

立法會
Legislative Council

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Finance Committee of the Legislative Council

Minutes of the 11th meeting
held at the Legislative Council Chamber
on Friday, 25 February 2011, at 3:00 pm

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Prof Hon Patrick LAU Sau-shing, SBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon Fred LI Wah-ming, SBS, JP
Dr Hon Margaret NG
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Kam-lam, SBS, JP
Hon Mrs Sophie LEUNG LAU Yau-fun, GBS, JP
Hon LEUNG Yiu-chung
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, SBS, JP
Hon LAU Kong-wah, JP
Hon LAU Wong-fat, GBM, GBS, JP
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon LI Fung-ying, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Audrey EU Yuet-mee, SC, JP

Hon Vincent FANG Kang, SBS, JP
Hon WONG Kwok-hing, MH
Hon LEE Wing-tat
Dr Hon Joseph LEE Kok-long, SBS, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon CHEUNG Hok-ming, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Cyd HO Sau-lan
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon CHAN Hak-kan
Hon Paul CHAN Mo-po, MH, JP
Hon CHAN Kin-por, JP
Dr Hon Priscilla LEUNG Mei-fun
Hon CHEUNG Kwok-che
Hon WONG Sing-chi
Hon WONG Kwok-kin, BBS
Hon IP Wai-ming, MH
Hon IP Kwok-him, GBS, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Dr Hon PAN Pey-chyou
Hon Paul TSE Wai-chun
Dr Hon Samson TAM Wai-ho, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Tanya CHAN
Hon Albert CHAN Wai-yip
Hon WONG Yuk-man

Members absent:

Hon Miriam LAU Kin-ye, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Dr Hon LEUNG Ka-lau

Public officers attending:

Mr Stanley YING, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Ms Alice LAU, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) ¹
Ms Elsie YUEN	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Matthew CHEUNG, GBS, JP	Secretary for Labour and Welfare
Ms Irene YOUNG, JP	Deputy Secretary for Labour and Welfare (Welfare)
Mr W H CHEUK, JP	Commissioner for Labour
Miss Mabel LI	Assistant Commissioner for Labour (Development)
Ms Betty NG Shuk-fong	Senior Labour Officer (Employment Services) (Transport Support Scheme), Labour Department

Clerk in attendance:

Mrs Constance LI	Assistant Secretary General 1
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Staff in attendance:

Ms Annette LAM	Chief Council Secretary (1) ⁷
Mr Daniel SIN	Senior Council Secretary (1) ⁷
Mr Frankie WOO	Senior Legislative Assistant (1) ³
Ms Christy YAU	Legislative Assistant (1) ⁸

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The Chairman advised that this special meeting would deal with FCR(2010-2011)60 and FCR(2011-2012)60A. If the first meeting could not finish the agenda item, a second meeting would be held at 5:05 pm.

Item No. 1 - FCR(2010-11)60 and FCR(2010-11)60A

HEAD 90 – LABOUR DEPARTMENT

Subhead 700 General non-recurrent

New Item "Work Incentive Transport Subsidy Scheme"

2. The Chairman advised that the item sought the Finance Committee (FC)'s approval for a new commitment of \$4,805 million for implementing the Work Incentive Transport Subsidy (WITS) Scheme.

3. Mr LEE Cheuk-yan, Chairman of the Panel on Manpower, reported that the proposed WITS Scheme had been discussed at several meetings of the Panel, and a public hearing had also been held. Panel members requested the Administration to adopt a dual-track approach of allowing applicants to choose to be means-tested either on an individual or household basis. Suggestion was also made to relax the asset threshold requirement, provide subsidy on a pro rata basis to part-time workers working less than 72 hours per month, and to extend the scope of the WITS Scheme to also cover part-time workers who worked less than 36 hours a month.

Policy objective of WITS Scheme and the dual-track approach

4. Mr LEE Cheuk-yan said that the Confederation of Trade Unions had repeatedly requested the Administration to adopt a dual-track approach for the proposed WITS Scheme, so that low-income workers previously covered by the pilot Transport Support Scheme (TSS) would continue to receive transport subsidy under the WITS Scheme. He said that without this continuity, the objective of encouraging employment and facilitating cross-district employment would be defeated. He opined that as employment was related to an individual, applying means tests on a household basis did not make sense and would deviate from the labour policy. Moreover, the monthly subsidy of \$600 per qualified applicant was far too low if it was regarded as a welfare payment.

