

For meeting on  
21 June 2016

**Legislative Council Panel on Manpower**  
**Review of**  
**Work Incentive Transport Subsidy Scheme**

**Purpose**

The Labour Department (LD) has completed a review of the Work Incentive Transport Subsidy (WITS) Scheme. This paper sets out the findings of the review.

**Background**

2. To help low-income earners reduce their cost of travelling to and from work and encourage them to secure or stay in employment, the WITS Scheme has started receiving applications since October 2011. Applicants should meet the following eligibility criteria:

- (a) being employed or self-employed, and lawfully employable in Hong Kong;
- (b) incurring travelling expenses in commuting to and from work;
- (c) meeting the monthly income<sup>1</sup> and asset limits; and
- (d) working no less than 72 hours per month (if applying for full-rate subsidy of \$600 per month), or working less than 72 hours but at least 36 hours per month (if applying for half-rate subsidy of \$300 per month).

3. Following a mid-term review of the WITS Scheme conducted in August 2012, the Government proposed to introduce the option of individual-based applications as an alternative to household-based

<sup>1</sup> Income does not include employees' mandatory contributions to Mandatory Provident Fund schemes (i.e. 5% of employees' salary).

applications. The proposal was supported by this Panel on 3 December 2012, approved by the Finance Committee (FC) of the Legislative Council (LegCo) on 14 December 2012, and took effect from the claim months of 2013.

## **Review of the WITS Scheme**

4. With operational experience accumulated in implementing the WITS Scheme, LD has conducted a review to evaluate the objectives, eligibility criteria, level of subsidy rate, length of claim period, modus operandi and effectiveness of the Scheme. The findings of the review are set out in the ensuing paragraphs.

5. Since the implementation of the WITS Scheme in October 2011, LD has gathered extensively views and suggestions on the Scheme through various channels. These included views expressed and suggestions made by LegCo Members, District Council Members, political parties, trade unions, concern groups, non-governmental organisations and members of the public in meetings of this Panel and other forums, written submissions received, etc. Operational statistics in administering the WITS Scheme have also been analysed and taken into account in the review.

## **Review findings**

### ***Objectives***

6. The WITS Scheme seeks to help low-income earners reduce their cost of travelling to and from work and encourage them to secure or stay in employment. From October 2011 to May 2016, a total of 337 284 applications involving 126 009 applicants were received under the Scheme. As applicants might apply for the subsidy every six to 12 months, many applicants had submitted more than one round of application. The gross applicant count was 355 718. Among the applications received, 141 714 were individual-based applications involving 61 545 applicants.

7. As at end-May 2016, LD completed processing of 328 323 applications involving 123 639 applicants (with a gross applicant count of 346 807). A total subsidy payment of \$1,298 million was made to 101 746 applicants, with a gross recipient count of 308 885 (of whom 124 936 were individual-based). Among these 101 746 successful

applicants, 68% (or 69 583) were granted the subsidy in two rounds of application or more. In terms of subsidy level, 93 905 applicants (gross count of 281 013) received full-rate subsidy of \$600 per month, 2 671 applicants (gross count of 4 663) received half-rate subsidy of \$300 per month, and 16 687 applicants (gross count of 23 209) received a mix of full and half-rate subsidies in different months of the same application.<sup>2</sup>

8. Amongst the successful applicants, 44% were male and 56% were female. It is, however, worth noting that under the household-based track, the percentage of approved male applicants (51%) exceeded that of female applicants (49%) by 2 percentage points; while under the individual-based track the percentage of approved female applicants (68%) exceeded that of male applicants (32%) by a wide margin of 36 percentage points. A majority of the successful applicants belonged to the age groups of 40 to below 50 (28%) and 50 to below 60 (25%), and most of them were engaged in elementary occupations<sup>3</sup> (47%), followed by service and sales workers<sup>4</sup> (26%). As regards their residential districts, nearly half of them resided in four districts, namely Yuen Long (13%), Kwun Tong (13%), Tuen Mun (11%) and Kwai Tsing (10%). Detailed breakdowns are set out in **Annex 1**. As WITS encourages sustained employment of low-income earners, it is considered that WITS should remain a territory-wide scheme without limitations as to residential districts and locations of work. People who work and live in the same district should, like those who work across districts, be also eligible for WITS.

