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Panel on Manpower

**Updated background brief prepared by the Legislative Council
Secretariat
for the meeting on 17 December 2013**

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. 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, the Administration introduced a territory-wide WITS Scheme to replace the Transport Support Scheme ("TSS")¹ and started receiving applications from 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
- (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

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).

least 36 hours per month (if applying for half-rate subsidy of \$300 per month).

3. The Administration adjusted upwards the income and asset limits for the means test of the WITS Scheme with effect from March 2012.

4. As part of a series of policy initiatives announced by the Chief Executive in mid-July 2012, the Administration announced on 31 August 2012 the proposal to relax the WITS Scheme by providing for the option of individual applications as an alternative to household applications.

Deliberations of the Panel

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 i.e. the "dual-track" approach and to provide transport subsidy calculated on a pro-rata basis for those who worked less than 72 hours per month was passed.

6. The Administration 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.

7. 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.

8. At the Panel meeting on 16 February 2012, members were advised 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 Comprehensive Social Security Assistance Scheme for households of all sizes.

9. While welcoming the Administration's adjustment to the means test limits, members further urged the Administration to give serious consideration to adopting the "dual-track" approach for the means test. The Administration advised 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.

10. When members were briefed on the enhanced proposals of the WITS Scheme at the Panel meeting on 3 December 2012, members noted that the Administration proposed to introduce the option of an individual-based means test in addition to the household-based assessment as well as an annual adjustment mechanism for the monthly income and asset limits. Members welcomed the Administration's decision to implement a "dual-track" approach for means test in response to the strong call from the Panel to relieve the burden of travelling expenses of the working-poor workers.

11. Some members sought clarifications on whether individual members of the same household could be given a choice of undergoing either household- or individual-based assessment and the eligibility criteria under the enhanced proposal. The Administration advised that members of the same household had to choose either for each member to be assessed individually or for all members to be assessed together as a household. Apart from the income and assets limits, applicants had to meet the relevant requirements on employment status, working hours and incurring travelling expenses in commuting to and from work. In case of individual-based applications, applicants would need to provide information on their own eligibility only.

Application of the WITS Scheme

12. 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. To encourage more applications for the Scheme, members took the view that the Administration should streamline the application procedures and simplify the application forms. Some members suggested that staff members of the WITS Division of the Labour Department should help the applicants to fill out the application form.

13. Members were advised that the Administration was mindful of the need to make the application procedures user-friendly and simple. Applicants were required to provide basic and essential information to facilitate eligibility assessment and they were not required to re-submit some supporting information in their subsequent rounds of application. The Administration would further simplify the application form to reduce the information to be provided by applicants undergoing individual-based assessment. Applicants could seek appropriate advice and assistance from the "1823 Call Centre", which provided 24-hour enquiry service. To further enhance the public awareness of the application procedures, briefing sessions would continue to be held at district level.

Implementation of the WITS Scheme

14. Some members were concerned about the take-up rate of the WITS Scheme. Members noted with concern that as at 25 November 2012, LD received 70 549 applications involving 49 406 applicants. Total subsidy payment of \$210.2 million was granted to 36 096 applicants, of whom 92% received full-rate subsidy (i.e. \$600 per month), 2% half-rate subsidy (i.e. \$300 per month), and the remaining 6% a mix of full-rate and half-rate subsidies for different months. Nearly 60% of the successful applicants came from the New Territories, with the largest number of WITS recipients living in three districts, viz. Kwun Tong, Yuen Long and Tuen Mun. 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. There was a view that the Administration should encourage more target beneficiaries to apply for WITS by lowering the asset limits on par with that for one-person applicant for public rental housing.

15. 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.

16. In response to some members' suggestion of updating the income and asset limits of the WITS Scheme on a quarterly basis with reference to the quarterly figures of the General Household Survey ("GHS"), the Administration advised that the income limits of the WITS Scheme were adjusted with reference to the latest statistics on the median monthly household income in the third quarter of 2012. Before the comprehensive review, the income and asset limits would be updated annually at the beginning of the year based on up-to-date figures.

Review of the level of subsidy

17. Some members and deputations considered that a comprehensive review of the WITS Scheme should be conducted as early as possible. Pointing out that the rise in transport cost had aggravated the inflationary pressure faced by low-income earners, these members were of the view that the Administration should consider increasing the subsidy level for successful WITS applicants. Concern was also expressed about the time lag between the collection of data on work-related travelling expenses under GHS and the actual travelling expenses. Noting that the income and asset limits of the WITS Scheme would be updated annually, some members enquired whether similar mechanism could be adopted for reviewing the subsidy rate.

18. Some members took the view that the Administration should consider introducing a two-tier subsidy rates or setting different levels of subsidy based on the distance between the location of work and residence such that a higher level of transport subsidy could be provided to the low-income workers. It was pointed out that the current subsidy rate was insufficient to relieve the burden of travelling expenses of the working-poor workers living in remote areas such as Tung Chung, Tuen Mun and Yuen Long. Moreover, there was considerable difference in the travelling expenses between those working within the same district and across districts.

19. According to the Administration, 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 GHS 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. Members were assured that the Administration would monitor the relevant statistics in GHS and, where necessary, review and update the level of the subsidy rate. The Administration advised that it would conduct a comprehensive review of the WITS Scheme after three years of operation.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
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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
Panel on Manpower	3.12.2012 (Item I)	Agenda Minutes