5. Secretary for Labour and Welfare (SLW) explained that the WITS Scheme was a new initiative different from the pilot TSS which was near completion. As recommended by the former Commission on Poverty, TSS was introduced as a pilot project to provide time-limited transport allowance to encourage needy job-seekers and low-income employees residing in four designated remote districts to "go out" and seek employment in other districts. On the other hand, the WITS Scheme was positioned as a sustainable and long-term scheme that aimed at helping employed members of low-income households reduce the burden of work-related travelling expenses and promoting sustained employment. All employed persons, including

self-employed persons, in low-income households who were lawfully employable in Hong Kong and had to incur travelling expenses commuting to and from work would benefit from the WITS Scheme if they met the eligibility criteria. SLW added that in relieving the burden of transport expenses on qualified applicants, the territory-wide WITS Scheme could encourage employment and provide financial support to low-income households, hence serving both social welfare and labour policy objectives.

6. Mr Ronny TONG said that the WITS Scheme, in his opinion, was neither a social welfare nor an employment support measure. He commented that the WITS Scheme, which was positioned as a general subsidy for low-income households, was different from TSS which served the specific purpose of encouraging workers in remote areas to seek employment across districts, thereby reducing unemployment and enabling their integration into mainstream society. He said that TSS should be retained and the two schemes should operate in parallel.

7. Mr LEE Cheuk-yan enquired whether the Administration had estimated the additional expenditure to be incurred if both approaches, i.e. a means test on a household basis or individual basis were implemented in parallel. Mrs Regina IP said that to justify dismissing the dual-track approach on financial ground, the Administration should quantify the full financial implications. Ms Cyd HO opined that given the ample fiscal reserve and the huge budget surplus, the Administration could well afford to adopt a dual-track approach for the WITS Scheme despite the additional costs likely to be incurred.

8. Mr LEUNG Yiu-chung said that despite the improvements made to the income threshold for two-member households, he doubted whether the enhanced WITS Scheme, under which applicants were means-tested on a household basis, was an enhancement to TSS. He was concerned about the possibility that some low-income workers who were qualified recipients of transport subsidy under the existing TSS might be left out from the proposed WITS Scheme, because of the different approaches in assessing applicants' income and assets under the two schemes. He asked whether and how many TSS recipients would fall outside the WITS net.

9. SLW responded that the WITS Scheme was not designed to save Government's expenditure. The scheme was not an income subsidy either, but was intended to relieve the burden on work-related travelling expenses on the part of low-income households with employed members and promote sustained employment. It was difficult to make an estimate of the take-up rate and the actual number of persons who would benefit from the WITS Scheme. While it

was estimated that some 436 000 persons could meet the eligibility criteria for income levels and working hours, the Administration was unable to assess the financial implications of implementing a dual-track approach as there was no data about household asset levels or the number of household members who would apply for the WITS Scheme. Nor did the Administration have the information on the number of TSS recipients who would cease to be eligible for WITS.

10. Mr Ronny TONG contended that the Administration could estimate the additional resource implications for implementing a dual-track approach under the WITS Scheme by extrapolating the expenditure on TSS. Mr LEE Wing-tat considered it unacceptable that the Administration had not attempted to make any estimates which he expected to be in the region of a few hundred million dollars. Mr James TO said that the Administration was irresponsible for not having estimated the financial implications of the dual-track approach.

Definition of household

11. Mr CHEUNG Kwok-che enquired about the meaning of "household". Noting that under the WITS Scheme, two persons cohabitating could apply either as a two-person household or individually as two single-person households, he queried whether this "household" concept would be abused and was against the policy intent of the WITS Scheme. He also sought clarification on whether parents and their children who did not support each other financially could be considered as separate households although they lived together.

12. Dr Priscilla LEUNG said that her understanding was that applicants for Comprehensive Social Security Assistance (CSSA), public rental housing and student financial assistance were all means-tested on a family basis. She asked whether the Administration had adopted a new concept of "household" for WITS Scheme.