9. Based on these operational data, notably the high proportion of applicants being granted subsidy in at least two rounds of application (reflecting that they stayed in employment to be eligible for WITS) and the high percentage of full-rate subsidy granted, low-income earners were receptive of the territory-wide WITS Scheme which served the objectives of assisting them to reduce work-related travelling cost and encouraging them to secure or stay in employment.

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<sup>2</sup> As some applicants received different subsidy rates (i.e. full-rate or half-rate) in different rounds of application, individual items do not add up to the total number of applicants.

<sup>3</sup> For example: security guards, labourers, cleaners, storekeepers, delivery workers, domestic helpers, etc.

<sup>4</sup> For example: waiters, sales workers, promoters, cooks, customer service staff, care workers, etc.

### *Eligibility criteria*

10. Regarding the eligibility criteria of the WITS Scheme (as set out in paragraph 2 above), most of the views received pertained to the monthly income and asset limits for the subsidy and suggested relaxation of the limits.

11. Subsequent to the mid-term review of the WITS Scheme conducted in August 2012 and approval by FC in December 2012, an annual adjustment mechanism on the income and asset limits was put in place. Specifically, both the income and asset limits are to be adjusted concurrently with the asset limits of the Comprehensive Social Security Assistance (CSSA) Scheme in February each year. The income limits are updated on the basis of the median monthly domestic household income (MMDHI) in the third quarter of the previous year, with the limits for individual-based applications/different household sizes ranging from 100% to 60% of MMDHI of corresponding household sizes<sup>5</sup>. The asset limits are pegged to three times the corresponding asset limits of the CSSA Scheme as adjusted<sup>6</sup>.

12. Given that the income limit applicable to WITS for individual-based applications and for the one-member household-based applications is set at 100% of MMDHI of single-person households and the income limits for other household-based applications are set at 85% to 60%

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<sup>5</sup> MMDHI excludes the income of foreign domestic helpers. For individual-based applications and household-based applications of one-member households, the income limit is set at 100% of MMDHI of single-person households. As for household-based applications from households with two members or more, the income limits are as follows:

- (a) households with two members - 85% of MMDHI of two-member households;
- (b) households with three members - 65% of MMDHI of three-member households;
- (c) households with four members - 60% of MMDHI of four-member households;
- (d) households with five members - 60% of MMDHI of five-member households;
- and
- (e) households with six members or more - 60% of MMDHI of six-member households.

<sup>6</sup> For individual-based applications and household-based applications of one-member households, the asset limit is set at three times of CSSA single person (able-bodied adult) cases. As for other household-based applications, the asset limits are set at three times of CSSA family cases of corresponding household sizes involving able-bodied adults. Under the CSSA Scheme, households with four or more members are subject to the same (highest) asset limit. As the asset limits for WITS are pegged to the corresponding limits for CSSA, households with four or more members under the WITS Scheme are subject to the same (highest) asset limit.

of MMDHI of corresponding household sizes<sup>5</sup>, it is considered that the present income limits should be maintained for the time being.

13. The existing asset limits for WITS, set at three times of the corresponding limits applicable to the CSSA Scheme<sup>6</sup>, is considered appropriate. It is also considered appropriate to retain the present add-on limit of \$35,000 for each WITS applicant (in individual-based or household-based track) or household member (in household-based track) aged 60 or above to recognise the fact that our senior citizens may need to hold on to more asset for meeting unforeseen expenses.

14. Under the current annual adjustment mechanism, updated income limits (based on MMDHI in the third quarter of the previous year) and asset limits (based on the asset limits of CSSA as adjusted) will take effect from the claim month of February each year. It is considered appropriate to continue with this annual adjustment mechanism.

15. As to the working hour requirement, the existing monthly thresholds are 72 hours for full-rate subsidy of \$600 per month and 36 hours for half-rate subsidy of \$300 per month. Assuming five-day work per week and four weeks in one month, an applicant, if meeting other eligibility criteria, can be entitled to WITS (for half-rate subsidy) if he/she has worked 1.8 hours per working day. We consider that the existing working hour thresholds should provide sufficient incentive for grassroots workers to secure or stay in employment. We have also reviewed the other eligibility criteria as stated in paragraph 2 above, and consider that they remain appropriate.

### *Level of subsidy rate*

16. There were suggestions to increase the current full-rate subsidy of \$600 per month in view of the rise in the fares of public transport in recent years. Some views proposed that the subsidy should be a reimbursement of actual travelling expenses. There was also a suggestion to replace the flat-rate subsidy by fare discount under the Octopus system.

