

**The Legislative Council Meeting on 4 December 2013**  
**Motion on “Establishing a Low-income Subsidy System”**

**Progress Report**

**Purpose**

At the meeting of 4 December 2013, Hon Frederick Fung moved and the Legislative Council passed the motion that “urges the Government, following the setting of a poverty line, to expeditiously establish a low-income subsidy system to support poor families”. This report sets out the Administration’s follow-up action.

**Poverty Statistics**

2. According to the analysis of poverty statistics, while the working poor households not receiving Comprehensive Social Security Allowance (CSSA) had been working hard and striving for self-reliance, they were prone to poverty. This is because they had fewer working members, mostly engaged in lower-skilled jobs, and had to support more children. In view of this, on 15 January 2014, the Chief Executive proposed in his 2014 Policy Address to introduce a Low-Income Working Family Allowance (LIFA).

**Policy Objectives and Design Principles**

3. The policy objectives of the LIFA are –
- (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.

4. The proposed LIFA is built on the following three key principles –

- (a) A 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. Families with eligible children and young members will receive additional allowance;
- (b) To ensure that limited public resources would be used to help those households most in need, there would be an income test and an asset test for the LIFA, but the thresholds would be more “generous”; and
- (c) The structure of the LIFA would be as simple and easy to understand as possible, with appropriate safeguards against abuse to ensure prudent use of public resources.

### **The LIFA under Contemplation**

5. According to our initial thinking, a beneficiary family, which is not on CSSA, must have two or more members, with at least one working for a reasonable number of hours to maintain the principle of self-reliance. The LIFA comprises the Basic Allowance and the Child Allowance. There will be a two-tier system based on the applicant’s working hours and his family income respectively. The former is to encourage hard work and the latter is to benefit those low-income families whose income levels are slightly higher than 50% of the median monthly domestic household income (MMDHI) with a view to preventing poverty. Considering that single parents have less family support in taking care of children, we will adopt a lower requirement for the working hours for working single parents applying for the LIFA. To ensure the proper use of public resources, there would be an asset test. To encourage employment, we propose no residence requirement for the LIFA. Applicants and their family members in the applications must be Hong Kong residents living in Hong Kong. The proposed key parameters of LIFA are set out at the [Annex](#).

### **Estimated Number of Beneficiary Households and Poverty Alleviation Impact**

6. The allowance expenditure involved is estimated to be around \$3 billion per year. Over 200 000 low-income families (involving

710 000 persons) will benefit. Beneficiaries include 180 000 eligible children or young people under the age of 21. It is estimated that the LIFA would reduce the overall poverty rate (after taking into account tax and recurrent cash benefit transfers) by 2.1 percentage points and the corresponding child poverty rate by 4.4 percentage points.

### **Next Steps**

7. The LIFA is a recurrent measure that will involve a substantial amount of public funds and provide an extensive coverage. Although the Government has set the policy direction, careful deliberation is still required to work out the operational details. We will listen to the views of the public and Legislative Council Members on the proposed LIFA over the next few months and will seek funding approval from the Legislative Council to implement the scheme in 2015.

Labour and Welfare Bureau  
February 2014

**Low-Income Working Family Allowance (LIFA)  
Proposed Key Parameters**

Eligibility

- Applicant families must meet the income limit of the scheme;
- Applicant families must meet the asset limit of the scheme which largely follows the asset limit of public rental housing;
- Applicants must meet the working hour requirement of the scheme; and
- Size of the applicant families must be two or above.

Design of the Allowance

- The scheme will be a two-tiered system based on working hours and family income respectively. 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 will be eligible for a full basic allowance of \$600 or \$1,000 per month depending on the working hour tier to which it belongs.
- If the applicant family has eligible children, and the household income is at or below 50% of MMDHI, the family may receive a monthly child allowance of \$800 for each eligible child.
- To help prevent poverty, low-income working families with a monthly income slightly higher than 50% of MMDHI may receive half-rate allowance.
- A lower working hour requirement will be adopted for working single parents applying for the LIFA.