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Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the special meeting on 3 December 2012**

The Work Incentive Transport Subsidy Scheme

Purpose

This paper provides background information on the discussions by the Panel on Manpower ("the Panel") on the Work Incentive Transport Subsidy ("WITS") Scheme.

Background

2. At the briefing by the Secretary for Labour and Welfare on 21 October 2010 on the Chief Executive's 2010-2011 Policy Address, the Administration informed members that in order to relieve the burden of transport costs for home-workplace commuting for employed persons from low-income families and encourage them to stay in employment, a territory-wide WITS Scheme would be introduced to replace the Transport Support Scheme ("TSS")¹. The WITS Scheme has been open for application since 3 October 2011. To be eligible for WITS, the applicant must -

- (a) be employed or self-employed, and be lawfully employable in Hong Kong;
- (b) incur travelling expenses in commuting to and from work;
- (c) meet the monthly income and asset limits of the household as required by the WITS Scheme; and

¹ The Transport Support Scheme had a 12-month time limit for subsidy payment and was applicable to four designated remote areas (i.e. North, Yuen Long, Tuen Mun and Islands districts).

- (d) work no less than 72 hours per month (if applying for full-rate subsidy of \$600 per month), or work less than 72 hours but at least 36 hours per month (if applying for half-rate subsidy of \$300 per month).

3. In February 2012, the Administration announced that it would update the income and asset limits for the means test of the WITS Scheme with effect from March 2012.

Deliberations of the Panel

4. The Panel had discussed and received views from deputations on issues relating to the introduction of the WITS Scheme at a number of meetings. The deliberations of the Panel are summarized below.

Eligibility criteria

5. The eligibility criteria for the WITS Scheme had been a subject of concern of the Panel. At the Panel meeting on 16 December 2010, a motion urging the Administration to give applicants the choice of undergoing a means test on a household basis or individual basis and to provide transport subsidy calculated on a pro-rata basis for those who worked less than 72 hours per month was passed.

6. According to the Administration, it had considered the suggestion of providing transport subsidy to people who worked less than 72 hours per month. The working hour requirement under the proposed WITS Scheme, i.e. an applicant had to work for a minimum of 72 hours per month in order to be eligible for WITS, was the same as the requirement under TSS. The Administration would provide enhanced employment services to help those part-time employees who wished to seek more part-time jobs to increase their employment earnings. The Administration considered that a WITS of \$600 per eligible person per month should provide sufficient support to most people in need to relieve the burden on travelling expenses.

7. The Administration subsequently informed members at the Panel meeting on 17 February 2011 that having considered the views of members and to benefit more low-income earners, it would propose enhancements to the WITS Scheme by raising the income threshold for two-member households from \$8,500 to \$12,000 and providing a half-rate subsidy of \$300 to qualified applicants who worked for less than 72 hours but at least 36 hours per month.

8. Concerns were also raised time and again as to whether the requirement to pass a restrictive income and asset assessment would discourage needy low-income employees from submitting applications. The Administration was requested to remove the means test requirement, in particular the asset threshold requirement. Members also noted that most low-paid workers in Hong Kong generally enjoyed a pay rise after the implementation of statutory minimum wage ("SMW"). Members and deputations giving views to the Panel took a strong view that the income limits for different household sizes should be raised.

9. The Administration advised that different income and asset thresholds for households of different sizes were set, having regard to income statistics and the prevailing thresholds for comparable financial assistance schemes. Overall speaking, the income thresholds were close to 60% of the median household income for the corresponding household size and that for one-member households was close to the median. An employee's mandatory contribution to a Mandatory Provident Fund Scheme was not counted as income. Asset did not include self-occupied property. The Administration further advised that the asset limits under the WITS Scheme were not stringent as they were two to three times of those under the Comprehensive Social Security Assistance ("CSSA") Scheme for the same household size. In considering whether to adjust the income limits, the Administration had to take into account relevant factors, including but not limited to the changes in the median monthly household income levels in the light of the implementation of SMW.