17. When the WITS Scheme was first introduced in 2011, it was the objective to keep the Scheme simple and easy to administer with a view to containing the administrative cost. On this basis, the subsidy has been provided in the form of a flat rate for applicants working in the same district and across districts. In setting the subsidy rate, the average monthly expense of WITS target recipients on public transport for travelling to and

from work collected in the General Household Survey (GHS) in the second quarter of 2010 had been taken into account.

18. Operational experience of the WITS Scheme reflects that not all low-income applicants are travelling to the same working location every working day. Moreover, some may have different jobs requiring them to commute to different workplaces in different claim months. The cumbersome requirement for applicants to record and report working locations and relevant travelling expenses, together with additional workload and processing time in verifying applicants' claims, make it very difficult and administratively costly to adopt a customised subsidy to reimburse actual travelling costs. It is also inadvisable to replace WITS with fare discount under the Octopus system as the WITS Scheme operates on a retrospective basis. Applicants' eligibility for WITS could vary from one month to another depending on whether they could fully meet the criteria as set out in paragraph 2 above; and hence is not compatible with the Octopus system which works on the basis that the holder of the Octopus card is eligible for WITS at all times.

19. According to the latest available statistics in the GHS conducted in the third quarter of 2015, the average monthly expense of WITS target recipients on public transport for travelling to and from work was \$442, and that for those working across districts was \$481. Detailed statistics on the average monthly expense incurred by WITS target recipients on public transport by area of residence are in **Annex 2**. Although the latest expenses of \$442 and \$481 were higher than the respective average monthly expenses of \$410 and \$460 in the second quarter of 2010 when the subsidy rate was first set, they continue to fall well within the present full-rate WITS at \$600 per month. It is considered that the present full-rate WITS remains appropriate. LD will continue to monitor the movement of the relevant statistics in the GHS.

### *Length of claim period*

20. Applicants may apply for WITS for the previous six to 12 months in each application. Most approved applicants applied at six-monthly intervals once they met the minimum claim months requirement. The present arrangement already provides reasonable flexibility to the WITS applicants.

### *Modus operandi*

21. Under the current mode of operation of the WITS Scheme, applicants are required to complete the individual/household application form (available at 79 distribution points<sup>7</sup> as well as LD's homepage) and submit their applications by post, by hand or through application drop-in boxes at LD's Job Centres, Construction Industry Recruitment Centre<sup>8</sup> and Headquarters of LD. Applicants' eligibility for each claim month is assessed according to the information provided by applicants in the application forms and their documentary proof. Applicants/household members (in the case of household-based applications) are contacted mainly by telephone, letters or Short Message Service (SMS) if further information/documents are required to verify their claims.

22. Subsidy payments are made to successful applicants' designated bank accounts direct through automatic bank transfer. Those applicants who are not satisfied with the application results may apply in writing to LD for a review. In cases where applicants are not satisfied with the review result, they may file an appeal in writing to LD.

23. A wide range of publicity activities such as television and radio Announcements in Public Interest, publicity through the Gov.HK website and LD's homepage, promotional posters, leaflets, advertising in newspapers and publications of target organisations, publicising through the Support Service Centres for Ethnic Minorities of the Home Affairs Department (HAD), promotion at LD's job fairs, exhibitions and briefings for stakeholders, publicity in radio programmes in ethnic minority (EM) languages, etc. are regularly organised to promote the WITS Scheme among members of the public and target applicants including EMs. The 24-hour enquiry hotline 2717 1771 (handled by "1823") of LD also handles enquiries on the WITS Scheme.

24. The current modus operandi of administering the WITS Scheme is considered effective. This notwithstanding, LD will further launch

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<sup>7</sup> Application documents are available at the WITS Division, Job Centres, Industry-based Recruitment Centres and Headquarters of LD, Public Enquiry Service Centres of the Home Affairs Department and Social Security Field Units of the Social Welfare Department.

<sup>8</sup> Application drop-in boxes are not placed in the other two Industry-based Recruitment Centres owing to space limitation. These two Industry-based Recruitment Centres are close to the Job Centre of LD.

enhancement measures below to improve services for WITS applicants.

(a) Further simplification of WITS application forms

25. LD will further simplify the application forms of the WITS Scheme. For both household and individual applications, it is proposed that applicants will no longer be required to report the “usual mode of transport for commuting to and from work” and “marital status” as such information is not absolutely crucial in the vetting process. It is also proposed that repeated applicants will no longer be required to provide bank account number for receiving subsidy and industry of the employer unless such relevant information has changed in their new round of WITS application. For re-applicants in individual applications, similar to the current household application form, they will no longer be required to provide certain personal information such as date of birth and sex bearing in mind they have already made available such in their previous rounds of WITS application.

