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Panel on Manpower

**Updated background brief prepared by the Legislative Council
Secretariat for the meeting on 10 February 2015**

Work Incentive Transport Subsidy Scheme

Purpose

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

Background

2. To relieve the burden of costs for home-workplace commuting for employed persons from low-income families and encourage them to stay in employment, the Administration has 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; 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 least 36 hours per month (if applying for half-rate subsidy of \$300 per month).

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).

3. Following a mid-term review of the WITS Scheme, the Administration announced in August 2012 the introduction of the option of individual applications as an alternative to household applications. According to the Administration, individual-based applicants could apply, in July 2013 at the earliest, for subsidy payment covering January to June 2013².

Deliberations of the Panel

Income and asset limits

4. The eligibility criteria for the WITS Scheme had been a subject of concern of the Panel. Most members were concerned that the requirement to pass a restrictive income and asset assessment would discourage needy low-income employees from submitting applications. This would defeat the objective of the WITS Scheme to help low-income earners to reduce their cost of travelling to and from work and encourage them to secure or stay in employment. Most members considered it imperative to further relax the eligibility criteria and remove the asset test requirement so as to promote sustained employment.

5. The Administration explained that as WITS was provided on a recurrent basis, it had to ensure the prudent use of public money. It was thus considered that the means test requirement, in particular the asset threshold requirement, should remain.

6. Pointing out that most low-paid workers generally enjoyed a pay rise after the implementation of statutory minimum wage ("SMW") in May 2011, most members and deputations giving views to the Panel were strongly of the view that the income limits for different household sizes should be raised. Some members suggested that the income and asset limits of the WITS Scheme should be updated on a quarterly basis with reference to the quarterly figures of the General Household Survey ("GHS").

7. The Administration advised that under the annual adjustment mechanism adopted in the mid-term review which was conducted in August 2012, the income and asset limits of the WITS Scheme would be adjusted concurrently with those of the Comprehensive Social Security Assistance ("CSSA") Scheme. Specifically, the income limits would be

² Both individual-based and household-based applicants may apply for the subsidy for the previous six to 12 months.

updated on the basis of the median monthly household income in the third quarter of the previous year, and the asset limits would be pegged to three times the asset limits of the CSSA Scheme as adjusted. The Administration assured members that their views on the income and asset limits of the WITS Scheme would be taken into consideration in the comprehensive review of the Scheme, which would commence in October 2014 and was expected to be completed in early 2015.

Level of subsidy rate

8. Pointing out that the rise in transport cost had aggravated the inflationary pressure faced by low-income earners, some members considered that the subsidy rate should be adjusted automatically in accordance with the inflation rate and the movement of the Consumer Price Index compiled by the Census and Statistics Department ("C&SD"). Given 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.

9. Some members also 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. It was considered 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 to work across districts.

10. The Administration explained that 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 customised subsidy based on beneficiaries' actual travelling expenses. At the Panel meeting on 17 December 2013, the Administration advised that according to GHS conducted by C&SD in the fourth quarter of 2012, the average monthly expense of target beneficiaries of WITS on public transport for travelling to and from work was \$436, and that for those working across districts was \$489. The Administration thus considered that the current full-rate WITS at \$600 per month should provide sufficient support to most eligible applicants. Members were assured that the Administration would monitor the relevant statistics in GHS. The comprehensive review of the WITS Scheme would cover, among others, the review of subsidy rate.

Application of the WITS Scheme

11. 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.

12. The Administration advised that following a review to simplify the application forms, applicants only had to complete a much simpler two-page application form and sign on the third page for individual-based application. The information to be submitted by applicants had been substantially reduced and the application method had been made simpler and easier. To further enhance the public awareness of the application procedures, briefing sessions would continue to be held at district level.

13. On whether individual members of the same household could be given a choice of undergoing either household-based or individual-based assessment, the Administration explained 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. In case of individual-based applications, applicants were required to provide information on their own eligibility only.

14. Some members and deputations expressing views on the WITS Scheme urged the Administration to step up its efforts in promoting the Scheme to the eligible ethnic minorities ("EM"). The Administration advised that the Labour Department had extensively publicised to EM the WITS Scheme and the provision of the option of individual-based applications through different means, including publishing leaflets in different ethnic languages, advertising on radio programmes for EM and in EM support service centres, as well as briefing EM groups on the details of the Scheme. The WITS Scheme would also be publicised in job fairs targeted at EM.

Implementation of the WITS Scheme

15. Noting that a total subsidy payment of some \$490 million was made to around 61 800 applicants as at end November 2013, members generally considered that the take-up rate of the WITS Scheme was far below the estimation of around 200 000 beneficiaries made in the Administration's funding proposal for the Scheme. Members criticised that the low take-up rate of the application for WITS was due to the stringent eligibility criteria. Concern was also raised over the proportion of applications which were

subsequently withdrawn.

16. The Administration explained 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. The Administration added that around 13% of the applications had been withdrawn since the inception of the WITS Scheme.

17. In response to some members' enquiry about the administration cost for implementing the WITS Scheme, the Administration advised that a non-recurrent commitment of \$4,805 million (time-limited to 2014-2015) was approved by the Finance Committee for implementing the WITS Scheme, and some \$398 million was earmarked for administration fee, including staff cost and operating expenses, i.e. around 8% of the commitment. The administration cost for 2012-2013 and 2013-2014 (up to the end of November 2013) were some \$64 million and \$53 million respectively. Some members considered the administration cost for implementing the WITS Scheme too high and disproportionate to the subsidy payment and number of applications. The Administration advised that with the increase in the number of applications arising from the inclusion of individual-based applications in the Scheme, the proportion of the administration cost was expected to decrease.

Relevant papers

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

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
Panel on Manpower	17.12.2013 (Item IV)	Agenda Minutes