10. At the Panel meeting on 16 February 2012, members were advised by the Administration that the implementation of SMW had led to a notable increase of wages across the board, particularly at the low-end fraction. The wage movement had also been in an upward trend over 2011 or so owing to the significantly improved local economic situation. In the light of this, the Administration would update the income limits with reference to the median household income in the fourth quarter of 2011 and, at the same time, increase the asset limits to three times the corresponding limits under the CSSA Scheme for households of all sizes.

11. While welcoming the Administration's adjustment to the means test limits, members took the view that even if the income and asset limits were to be relaxed, the situation would not change substantially given the adoption of a household-based approach in assessing applicants' eligibility for WITS. Members generally considered that applicants should be given the choice of undergoing a means test on a household basis or individual basis. They urged the Administration to give serious consideration to adopting the "dual-track" approach for means test.

12. Members were advised that a household approach was adopted by other Government assistance schemes which required means testing. A household-based means test was considered more equitable than one that assessed only the individuals' income and assets because the economic situation of the household was taken into consideration. This also accorded with the aim of the Administration to identify low-income families as the target recipients. There would also be less room for abuse through transfer of assets among different members of the same family.

13. The Administration stressed that as the policy objective of the WITS Scheme was to assist employed members of low-income households, it was considered appropriate to adopt the concept of "household" for the purpose of conducting means test. Notwithstanding this, the Administration would consider different issues, including the "dual-track" approach, during its review of the Scheme.

Application of the WITS Scheme

14. As to whether low-income workers who lived on the Mainland but employed in Hong Kong, or vice versa, were eligible for WITS, members were advised that the Administration was inclined to adopt a lenient and facilitating approach in taking forward the WITS Scheme. Therefore, such low-income workers could apply for WITS if they met the eligibility criteria.

15. Concern was raised as to whether street sleepers and eligible applicants who were unable to open a bank account could apply for and receive WITS. The Administration advised members that street sleepers could apply for WITS as long as they met the eligibility criteria and made available in the application form the means to be contacted by the Labour Department ("LD") for processing purpose. For those who did not have a bank account, the subsidy payment would be made in the form of uncrossed order cheques.

16. Information was sought on whether flexibility would be allowed to approve applications by those persons whose income just exceeded the prescribed limit due to the implementation of SMW. The Administration responded that while there was little room for discretion, staff members of the WITS Division of LD would carefully assess eligibility for the subsidy, with due regard to the information provided by the applicant and the unique situation of each case. Where necessary, they would contact the applicant, household members and concerned parties for supplementary information and investigation.

17. Members expressed grave concern about the application procedures for the WITS Scheme, which, in their view, were cumbersome, inflexible and not

user-friendly to the applicants. These members pointed out that the application form was too complicated for low-income earners to complete. This had deterred eligible low-income earners from making applications. They urged the Administration to modify the application form, and suggested that staff members of the WITS Division should help the applicants to fill out the application form.

18. The Administration pointed out that it strived to make the procedures and application form simple and user-friendly on the basis of the eligibility criteria in designing the operational details of the WITS Scheme. Applicants were required to provide basic and essential information to facilitate eligibility assessment. The Administration had struck a balance between the need for eligibility assessment and user-friendliness. If certain information was identified as unnecessary and where there was room for improvement, the Administration would stand ready to improve the application form to enhance its user-friendliness.

19. On whether sufficient training had been provided to the staff of "1823 Call Centre" for answering public enquiries on the WITS Scheme, the Panel was advised that while details of the WITS Scheme and samples for completing the application form were contained in the *Guidance Notes on Application for Work Incentive Transport Subsidy Scheme* for applicants' reference, the Administration held two briefings for various groups and organizations in late September 2011 to publicize the Scheme. In addition, adequate training had been provided to the staff of "1823 Call Centre" responsible for answering public enquiries on the WITS Scheme.

20. There was a suggestion for the Administration to draw up a list of frequently asked questions and answers about completing WITS applications for public information. The Administration agreed to give due consideration to the suggestion.

