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Panel on Manpower

**Updated background brief prepared by the Legislative Council
Secretariat for the meeting on 21 June 2016**

Work Incentive Transport Subsidy Scheme

Purpose

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

Background

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

- (a) being employed or self-employed, and be lawfully employable in Hong Kong;
- (b) incurring travelling expenses in commuting to and from work;
- (c) meeting the monthly income and asset limits; and
- (d) working 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. Following a mid-term review of the WITS Scheme conducted in August 2012, the Administration proposed to introduce the option of individual application as an alternative to household application from the claim months of 2013.

4. According to the Administration, it would conduct a comprehensive review of the WITS Scheme, including its objectives, eligibility criteria, level of subsidy rate, modus operandi and effectiveness, after three years of operation.

Deliberations of the Panel

Income and asset limits

5. 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 and deputations who had given views to the Panel considered it imperative for the Administration to further relax the eligibility criteria and remove the means test requirement so as to promote sustained employment.

6. The Administration advised 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. The Administration added that the scope of the comprehensive review of the WITS Scheme would cover, among others, the eligibility criteria.

7. Most members shared the views of deputations that as low-income employees generally enjoyed a pay rise after the implementation of statutory minimum wage ("SMW") in May 2011, 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") conducted by the Census and Statistics Department ("C&SD").

8. The Administration advised that under the annual adjustment mechanism, the income and asset limits of the WITS Scheme would be adjusted from the claim month of February 2015 onwards concurrent with the asset limits of the Comprehensive Social Security Assistance ("CSSA") Scheme. Specifically, the income limits would be updated on the basis of the median monthly household income in the third quarter of the previous year, whereas the asset limits would be pegged to three times the asset

limits of the CSSA Scheme as adjusted. The Administration further advised that the impact of the SMW rate, which would be revised on a biennial basis, on the monthly earnings would be taken into account in considering the income limits under the WITS Scheme during the comprehensive review.

9. Members noted that the Low-income Working Family Allowance ("LIFA") Scheme, which aimed to relieve the financial burden of the low-income working families not receiving CSSA and to encourage working members in these households to stay in active employment, would start receiving applications from May 2016 onwards. Clarification was sought on whether LIFA would be taken into account in the calculation of family income under the WITS Scheme and vice versa.

10. The Administration explained that as a general principle, LIFA would be granted on a family basis to relieve the financial burden of non-CSSA low-income working families, and beneficiaries of LIFA should not receive household-based WITS concurrently. On the other hand, all working members in a LIFA family (except for the LIFA applicants themselves) might apply for individual-based WITS, and their WITS payment would be counted towards the family income in LIFA's income test.

Level of subsidy rate

11. Pointing out that the rise in transport cost had aggravated the inflationary pressure faced by low-income employees, 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. 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.

12. 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.

13. 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

customized subsidy based on beneficiaries' actual travelling expenses. At the Panel meeting on 10 February 2015, the Administration advised that according to GHS conducted by C&SD in the first quarter of 2014, the average monthly expense of target beneficiaries of WITS on public transport for travelling to and from work was \$427, and that for those working across districts was \$475. It was thus considered that the full-rate WITS at \$600 per month should provide sufficient support to most eligible applicants. The Administration further advised that LD planned to commission C&SD to collect the latest statistics in 2015. Besides, the comprehensive review of the WITS Scheme covered, among others, the level of subsidy rate.

Application of the WITS Scheme

14. 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, the Administration should streamline the application procedures and simplify the application forms.

15. 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 successful applicants needed not re-submit some supporting documents in their subsequent rounds of application. To further enhance the public awareness of the application procedures, briefing sessions would continue to be held at district level.

16. On whether individual members of the same household could be given a choice of undergoing either household-based or individual-based assessment, the Administration clarified 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.

17. Some members called on the Administration to step up its efforts in promoting the WITS Scheme to the eligible ethnic minorities ("EM"). The Administration advised that the Labour Department ("LD") had extensively publicized to EM the WITS Scheme, 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 publicized in

job fairs targeted at EM. EMs having difficulties in applying for WITS were encouraged to come forward to LD's WITS office or job centres where they could be provided with appropriate assistance.

Implementation of the WITS Scheme

18. Noting that a total subsidy payment of some \$891 million was made to 86 470 applicants as at end-January 2015, members generally considered that the take-up rate of the WITS Scheme was far below the estimation of around 200 000 potential beneficiaries made in the Administration's funding proposal for the Scheme. Some members were strongly of the view that the low take-up rate of the application for WITS was attributable to the stringent eligibility criteria, in particular the means test requirement.

19. The Administration explained that it was difficult to have an accurate estimate of the actual number of persons who would be eligible for WITS before the commencement of the Scheme. The figure on the potential number of beneficiaries provided at the time when the Administration sought funding approval for the WITS Scheme from the Finance Committee ("FC") was merely a rough indication for reference based on C&SD's surveyed information on the number of persons meeting the income and working hour limits of the WITS Scheme. There was, however, no information on the asset levels of these potential beneficiaries, and hence this factor could not be taken into account.

20. In response to some members' concern about the administration cost for implementing the WITS Scheme, the Administration advised that a non-recurrent commitment of \$4,805 million (time-limited up to 2014-2015) was approved by FC 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.

Latest development

21. The Administration will brief the Panel on the outcome of the comprehensive review of the WITS Scheme at the meeting on 21 June 2016.

Relevant papers

22. 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	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
Panel on Manpower	10.2.2015 (Item V)	Agenda Minutes