

**For discussion
on 8 February 2021**

Legislative Council Panel on Welfare Services

**Additional Measures to Assist
Financial Needy Individuals and Families**

Purpose

This paper briefs Members on the two sets of proposals on additional support for individuals and families with financial difficulties.

Background

2. With the sustained slackening of Hong Kong's labour market since the second half of 2019, wages and household income came under pressures in tandem, with the impact particularly prominent on low-income households. Furthermore, the protracted 2019 coronavirus disease (COVID-19) pandemic has caused many to contend with lay-offs. In this regard, the Comprehensive Social Security Assistance (CSSA) Scheme has all along served its function as a safety net effectively. To give more targeted support for the unemployed and their families who face immediate financial difficulties, the Government has launched the 'Special Scheme of Assistance to the Unemployed' under the CSSA Scheme to temporarily relax the asset limits for able-bodied persons by 100 per cent from 1 June 2020 for one year. To render further assistance to the unemployed, the Government has obtained the approval from the Legislative Council (LegCo) Finance Committee (FC) on 15 January 2021 to implement another time-limited new arrangement under the special scheme for six months from 1 April to 30 September 2021. Specifically, the cash value of insurance policies of able-bodied CSSA applicants will not be counted as assets during the grace period of one year. In other words, for unemployed CSSA applicants whose applications are submitted within the six-month period of the new arrangement, all insurance policies owned by them, irrespective of cash value, will not be counted in the asset test during the one-year grace period.

3. The Employees Retraining Board (ERB) has been striving to provide training courses and follow-up placement services for the unemployed, with a view to enhancing their competitiveness to cater for

the fast-changing employment market. Meanwhile, in the face of the worsening economic situations, the ERB launched Phase 1 and Phase 2 of the Love Upgrading Special Scheme (Special Scheme) in October 2019 and July 2020 respectively. The Special Scheme imposes no restriction on the trade or education attainment of trainees, and provides special allowance during the training period. The ERB launched Phase 3 of the Special Scheme in January 2021, with the quota doubled to 20 000 and the number of training courses increased to about 450. The maximum amount of allowance per trainee was also increased substantially from \$4,000 to \$5,800 per month from May 2020.

4. In order to render additional support to individuals and families with financial difficulties, the Government recommends implementing the following two sets of new measures –

- (i) abolishing the Individual-based Work Incentive Transport Subsidy (I-WITS) Scheme for redeploying the resources to reduce, on a one-year time-limited basis, the working hour requirements of the Working Family Allowance (WFA) Scheme, which include substantially reducing its basic working hour requirement for non-single-parent households by half from 144 hours per month to 72 hours per month; and
- (ii) relaxing the asset limits of the Short-term Food Assistance Service Projects (STFASPs) on a one-year time-limited basis by pitching the asset limits to those of the WFA Scheme.

Details of these two sets of measures are set out in the ensuing paragraphs.

Measures Related to the WFA Scheme and the I-WITS Scheme

5. The WFA Scheme (and its predecessor the Low-income Working Family Allowance (LIFA) Scheme) aims to support lower-income working households who are not on CSSA and have longer working hours (e.g. being engaged in full-time employment) with a view to encouraging self-reliance and alleviating intergenerational poverty. The WFA Scheme is designed to encourage full-time employment and reward hard work, and has put in place two tiers of higher working hour requirement (currently at 168 and 192 hours per month) for higher levels of allowance on top of the basic working hour requirement of 144 hours per month for non-single-parent households. The Scheme also provides a Child Allowance to each

eligible child and youth¹ in the household. The Government has implemented a host of improvement measures for the WFA Scheme in the past three years, which included relaxing its eligibility criteria (such as extending the scheme to one-person households), substantially increasing the rates of allowances, and allowing households to aggregate the working hours of household members for a higher level of allowance, etc. As at end-December 2020, the WFA Scheme has over 56 000 ‘active households’² (involving over 180 000 persons), more than the double of the number of LIFA beneficiary households (27 600) before the implementation of improvement measures in 2018. Taking a four-person household with two eligible children as an example, they can receive up to \$4,200 per month, which is over 60% higher than \$2,600 in 2018, and with the annual payout surging by nearly two times from \$650 million to about \$1,800 million during the same period of time.

