12,000. For each elderly applicant or household member (for household-based applications) aged 60 or above, the asset limit has increased by \$35,000.

4. We will commence in October 2014 a review of the WITS Scheme, including its objectives, eligibility criteria, modus operandi and effectiveness.
Hon Tang Ka-piu's Letter of 27 May 2014

(c) Eligible Children and Single Parents under LIFA

5. One of LIFA's considerations is that special attention must be paid to the children and youths of low-income families. Offering them appropriate support promotes upward mobility amongst them. LIFA therefore will have a Child Allowance. An eligible child has to be aged below 15, or aged between 15 and 21 receiving full-time education (but not post-secondary education). This is consistent with the child standard rate eligibility under CSSA.

6. LIFA's two-tiered working hour requirement for single-parent applicants is set at lower levels, which are 36 and 72 hours per month. For the purpose of deciding the eligibility for the lower working hour thresholds, a single parent refers to one having his/her youngest child living with him/her aged below 15. This accords with the requirement under the CSSA Scheme, whereby those able-bodied single parents having the youngest children living with them aged 15 or above would also have to seek full-time employment.

(d) Implementation of LIFA

7. LIFA's two-tiered income threshold will be set at 50% and 60% of the Median Monthly Domestic Household Income (MMDHI) (excluding the income of foreign domestic helpers). MMDHI figures are published on a quarterly basis. The actual income limits will be adjusted annually on 1 April each year based on the then available quarterly MMDHI level. The first

income limits for the LIFA Scheme would depend on the actual launch date of the Scheme and other preparatory work.

8. We are currently considering the detailed definitions of income and asset under LIFA's means test. Depending on their nature and payment method, different items with cash value and different types of compensation may be regarded as income or asset. Detailed definitions are being worked out.

9. LIFA is a new cash assistance scheme. Time is needed to draw up the operational details, including designing the operational workflow; formulating the approval, review and fraud prevention mechanisms; drawing up the operational manual; setting up payment arrangement, accounting and auditing procedures; designing and printing application forms etc.; and to set up the Working Family Allowance Office, putting in place an information technology system, staff recruitment and administrative arrangements. All of the above involves a lot of work. We would require, barring unforeseen circumstances, a lead time of 15 to 18 months, after obtaining the necessary funding approval, to carry out the preparatory work before commencing the LIFA Scheme. If funding approval is obtained from the LegCo Finance Committee in July 2014 for taking forward the LIFA Scheme, we would aim to start receiving applications in the fourth quarter of 2015 at the earliest.

Yours sincerely,



(Jeremy Poon)

for Secretary for Labour and Welfare

cc. Commissioner for Labour (Attn.: Ms Carrie Lee)