Implementation of the WITS Scheme

21. At its meeting on 16 February 2012, the Panel was briefed on the implementation progress of the WITS Scheme. Members noted with concern that as at 13 February 2012, LD received 23 883 applications involving 26 093 applicants. Total subsidy payment of \$59.5 million was granted to 17 611 applicants, of whom 93% received full-rate subsidy (i.e. \$600 per month), 2% half-rate subsidy (i.e. \$300 per month), and the remaining 5% a mix of full-rate and half-rate subsidies for different months. The three districts with the largest number of WITS recipients were Kwun Tong (14%), Yuen Long (13%) and Tuen Mun (11%). Members generally considered that the take-up rate of the WITS Scheme so far was on the low side as compared with the

estimation made in the funding proposal for the Scheme. Members criticized that the low take-up rate of the application for WITS was due to the stringent eligibility criteria. They considered that the crux of the problem laid with the Administration's reluctance to adopt the "dual-track" approach for the means test.

22. Responding to members' concern about the take-up rate of the WITS Scheme, the Administration advised that it was difficult to have accurate estimate of the public response and the actual number of persons who would benefit from the Scheme. The figure provided at the time the Administration sought funding approval in respect of the WITS Scheme from the Finance Committee was a rough indication for reference only.

23. Some members and deputations considered that a comprehensive review of the WITS Scheme should be conducted as early as possible. They pointed out that the rise in transport cost had aggravated the inflationary pressure faced by low-income earners, the Administration should consider increasing the subsidy level for successful WITS applicants and providing a job search allowance under the WITS Scheme.

24. Members were advised that there was little demand for the Job Search Allowance under TSS. Statistics indicated that as at the end of September 2010, 91.3% of admitted TSS applicants were already in employment at the time when they were admitted. Regarding the level of subsidy, WITS was provided on a monthly basis at a flat rate per qualified applicant. To keep the WITS Scheme simple and easy to administer, the Administration did not provide a customized subsidy based on beneficiaries' actual travelling expenses. According to the General Household Survey conducted by the Census and Statistics Department in the second quarter of 2010, the average monthly expense of target beneficiaries of WITS on public transport for travelling to and from work was only \$410, and that for those who needed to work across districts was only \$460. In the third quarter of 2011, these figures slightly increased to \$436 and \$472 respectively. The Administration considered that a transport subsidy of \$600 per eligible person per month could provide sufficient support to most people in need to relieve their burden of travelling expenses.

25. According to the Administration, the Scheme had been running smoothly in the first four months of its operation. The Administration would continue to closely monitor the implementation of the Scheme and carry out a mid-term review to take account of the operational experience in the first year. The Administration would also conduct a comprehensive review of the WITS Scheme, covering its objectives, eligibility criteria, *modus operandi* and effectiveness, after three years of operation.

Recent developments

26. To address the pressing needs of the community, the Chief Executive announced in mid-July 2012 a series of policy initiatives, inter alia, to substantially relax the WITS Scheme by providing for the option of an individual-based means test as an alternative to the household-based means test. The Administration would brief the Panel on the details in December 2012 before submitting the funding proposal to the Finance Committee for approval.

Relevant papers

27. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
29 November 2012

Relevant papers on the Work Incentive Transport Subsidy Scheme

Committee	Date of meeting	Paper
Panel on Manpower	20.3.2008 (Item IV)	Agenda Minutes
Panel on Manpower	21.1.2009 (Item IV)	Agenda Minutes
Panel on Manpower	19.11.2009 (Item IV)	Agenda Minutes
Panel on Manpower	16.12.2010 (Item III)	Agenda Minutes
Panel on Manpower	16.12.2010 (Item III)	Motion on "Work Incentive Transport Subsidy Scheme"
Panel on Manpower	4.1.2011 (Item I)	Agenda Minutes
Panel on Manpower	17.2.2011 (Item IV)	Agenda Minutes
Panel on Manpower	16.9.2011 (Item II)	Agenda Minutes
Panel on Manpower	16.2.2012 (Item IV)	Agenda Minutes