6. The I-WITS Scheme is also a pro-employment measure. It aims to help low-income earners to reduce their cost of travelling to and from work. Applicants who fulfil the working hour requirement of 36 or 72 hours per month may receive a monthly \$300 half-rate subsidy or a \$600 full-rate subsidy respectively. Furthermore, the Transport and Housing Bureau launched the non-means-tested Public Transport Fare Subsidy Scheme (PTFSS) since 2019 to relieve the fare burden of all public transport commuters whose public transport expenses are relatively high. At present, eligible persons may receive these two public transport subsidies of a similar nature concurrently. It is also noteworthy that the number of I-WITS recipients has dropped significantly by about 45 per cent from 34 000 in 2017-18 to about 19 000 during the claim period of April to September 2020.

Time-limited reduction of the working hour requirements of non-single-parent households of the WFA Scheme

7. The much enhanced WFA Scheme provides continuous and adequate support for working households in need. In addition to this, having regard to the challenges brought by the protracted COVID-19 pandemic, the Government recommends reducing, on a one-year time-limited basis, the minimum WFA working hour requirement for non-

¹ Refers to those who are aged below 15, or aged between 15 and 21 receiving full-time education (but not post-secondary education).

² The claim period of a WFA application covers the immediate past six calendar months before submission, with the amount of allowance to be determined on a monthly basis. The term ‘active households’ refers to households who have been approved with WFA and submitted their latest applications in the past six months.

single-parent households by half from 144 hours per month to 72 hours per month as detailed below –

Types of allowances	Existing requirement of total monthly working hours (Hours)	Recommended requirement of total monthly working hours (Time-limited for one year) (Hours)
Basic Allowance	144 to less than 168	72 to less than 132
Medium Allowance	168 to less than 192	132 to less than 192
Higher Allowance	192 or more	Unchanged at 192 or more

The major design of the WFA Scheme after revision is at **Annex 1**. Upon expiry of this one-year relaxation period, the three-tier working hour requirements of the WFA Scheme will resume to the current levels of 144, 168 and 192 hours per month.

8. Specifically, the Government recommends temporarily reducing the basic working hour requirement substantially for non-single-parent households under the WFA Scheme to 72 hours per month in order to allow low-income households to continue be eligible for applying WFA to receive income support amid a reduction of working hours. Nonetheless, in order to preserve the fundamental policy objective of the WFA Scheme, i.e. to promote full-time employment and reward hard work, the working hour requirement for WFA Medium Allowance will be reduced from 168 hours per month to 132 hours per month, while the working hour requirement for WFA Higher Allowance will be maintained at 192 hours or above per month with a view to preserving the relativity of the working hour requirements across different tiers of allowance. The lenient working hour requirements of 36, 54 and 72 hours per month for single-parent households will also remain unchanged.

9. Under the one-year time-limited arrangement, households with aggregated monthly working hours reaching 72 to 131 will be eligible for a maximum of \$1,000 WFA Basic Allowance per month, plus a maximum of \$1,400 Child Allowance per month for each eligible child and youth. As for households with aggregated monthly working hours reaching 132 to 191, apart from the said Child Allowance, they will be eligible for WFA Medium Allowance up to \$1,200 per month³, whereas those with

³ Including households with aggregated monthly working hours reaching 144 to 167, whose

aggregated monthly working hours at 192 or above may continue to receive Child Allowance and WFA Higher Allowance (up to \$1,400 per month). Taking a four-person household with two children as an example, if their aggregated monthly working hours fall between 72 and 131, they may receive up to \$3,800 per month. By comparison, given that the aggregated working hours of this household do not meet the existing WFA basic requirement of 144 hours per month, they are not eligible for any subsidies under the current design of the WFA Scheme. The arrangement under the WFA Scheme to allow household members to aggregate their working hours may assist low-income households to apply for WFA as well as to receive a higher rate of allowance.

10. Whether an eligible household would apply for the time-limited relaxed WFA Scheme depends on their personal circumstances and preference. Coupled with the volatile employment and economic conditions ahead, it is difficult for the Government to estimate with accuracy the number of beneficiary households and the resultant additional financial implications. Nonetheless, for the purpose of financial planning, it is crudely estimated that an additional 24 000 households will be benefitted from this time-limited relaxation, which involves a one-off additional expenditure of \$954 million, equivalent to more than half of the total estimated expenditure for WFA in 2020-21.

The relevant arrangements for the I-WITS Scheme

11. The Work Incentive Transport Subsidy Scheme originally adopted a dual-track approach, where eligible persons could choose to apply for subsidies under an individual-based or a household-based approach. In this connection, noting the improved WFA Scheme would basically cover the applicants of the household-based Work Incentive Transport Subsidy Scheme, the Government abolished the household-based Scheme in April 2018 in tandem with the implementation of the much improved WFA Scheme, and has indicated that it would consider whether to do the same for the I-WITS Scheme in the longer run.