13. SLW explained that the concept of "household" was adopted in the WITS Scheme for the purpose of means-testing. It was defined on an economic basis. Specifically, it meant a unit which constituted person(s) with close economic ties and living on the same premises, including core family members (such as the applicant's spouse, parents, unmarried children, etc.) and those who shared the provisions for a living, irrespective of their relationship under the law. He added that currently, other Government assistance schemes, such as student financial assistance schemes, public rental housing, legal aid, CSSA, etc., were means tested on a household basis.

14. The Chairman advised that the Administration had provided supplementary information on the definition of household and the paper was tabled at the meeting.

Household-based versus individual-based income assessment

15. Mrs Regina IP expressed concern that the proposed household income thresholds under the WITS Scheme would reduce rather than enhance the incentive for household members to work. She pointed out that as the increase in the household income threshold for each additional household member was small, those households with more members in employment were less likely to benefit from the WITS Scheme. As such, the present proposal requiring applicants to be means-tested on a household basis would defeat the purpose of encouraging household members to work.

16. Mr Alan LEONG enquired about the basis for determining the household income thresholds for different household sizes, and the rationale of increasing the income threshold by \$1,000 or \$500 for every additional household member. He asked whether reference had been made to the household income and asset limits for public rental housing.

17. SLW responded that for the purpose of the WITS Scheme, different income and asset thresholds for different household sizes were set having regard to income statistics and the prevailing thresholds for comparable Government financial assistance schemes. The revised income thresholds of \$12,000 and \$13,000 respectively for a two-member and three-member household represented about 84% and 65% of the median household income for households of the corresponding size in the General Household Survey as of the second quarter of 2010. For one-member household, the proposed threshold (\$6,500) was close to the median income of \$6,600. SLW cited an example of a two-person household with one member earning about \$7,000 and the other earning around \$5,000, only the latter could receive transport allowance under the existing TSS but both would benefit under the WITS Scheme.

18. Mrs Regina IP referred to the Workfare Bonus Scheme (WBS) (subsequently renamed the Workfare Incentive Scheme) introduced in Singapore which, unlike the WITS Scheme, was assessed on the basis of individual income. Mrs IP asked if the Administration had made reference to the WBS in drawing up the WITS Scheme, and enquired about the reasons for applying a household-based means test under the WITS Scheme.

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19. SLW responded that the Administration had looked into the Singapore experience, but considered that a household-based WITS Scheme would better meet the circumstances of Hong Kong. He highlighted that a household-based means test was more equitable than one that assessed only the individuals' income and assets because the overall financial situation of the household would be taken into account. A household-based means test was also in line with other standing Government financial assistance schemes and would help the Administration identify low-income households which had a genuine need.

20. Mr Ronny TONG pointed out that under the WITS Scheme, a household with two working members each earning \$7,000 per month would not be eligible for the subsidy while a two-member household with a sole breadwinner earning as much as \$12,000 would benefit from the scheme. As such, he could not see how WITS could possibly encourage members of a low-income family to seek employment. He questioned the rationale behind the Administration's decision of not adopting a dual-track approach for the means test.

21. Sharing a similar view, Mr Frederick FUNG said that households with fewer working members or a sole working member earning a relatively high income would have a better chance to be eligible for the subsidy. For example, the sole working member of a five-member household earning \$14,000 would be eligible for WITS, whereas another five-member household with two working members each earning \$8,000 a month would not qualify for the subsidy. He criticized that WITS Scheme departed from the original policy objective of assisting low-income workers to stay in employment and would not achieve the purpose of relieving low-income earners of the burden of travelling expenses.

22. Mr WONG Sing-chi considered the WITS Scheme inequitable. He criticized that, unlike TSS which was restricted to applicants who had to travel to another district for work, WITS Scheme was payable even to applicants whose place of work was within walking distance from their residence. Mr CHEUNG Kwok-che and Mr James TO raised similar concerns. Mr CHEUNG Kwok-che said that the proposed mechanism ran against the WITS policy objective, which was to promote sustained employment, thereby achieving self-reliance. He suggested the Administration to rename the scheme as a low-income subsidy scheme and to allow all applicants to be means-tested on an individual rather than a household basis.

