

For meeting on
18 April 2017

Legislative Council Panel on Manpower

Proposed freezing of two income limits under the Work Incentive Transport Subsidy Scheme

Purpose

This paper briefs Members on the proposal to freeze the income limits for (i) individual-based/1-person household-based applications and (ii) household-based applications from households of six persons or above under the Work Incentive Transport Subsidy (WITS) Scheme.

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 Government has implemented the WITS Scheme 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 income¹ 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. From October 2011 to February 2017, a total of 385 039 applications involving 136 963 applicants were received under the WITS 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

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

was 405 152. A total subsidy payment of \$1,498 million was made to 111 006 applicants, with a gross recipient count of 354 959.

Annual adjustment mechanism for income and asset limits

4. The existing annual adjustment mechanism on the income and asset limits for WITS applicants has been put in place following the recommendations of a mid-term review of the WITS Scheme conducted by the Labour Department (LD) in August 2012 and approval by the Finance Committee (FC) of the Legislative Council in December 2012. 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 sizes². The asset limits are pegged to three times the corresponding asset limits of the CSSA Scheme as adjusted³. We also reported the findings of a review of the WITS Scheme to this Panel at the meeting on 21 June 2016.

Proposed freezing of two income limits in the annual adjustment in 2017

5. Based on MMDHI in the third quarter of 2016, the income limits for applications from households of two to five persons have increased from the

² 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 households of six members or more.

³ 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.

claim month of February 2017 onwards. However, the income limit for individual-based/1-person household-based applications would be reduced from the original limit of \$10,000 to \$8,700, and that for household-based applications from households of six persons or above would be reduced from the original limit of \$25,200 to \$24,300⁴. A strict adherence to the existing adjustment mechanism would result in a tightening of the eligibility criteria for these two groups of applicants and reduction in the number of low-income earners covered by the WITS Scheme. For instance, in 2016, there were 31 294 WITS applicants with individual-based applications approved, 9.1% (2 836) of whom had an average monthly income greater than \$8,700 and not exceeding \$10,000. Should the income limit for individual-based/1-person household-based applications be adjusted to \$8,700, these applicants would be disqualified from applying for WITS on individual basis, albeit some might choose to apply on household basis if their families meet the household income limits. As for household-based applications from households of six persons or above, 364 applicants had their applications approved in 2016, 1.1% (4) of whom had an average monthly household income greater than \$24,300 and not exceeding \$25,200.

6. The Government will conduct an overall policy review of the Low-income Working Family Allowance (LIFA) Scheme one year after its implementation, i.e. in mid-2017. In this context, the interface issues between LIFA and WITS will be examined, and we would explore how to rationalise the adjustment mechanism for WITS.

7. Pending the completion of the overall policy review of LIFA which would cover inter-alia the interface between LIFA and WITS as set out in paragraph 6 above, we propose, as a special one-off arrangement, to freeze the income limits for individual-based/1-person household-based applications and household-based applications from households of six persons or above at \$10,000 and \$25,200 respectively in the annual adjustment exercise for 2017. The income limits for household sizes of two to five persons and asset limits for individual-based applications and households of all sizes have been adjusted in accordance with the existing mechanism and taken effect from the claim month of February 2017. Details of the income limits are shown at Annex.

8. For individual-based/1-person household-based applications and applications from households of six persons or above with claim periods

⁴ In the third quarter of 2016, MMDHI for 1-person households was \$8,700, representing a drop by 13% over MMDHI at \$10,000 in the third quarter of 2015. Besides, MMDHI for households of six persons or above in the third quarter of 2016 was \$40,500, which was lower than \$42,000 in the third quarter of 2015 by 3.6%.

straddling February 2017, i.e., the claim month in which the new income limits come into effect, LD is processing the part of applications relating to claim months before February 2017 so as to avoid delay in disbursing subsidy to eligible applicants. The remaining part of applications relating to claim months of February 2017 onwards will be processed after reporting to FC.

Financial implications

9. The financial implication of the freezing proposal is about \$20 million which would be charged against the non-recurrent commitment of \$4,805 million of the WITS Scheme approved by FC on 25 February 2011.

Way forward

10. Members are invited to note the content of this paper. We shall report the special one-off arrangement to FC by way of an Information Note.

Labour and Welfare Bureau
Labour Department
March 2017

**Adjustment of Income Limits of
the Work Incentive Transport Subsidy Scheme
(effective from the claim month of February 2017)**

Household size	Monthly income limit for claim months from February 2016 to January 2017	Proposed monthly income limit for claim months from February 2017 onwards	Change
1 person or individual-based application	\$10,000	\$10,000	-
2 persons	\$16,600	\$17,000	+\$400 (+2.4%)
3 persons	\$18,900	\$19,500	+\$600 (+3.2%)
4 persons	\$22,100	\$22,800	+\$700 (+3.2%)
5 persons	\$22,800	\$23,900	+\$1,100 (+4.8%)
6 persons or above	\$25,200	\$25,200	-