

立法會 *Legislative Council*

LC Paper No. CB(2)1563/16-17(05)

Ref : CB2/PL/WS

Panel on Welfare Services

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 12 June 2017**

Low-income Working Family Allowance

Purpose

This paper summarizes the discussions by the Panel on Welfare Services, the Subcommittee on Poverty formed under the House Committee in the Fifth Legislative Council ("LegCo") and the Finance 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. In his 2014 Policy Address the Chief Executive announced the Government's proposal to introduce LIFA with an aim to relieve the financial burden of non-CSSA low-income working families (especially those with children), as well as to promote self-reliance and upward social mobility.

3. The LIFA Scheme has been implemented since May 2016. Under LIFA, a Basic Allowance will be granted on a family basis and tied to employment and working hours to encourage self-reliance. Each eligible child¹ of a LIFA family 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

¹ According to the Administration, an eligible child has to be aged below 15, or aged between 15 and 21 receiving full-time education (but not post-secondary education).

("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 a Higher 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 adopted. The first tier is in the range of 144 hours a month to less than 192 hours a month and the second tier is set at 192 hours or more a month. If a LIFA applicant is a single-parent, the two-tiered working hour requirements for the applicant is 36 hours per month and 72 hours per month for receiving the Basic Allowance and the Higher Allowance respectively.

4. According to the Administration, as at 10 March 2017, a total of over 60 000 applications have been received, of which over 50 000 applications have been approved with the total amount of allowance approved over \$579 million. Around 112 000 persons have benefited from the LIFA Scheme. Of these persons, around 49 000 are children or youths. The Administration has decided to abolish the absence rule with effect from 6 December 2016, i.e. removing the requirement for all household members included in a LIFA application not to be absent from Hong Kong for more than 30 days in any six-month claim period. A comprehensive policy review of the LIFA Scheme will be conducted in mid-2017. Comments received from the public and concern groups on the LIFA Scheme will be considered in the review in a holistic manner.

Members' deliberations

Level of allowance and coverage of Low-income Working Family Allowance

5. Some Members expressed the view that needy families should be offered a higher amount of Basic Allowance or a special allowance under LIFA so that their household income could be supplemented to exceed 50% of MMDHI, thereby reducing the number of households below the poverty line. 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.

6. Some 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 other 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") under the Commission on Poverty ("CoP") should provide them with the necessary assistance.

7. The Administration advised that LIFA, which focused on helping to alleviate inter-generational poverty and promoted upward social mobility in the long run, would be granted to the needy on a family basis. To help needy elderly people, the Administration had implemented various social security measures such as OALA, and CoP had launched a public consultation exercise on retirement protection in December 2015. At the same time, a host of CCF programmes had been implemented to assist the needy. The Administration had conducted a review of the eligibility criteria for DA and would implement measures to improve the existing medical assessment arrangement 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.

8. 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. The Administration explained that providing the Child Allowance to youths aged between 15 and 21 who were neither student nor in employment would be inconsistent with the LIFA's objective to promote young people's upward mobility.

9. 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.

Working hour requirements

10. Expressing concern that it might be difficult for some low-income families, part-time workers, casual workers, single parents and families having members with disabilities to meet the working hour requirement for the Higher Allowance of LIFA, some Members urged the Administration to relax the working hour requirements for these families. Some other Members

considered that LIFA should be provided for the needy regardless of the number of hours they worked given 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. Some other Members were of the view that many low-income families having children with special needs were unable to meet the working hour requirements under the LIFA Scheme as the parents had to take care of their children at home. They called on the Administration to relax the working hour requirements for these families as early as possible.

11. Some Members were of the view that as an employee working 72 hours a month was generally regarded as in continuous employment, and the majority of workers worked 144 hours a month, 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 Allowance respectively. Some other Members considered that an extra tier of working hour threshold should be set between 144 hours and 192 hours. They also proposed that for carers of elderly or disabled family members, the two-tiered working hour thresholds should be set at 36 hours and 72 hours per month. Some Members called on the Administration to simplify the operation of LIFA by adopting a one-tier system for both the working hours and the allowance, i.e. setting the working hour threshold at 144 hours a month and the allowance at \$1,000 a month. Noting that some casual workers from low-income families were unable to meet the working hour requirements under the LIFA Scheme, some other Members urged the Administration to include an additional working hour threshold (between 72 hours and 144 hours per month) under the LIFA Scheme and provide an allowance of \$300 per month for households meeting this requirement. These Members also took the view that the Child Allowance should be provided for all LIFA households with eligible children (*defined in Footnote 1*) even if these households did not meet the working hour requirements.

12. The Administration advised that since the basic principle of LIFA was to encourage self-reliance through employment, more allowance would be granted to those who worked more. As such, the Higher Allowance would serve as an incentive for work. Having considered the views collected, the Administration had lowered the working hour threshold for the Higher Allowance from the original proposal of 208 hours to 192 hours per month, which was its bottom line. It was estimated that over 60% of prospective applicants would meet the current 192-hour threshold for the Higher Allowance. Lower working hour thresholds were set for single-parent families and a Child Allowance would be provided for each eligible child in a LIFA family. There was a view that a lower working hour threshold should be set for persons with disabilities and different levels of allowances should be considered for low-income working

families living in private housing and those living in public housing. The Administration would take this view into account in the forthcoming comprehensive policy review of the LIFA Scheme.