23. SLW explained that TSS was introduced on a pilot basis to provide time-limited transport allowance for needy job-seekers and low-income

employees residing in four designated remote districts. There was no commitment to implement it on a long-term basis. On the other hand, the WITS Scheme was intended to be a long-term measure to assist those working poor in need. Eligible applicants could continue to receive the subsidy so long as they met the eligibility criteria.

24. Mr Alan LEONG commented that WITS Scheme appeared to penalize households with more working members. He said that Members belonging to the Civic Party found it difficult to support the funding proposal. He also queried why the income threshold was not based on the combined income of individual household members, assuming each member was earning a statutory minimum wage.

25. SLW said that if each member of a four-member household in full-time employment received statutory minimum wage, the total household income could amount to \$24,000, which was very close to the median household income of a four-member household in Hong Kong. He said that such households might not be among the worst off that warranted work-related transport subsidy by the Government. He added that having considered the views of Members and the public, the Administration had proposed to raise the income thresholds for the two-member and three-member households, as smaller households tended to have a higher per capita expenditure and less room for deployment of resources in times of need.

26. Mr Frederick FUNG said that the household-based means test requirement might create conflicts among household members, as individual household members would have to lay bare his income information to the other household members. Mr James TO shared a similar view.

27. SLW replied that household members who had difficulty supplying the necessary information could seek advice from the Labour Department. He added that a comprehensive review of the WITS Scheme would be conducted three years after implementation, and a mid-term review would be carried out having regard to the experience gained during the first year of operation.

28. Mr LEE Wing-tat said that an individual-based means test approach should be adopted for the WITS Scheme, similar to some Government subsidy schemes for university students.

29. Mr Abraham SHEK said that although the WITS Scheme was far from satisfactory, he supported the funding proposal on the ground that more than 400 000 low-income employees would benefit from it. He commented that as the WITS Scheme was designed to sustain employment, the means test

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should be on an individual rather than a household basis. He requested the Administration to take this into consideration in the mid-term review of WITS Scheme.

30. Dr Priscilla LEUNG said she had requested the Administration to consider extending TSS to all districts during her meeting with the Financial Secretary in December 2008. While welcoming the implementation of the WITS Scheme, she said that the issues and concerns raised by Members should be addressed during the mid-term review.

31. Mr Albert HO said that the household-based means test approach was unfair, particularly to young workers living with families. He maintained that to achieve the objective of encouraging employable persons of low-income families to seek employment, the Administration should allow the applicants the choice of undergoing a means test on an individual or household basis. In his view, although the dual-track approach might cost the Government an extra \$300 million, the money would be well spent to ameliorate grievances in the society.

32. SLW reiterated that the Administration had carefully considered the suggestion of adopting a dual-track approach for the means test. The conclusion was that the household-based approach should be more effective in identifying the households with a genuine need, and would better ensure prudent use of public funds.

33. Ms Cyd HO objected to the household-based means test approach which she considered would reduce the incentive of women and young people to work. She said that women and young people were independent entities and should not be considered as a component of a household. Expressing concern that means test on a household basis would render many TSS beneficiaries ineligible for WITS and fuel discontent in society, she said that the Administration should withdraw the proposal.

34. Mr WONG Yuk-man criticized the Administration for making small and piecemeal touch-ups to the WITS Scheme only when under great public pressure. He said that the income thresholds for the WITS Scheme was too low. In his view, a two-member household with a combined income of about \$12,000, or an individual earning about \$6,000 a month, could hardly make ends meet in Hong Kong in face of high inflation. As the policy objective of the WITS Scheme was to encourage employment, he said that the Administration should not act as if it was handing out alms. He said that the Administration had been inconsistent in rejecting Members' request for a dual-track means test approach, while on the other hand, proposing to inject as

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much as \$24 billion into the Mandatory Provident Fund Scheme accounts of the working population where no one could benefit immediately. He strongly urged the Administration to withdraw the funding proposal. Mr LEUNG Kwok-hung echoed his view.