26. With such simplification, the existing three-page household-based and two-page individual-based application forms (excluding the part for the applicant’s signature) would be even more succinct, concise and convenient for WITS applicants.

(b) Greater convenience for WITS applicants to obtain and submit application forms

27. For greater client-friendliness, it is proposed that members of the public may obtain WITS application forms and guidance notes from LD through facsimile by calling our 24-hour enquiry hotline 2717 1771. LD will also explore the feasibility of expanding the collection network of completed WITS application forms (through application drop-in boxes) by including more LD offices that are open to public whereby applicants could conveniently submit application forms in nearby locations.

(c) Strengthening support services for EMs

28. To further enhance support services for EMs in applying for WITS, LD will put in place a “Template of WITS Application Form” in three EM languages (namely, Urdu (the Pakistan language), Nepali and Hindi (the Indian language)) with key information highlighted to facilitate their completion of WITS application form and submission of required documentary proof. LD will also explore rolling out a trial scheme of



deploying employment services ambassadors for EMs<sup>9</sup> at the WITS Division office to help prospective and needy EM applicants in submitting WITS applications and/or answering their enquiries over telephone or at the service counter. The proposed ambassadors for EMs will provide dedicated support services to EM enquirers and visitors who cannot speak Chinese and English, including explaining the WITS application forms and guidelines, providing interpretation services and arranging interpretation services rendered by the Support Service Centre for Ethnic Minorities of HAD if necessary. The ambassadors for EMs will also join the job fairs and exhibitions organised by LD to promote the WITS Scheme and answer related enquiries.

(d) Enhancing communication with applicants

29. At present, LD will send acknowledgement letter to WITS applicants if they return the self-filled mailing label together with their completed application form. For greater convenience of applicants and to simplify the work process, LD will replace this existing arrangement by using SMS to inform applicants the receipt of their application form. Applicants furnishing mobile phone numbers in the application form will all receive LD's standard acknowledgment message by means of SMS. For those who do not provide a mobile phone number or whose mobile phone cannot receive SMS (which should be few in number), LD will continue to provide them with the current acknowledgement letter.

(e) Guarding against abuse

30. With increasing operational experience, LD will continue to step up efforts to guard against abuse of the WITS Scheme. While verification of information and documentary proof provided by applicants is necessary in approving WITS applications to ensure the proper use of public money, LD is at the same time mindful that complicated vetting procedures and excessive requirement of information and supporting documents will cause inconvenience to applicants and lengthen the processing time for

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<sup>9</sup> In September 2014, LD piloted an "Employment Services Ambassador Programme for Ethnic Minorities", employing 15 trainees of the Youth Employment and Training Programme who could communicate in EM language as employment services ambassadors for six months. On one hand, employment services ambassadors help LD enhance its employment services to job seekers, in particular EMs. On the other hand, the programme enriches the working experience and qualifications of the engaged EM trainees, thereby enhancing their employability in the open market. LD also arranged Chinese language courses for these trainees during their training.

applications. LD will therefore continue to strike a reasonable balance between safeguarding public money and assisting those who are genuinely in need.

### ***Effectiveness***

31. WITS is a territory-wide scheme without setting limitations on applicants' residential districts and locations of work. Low-income earners who live and work in the same district are still eligible for WITS as long as they meet the eligibility criteria. WITS also incentivises people living in the remote districts to work across districts, reducing their concern about the cost of public transportation between their places of work and homes.

### **Way forward**

32. LD will launch the enhancement measures under the WITS Scheme as set out in paragraphs 25 to 30 above.

33. The Government has started receiving applications under the Low-income Working Family Allowance (LIFA) Scheme since 3 May 2016. This is a new poverty alleviation measure designed to encourage self-reliance through sustained employment and ease inter-generational poverty. Under LIFA, a family of two or more members meeting the income and asset limits<sup>10</sup> may apply for the allowances if the applicant meets the working hour requirements. An applicant (except a single parent) must work at least 144 hours per month in order to qualify for a Basic Allowance of \$600. If the applicant works 192 hours or more, the applicant may apply for a Higher Allowance of \$1,000. The working hour requirements for single parents are lower, i.e., at least 36 hours to qualify for a Basic Allowance and 72 hours or more for a Higher Allowance. The applicant may also apply for a Child Allowance of \$800 for each eligible child in his/her family. Depending on family income<sup>11</sup>, the allowances may be granted at full rate or half rate. On the interface between LIFA and

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<sup>10</sup> LIFA's asset test is generally set at the same level as that of public rental housing. As to LIFA's income test, LIFA adopts a two-tiered income threshold. The first tier is set at 50% of MMDHI. The second tier is set at a level exceeding 50% but not higher than 60% of MMDHI.