13. Noting that the Administration had abolished the absence rule under the LIFA Scheme before the review was conducted, some Members considered that the working hour requirements should also be adjusted before completion of the review. The Administration advised that as the policy objective of the LIFA Scheme was to encourage self-reliance through employment, the requirements for working hours and income were the key parameters of the LIFA Scheme. Changes to these parameters should therefore be carefully considered in order not to undermine the policy objective of the LIFA Scheme. To this end, the Administration would collect information on the working hours and income of LIFA recipients and study the changes in these aspects before and after they received LIFA. As such information would be more meaningful after the LIFA Scheme had been implemented for a reasonable period, the Administration considered that the review of the LIFA Scheme should be conducted at least one year after its implementation. The Administration would take into account Members' views on the LIFA Scheme in conducting the review.

14. Some Members considered it infeasible to verify the number of working hours. They said that the LIFA applicants who were self-employed or daily waged workers might not be able to provide proof of their income and hours worked. The Administration advised that for such applicants, self-declaration on their income and hours worked would suffice.

15. 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 the LIFA's objectives were 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 provided to recognize their hard work.

16. 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. Some other Members further requested the Administration to consider counting also unpaid sick leave for the working hour threshold.

17. 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.

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. 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.

19. Some Members took the view that OALA and the allowance under the Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low-income Families should not be counted in LIFA's income test. The Administration advised that the aforementioned assistance was living allowance and should be counted in the LIFA's income test.

Implementation of Low-income Working Family Allowance

20. Some Members were of the view that the Administration should review the eligibility criteria and simplify the application procedures of the LIFA Scheme in light of the low application rate for the LIFA Scheme. The Administration advised that while the review of the LIFA Scheme would be conducted in mid-2017, the Administration had started collecting data such as the existing LIFA recipients' views on the application procedures, changes in the working hours of LIFA households, etc. by way of a dedicated survey among LIFA households. In the upcoming General Household Survey,

households who might be eligible but had not applied for LIFA would be asked about the reasons why they had not done so. To simplify the application procedures, the Working Family and Student Financial Assistance Agency ("WFSFAA") had revised the LIFA application form. While the applicants were more acquainted with the application procedures in the second round of applications that commenced in November 2016, the degree of completeness of the application forms submitted by the LIFA applicants had also increased. The application form had been further simplified with the abolition of the absence rule and a new version of the form would be issued in end-January 2017.

21. Some Members considered that to facilitate ethnic minorities ("EMs") applying for LIFA, publicity on the LIFA Scheme should be strengthened. The Support Service Centres for EMs ("SSCs") should help EMs to complete the LIFA application form. Given that SSCs were funded by the Administration, policies should be formulated to require SSCs to assist LIFA applicants in filling out the application form. The Administration might consider providing administrative fees for SSCs to undertake the task.

22. According to the Administration, to help EM applicants understand the LIFA Scheme and the application details, WFSFAA had translated the promotional leaflet and poster into six EM languages (namely Hindi, Urdu, Nepali, Bahasa Indonesia, Tagalog and Thai) and promoted the LIFA Scheme through radio broadcasts in EM languages and advertisements in EM newspapers. Upon the invitation of some EM organizations, briefings on the LIFA Scheme had been arranged for EM groups at local districts and information on how to fill in the LIFA application form was provided at the briefings, some of which were organized after office hours or on weekends. WFSFAA had translated the sample application form into the six EM languages for reference by EM families in filling in the application forms. WFSFAA attended from time to time LIFA form-filling sessions organized for EMs. Starting from January 2017, WFSFAA had engaged some non-governmental organizations to help new LIFA applicants to fill in the application form.

Relevant papers

23. A list of the relevant papers on the LegCo website is in the **Appendix**.

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
Subcommittee on Poverty	28 October 2014 (Item I)	Agenda Minutes
Finance Committee	16 January 2015 (Item No. 2)	Agenda Minutes
Subcommittee on Poverty	29 January 2015 (Item I)	Agenda Minutes
Subcommittee on Poverty	23 March 2015 (Item I)	Agenda Minutes
Subcommittee on Poverty	20 October 2015 (Item II)	Agenda Minutes
Subcommittee on Poverty	22 December 2015 (Item II)	Agenda Minutes
Subcommittee on Poverty	20 May 2016*	Report of the Subcommittee on Poverty
Panel on Welfare Services	9 January 2017 (Item V)	Agenda Minutes
Panel on Welfare Services	26 January 2017 (Item I)	Agenda

Committee	Date of meeting	Paper
Panel on Welfare Services	13 March 2017 (Item IV)	Agenda
Finance Committee	7 April 2017	Administration's replies to members' written questions in examining the Estimates of Expenditure 2017-2018 Pages 2230-2231

* Issue date

Council Business Division 2
Legislative Council Secretariat
6 June 2017