12. The Transport and Housing Bureau has launched the non-means-tested PTFSS in January 2019 to relieve the fare burden of public transport commuters whose public transport expenses are relatively high⁴. As at

household allowances under WFA will also increase from a maximum \$1,000 per month Basic Allowance by 20 per cent to a maximum \$1,200 per month Medium Allowance.

⁴ Starting from 1 January 2020, the Government provides a subsidy for one-third of the actual public transport expenses in excess of the monthly threshold of \$400, subject to a maximum of \$400 per month. This monthly threshold has been temporarily relaxed from \$400 to \$200 from 1 July 2020

December 2020, the PTFSS has benefitted more than 2 million persons per month on average, with the total amount of subsidies exceeding \$4,000 million, representing about \$168 million of subsidies per month. As the above Scheme is non-means-tested and benefits all citizens, eligible I-WITS recipients may also receive this public transport subsidy of a similar nature, which could be seen as receiving ‘double benefits’.

13. Apart from the issue of ‘double benefits’ and the continued massive drop of I-WITS recipients mentioned above, it is noted that among those in receipt of I-WITS from April to September 2020, 95% of them would be able to meet the time-limited reduced basic working hour requirement of the WFA Scheme at no less than 72 hours per month (where 64% would meet the current 144-hour basic working hour requirement). If they choose to change to apply for WFA and meet the other eligibility requirements, their maximum allowance receivable (from \$1,000 to \$1,400 per month) would be higher than that under I-WITS (maximum of \$600 per month). If there are children in these families, the amount of subsidies will be even higher. Taking a four-person household with two eligible children and the aggregated working hours of the parents at 72 hours per month as an example, this household would only receive a maximum of \$600 per month under the I-WITS Scheme. Under the time-limited relaxed WFA basic working hour requirement, the amount of allowance to be received by this household would increase to a maximum of \$3,800 per month (viz. \$1,000 Basic Allowance for the household and \$1,400 Child Allowance per person for the two eligible children).

14. Having considered the above factors and the need to focus limited resources to ensure needy households would receive effective assistance in a timely manner, the Government decides to abolish the I-WITS Scheme to concentrate resources for implementing the time-limited reduction of WFA working hour requirements and handling the surging WFA applications. In other words, the Working Family Allowance Office (WFAO) under the Working Family and Student Financial Assistance Agency will redeploy the resources of the I-WITS Scheme to process WFA applications, which have been doubled in the past years and are expecting to increase further in light of the time-limited new measure, so as to disburse the allowance to eligible households expeditiously in assisting them to meet their imminent needs. In the months ahead, the WFAO will encourage and assist I-WITS recipients to apply for WFA. Apart from issuing letters to introduce the details and eligibility of the WFA Scheme, the WFAO will arrange dedicated officers to answer enquiries of the WFA

Scheme. Dedicated service counters will also be arranged in the WFAO for providing form-filling services for WFA applications from I-WITS recipients.

Other matters related to the WFA and I-WITS Schemes

15. Having regard to the above arrangements and the adverse economic situation, the Government also recommends freezing the income limits of the WFA Scheme in 2021. According to the established mechanism⁵, the income limits of the WFA Scheme are adjusted annually in April each year. The latest information provided by the Census and Statistics Department indicates that the MMDHI(EA)s of all household sizes in September to November 2020 have recorded a year-on-year decrease from 1.0% to 6.0% (details at **Annex 2**). In this connection, the Government recommends freezing the income limits of household sizes which register a year-on-year drop in MMDHI(EA), and to increase/maintain the income limits of other household sizes according to the established mechanism. As for the I-WITS Scheme (with its income limit adjusted in February each year)⁶, having regard to factors including the way forward for the Scheme, the Government recommends freezing the income limit of the I-WITS Scheme at \$11,000 per month⁷. The Government will report to the FC the freezing arrangement of the income limits of the two Schemes⁸.

Measure Related to the STFASPs

16. The STFASPs provide one-off basic food assistance for a period of up to eight weeks to help individuals and families encountering sudden change and facing immediate financial hardship in coping with their daily food expenditure. Operators may extend the service period beyond eight weeks, depending on the special needs of individual applicants and their

⁵ Based on the median monthly domestic household income of economically active households (MMDHI(EA)) of the previous calendar year (figures are available in around March each year).