35. SLW reiterated the Administration's position for not adopting the dual-track approach. He said that to ensure prudent use of public funds, it was neither practicable nor appropriate to adopt a dual-track approach as it could not help identify those who had a genuine need. Also, there was a greater risk of abuse and confusion during implementation. He highlighted that in addition to raising the income thresholds for two- and three-member households, the Administration had taken on board Members' views and proposed to further enhance the WITS Scheme by enabling those who worked for less than 72 hours but at least 36 hours per month to receive a half rate subsidy, so as to benefit more part-time workers. He highlighted that the WITS Scheme was more comprehensive and would benefit more people as it was territory-wide and had no deadline for application. He appealed to Members to support the proposal so that more low-income workers could benefit from the WITS Scheme as early as possible.

36. Mr LEUNG Kwok-hung asked if the Democratic Alliance for the Betterment and Progress of Hong Kong were a party to the enhanced proposal, and whether, in the light of the public sentiment against the proposed WITS Scheme, the Chief Executive had personally given SLW instructions to modify the proposal.

37. SLW replied that the Administration had received views from different quarters of the community, including political parties and LegCo Members. The proposed WITS Scheme was also discussed at meetings of the Panel on Manpower. The improvements to the WITS Scheme were proposed in the light of the comments received.

38. The Chairman reminded members that under paragraph 41(4) of the Legislative Council Rules of Procedure (RoP), the use of offensive and insulting language about Members of the Council would be ruled out of order, and by RoP 10(2), the rule was applicable in respect of a public officer attending a meeting. She said that if necessary, she would exercise her power under RoP 45(2) to order a member whose conduct was grossly disorderly to withdraw from FC for the remainder of the meeting.

39. Dr Margaret NG commented that the Administration should have reviewed the effectiveness of TSS and made known its findings before introducing the new scheme. She said that the Administration owed the public

an explanation as to why some TSS recipients would no longer qualify for the WITS. She criticized the Administration for repeating the same debacle as in the introduction of a means test which rendered many Old Age Allowance (OAA) beneficiaries ineligible when revising the OAA rate in 2008. She said that the Administration had eventually backed down in the face of strong public objection. She urged the Administration to review the present proposal.

40. SLW explained that the time-limited TSS had completed its intended mission as a pilot project and would be replaced by the WITS Scheme which was more comprehensive and territory-wide.

41. Mr Albert CHAN disagreed that TSS had accomplished its mission as low-income employees were still facing real difficulties in meeting the high transportation cost on a daily basis. SLW clarified that he was referring to the pilot nature of TSS, which was to be replaced with the WITS Scheme that had no deadline for application. He said that as TSS was a time-limited pilot project, there must be an end date.

42. Mr KAM Nai-wai asked if channels were available for TSS recipients who were not qualified for WITS to lodge complaints or appeal. SLW said that it was expected that many low-income TSS recipients could still benefit from the WITS Scheme. Upon the launch of the WITS Scheme, those who were already admitted to TSS could opt to continue receiving TSS subsidy within the qualifying period (within 24 months from the approval date of his/her application) or to give up their TSS eligibility and apply for WITS instead. A hotline would be available to handle public enquiries on the WITS Scheme and anyone having questions about TSS and WITS could approach the Labour Department for assistance.

43. Mr LEE Cheuk-yan criticized that the asset threshold requirement under the WITS Scheme was too stringent and would discourage personal saving. SLW replied that the asset limits under the WITS Scheme were not too stringent as they were two to three times of the specified limits under the CSSA Scheme for the same household size. Households with elderly members would enjoy a higher asset limit.

44. Ms LI Fung-ying said that she had all along advocated that workers earning less than \$6,500 a month or \$31 per hour should be eligible for WITS without having to pass any asset threshold assessment, and that part-time workers working between 36 hours and 72 hours a month should be eligible for half of the WITS rate. As the Administration had addressed part of her concerns about part-time workers, she considered the enhanced proposal generally acceptable. She further said that although the Administration had not

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taken on board her request to drop the asset threshold requirement, she would support the proposal to kick-start the scheme so that low-income families could receive subsidy as early as possible. She urged the Administration to seriously consider adopting a dual-track approach and removing the means test requirement, in particular the asset threshold requirement, in the mid-term review.

45. The Chairman said that the discussion of the item would continue in the second meeting at 5:05pm on the same day.

46. The meeting was adjourned at 5:00 pm.

Legislative Council Secretariat
17 February 2012