<sup>11</sup> Eligible families with a family income in the first tier may be granted the allowances at full rate, whereas those with a family income in the second tier may be granted the allowances at half rate.

WITS, the household-based WITS and individual-based WITS for a LIFA-applicant cannot be received concurrently with LIFA in the same claim month, whereas the individual-based WITS received by family members other than the LIFA-applicant is counted as the LIFA-applicant's family income.

34. The Government will conduct an overall policy review of LIFA one year after its implementation, i.e. in mid-2017. The Government will also critically examine interface issues between LIFA and WITS. Any major changes to the WITS Scheme will be carefully considered in the context of the overall policy review of LIFA and the interface between the WITS and LIFA Schemes.

Labour and Welfare Bureau  
Labour Department  
June 2016

**Annex 1**

**Work Incentive Transport Subsidy Scheme**

**Number of applicants receiving subsidy  
with breakdowns by gender, age, occupation and residential district<sup>12</sup>  
(as at May 2016)**

**Breakdown by gender and age**

Age	No. of applicants receiving WITS		
	Male	Female	Total
15 - below 20	749	803	1 552
20 - below 30	6 879	8 100	14 979
30 - below 40	7 810	9 903	17 713
40 - below 50	10 975	17 962	28 937
50 - below 60	10 832	15 003	25 835
60 or above	7 208	5 522	12 730
Total	44 453	57 293	101 746

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<sup>12</sup> Some applicants received the subsidy in more than one round of application. The breakdowns are compiled on the basis of their last approved applications.

### **Breakdown by occupation**

Occupation	No. of applicants receiving WITS
Elementary occupations	47 415
Service and sales workers	26 313
Clerical support workers	13 481
Craft and related workers	4 285
Associate professionals	3 880
Plant and machine operators and assemblers	1 722
Professionals	1 285
Others	3 365
Total	101 746

### Breakdown by residential district

District Council district	No. of applicants receiving WITS
Central & Western	725
Eastern	3 571
Southern	1 835
Wan Chai	345
Kowloon City	4 549
Kwun Tong	13 445
Sham Shui Po	7 895
Wong Tai Sin	7 250
Yau Tsim Mong	2 347
Islands	2 362
Kwai Tsing	10 508
North	5 348
Sai Kung	3 985
Sha Tin	7 036
Tai Po	2 768
Tsuen Wan	2 669
Tuen Mun	11 104
Yuen Long	13 571
Outside Hong Kong	433
Total	101 746

**Average Monthly Expense of WITS Target Recipients  
on Public Transport for Travelling to and from Work  
by Area of Residence  
(Third quarter of 2015)**

Area of Residence <sup>13</sup>	Average Monthly Expense					
	All target recipients			Target recipients requiring to work across District Council (DC) districts		
	Overall	Household applications <sup>14</sup>	Individual applications <sup>15</sup>	Overall	Household applications <sup>14</sup>	Individual applications <sup>15</sup>
Hong Kong Island	\$355	\$380	\$306	\$403	\$445	\$320
Kowloon	\$417	\$446	\$350	\$437	\$467	\$365
New Territories	\$474	\$503	\$414	\$525	\$553	\$464
Overall	\$442	\$470	\$381	\$481	\$512	\$414

Source : General Household Survey (GHS) (third quarter of 2015), Census and Statistics Department (C&SD)

Note : <sup>13</sup> Owing to limited sample size of the GHS, the corresponding statistics by DC district were not available as they would be subject to relatively large sampling error.

<sup>14</sup> Household applications refer to those target recipients who met the household income limits and working hour requirements, including those target recipients in households of two persons or above. Information in respect of asset levels of target recipients was not available.

<sup>15</sup> Individual applications refer to those target recipients who met the individual-based/one-member household-based income limit and working hour requirements (including one-member households and those not eligible for household-based applications but eligible for individual-based applications). Information in respect of asset levels of target recipients was not available.