⁶ To be updated on the basis of 100% of the median monthly domestic household income (MMDHI) for one-person household in the third quarter of the previous year.

⁷ According to the MMDHI for one-person household in the third quarter of 2020, the income limit for I-WITS applications should be reduced from \$11,000 (based on the MMDHI figure as at the third quarter of 2018 and has been frozen at that level in 2020 as approved by LegCo) to \$9,700.

⁸ As for the asset limits, the limits of the WFA Scheme will be adjusted according to those of the public rental housing applications as per the established mechanism, while the asset limit of the I-WITS Scheme will be maintained at three times of the corresponding asset limit of the CSSA Scheme as adjusted annually.

families.

17. Newly unemployed and under-employed individuals and families may not be eligible for the STFASPs if their assets exceed the asset limits. In this regard, it is proposed that the asset limits of the STFASPs should be pitched to those of the WFA Scheme. The proposed one-year time-limited relaxation of the asset limits of the STFASPs will require a one-off additional commitment of about \$430 million, which can benefit around 120 000 additional service users. For illustration, the asset limit of a one-person household is proposed to be relaxed from \$99,000 to \$266,000, and that of a four-person household from \$264,000 to \$548,000. The current asset limits of the STFASPs and the WFA Scheme are set out at **Annex 3**.

Financial Implications

18. The estimated financial implications of the two sets of time-limited arrangements are at \$1,384 million with breakdown as follows –

	Measures	Expenditure (\$ million)
(i)	Time-limited reduction of WFA working hour requirements	954
(iii)	Time-limited relaxation of the asset limits of the STFASPs	430
	Total	1,384

Implementation

19. The Government will later submit the two sets of proposals in this paper to FC for approval of their financial implications. Subject to FC's approval, these measures may be implemented in June 2021 at the earliest. Specifically, –

- (i) the time-limited reduction of working hour requirements for the WFA Scheme will take effect from the claim month of June 2021 at the earliest, with the last claim month for the I-WITS Scheme to be May 2021; and
- (ii) the time-limited relaxation of the asset limits of the STFASPs may commence in June 2021 at the earliest.

Advice Sought

20. Members are invited to note the content of this paper.

Labour and Welfare Bureau
Social Welfare Department
Working Family and Student Financial Assistance Agency
February 2021

Annex 1

Major Design of the Working Family Allowance Scheme under the Time-limited Relaxation Arrangement

	Full rate monthly allowance (monthly household income not higher than 50% Median Monthly Domestic Household Income (MMDHI) of economically active households)	3/4 rate monthly allowance (monthly household income of more than 50% but not higher than 60% MMDHI of economically active households)	Half rate monthly allowance (monthly household income of more than 60% but not higher than 70% MMDHI of economically active households)
Basic Allowance: monthly working hours of at least 72 hours (single-parent households: 36 hours)	\$1,000	\$750	\$500
Medium Allowance: monthly working hours of at least 132 hours (single-parent households: 54 hours)	\$1,200	\$900	\$600
Higher Allowance: monthly working hours of at least 192 hours (single-parent households: 72 hours)	\$1,400	\$1,050	\$700
Child Allowance (each child / youth)	\$1,400	\$1,050	\$700

**Annual Changes of Median Monthly Domestic Household Income
of Economically Active Households**

Household Size	September to November 2019	September to November 2020	Annual Change
1	\$20,000	\$19,800	-1.0%
2	\$28,600	\$27,400	-4.2%
3	\$35,400	\$33,500	-5.4%
4	\$44,200	\$42,400	-4.1%
5	\$46,400	\$43,600	-6.0%
6 or more	\$49,300	\$48,400	-1.8%

Note: Excluding foreign domestic helpers

Source: General household survey of the Census and Statistics Department

Annex 3

**Asset Limits under the
Short-term Food Assistance Service Projects and
the Working Family Allowance Scheme
(As at January 2021)**

Household Size	Asset Limit of Short-term Food Assistance Service Projects	Asset Limit of the Working Family Allowance Scheme
1	\$99,000	\$266,000
2	\$132,000	\$360,000
3	\$198,000	\$469,000
4	\$264,000	\$548,000
5	\$264,000	\$609,000
6	\$264,000	\$659,000
7	\$264,000	\$703,000
8	\$264,000	\$737,000
9	\$264,000	\$815,000
10 or above	\$264,000	\$878,000