

**For discussion  
on 13 November 2017**

**Legislative Council Panel on Welfare Services**

**The Working Family Allowance Scheme**

**Purpose**

This paper briefs Members on the enhancements to the Low-income Working Family Allowance (LIFA) Scheme (to be renamed as the Working Family Allowance (WFA) Scheme with effect from 1 April 2018) announced in the Chief Executive's 2017 Policy Address (PA), as well as the relevant arrangements for the Work Incentive Transport Subsidy (WITS) Scheme.

**The WFA Scheme**

The launch of the LIFA Scheme

2. The LIFA Scheme was launched in May 2016. Its objective is to encourage self-reliance of low-income families through employment, with a focus on supporting families with children and youths to ease intergenerational poverty. A Child Allowance is especially provided for each eligible child or youth in the family.

3. As at 27 October 2017, over 93 000 LIFA applications have been received, of which over 91 000 applications were completely processed and over 83 000 applications have been approved with a total amount of allowances disbursed at over \$953 million. Over 133 000 persons, involving more than 36 000 families, have benefited from the Scheme. Of these persons, over 58 000 were children or youths.

Enhancements to the LIFA Scheme

4. The current-term Government commenced the comprehensive policy review of the LIFA Scheme as soon as it assumed office in July this year, with a view to making enhancements as soon as possible to benefit more working households. Having considered the stakeholders' views on the LIFA Scheme

and various factors,<sup>1</sup> the PA announced a series of enhancements to the LIFA Scheme –

- (a) extending the Scheme to cover singleton households;
- (b) adding a tier of income limit of 70% of the Median Monthly Domestic Household Income (MMDHI)<sup>2</sup> and using the MMDHI of economically active households instead for calculating the income limits;<sup>3</sup>
- (c) adding a tier of working hour requirement of 168 hours per month for non-single-parent households; and adding a tier of 54 hours per month for single-parent households. Households fulfilling the relevant working hour requirement will receive a higher rate of allowance;
- (d) allowing all household members to aggregate their working hours;<sup>4</sup> and
- (e) raising all the rates of allowances, and adding an additional layer of 3/4 rate between the existing full rate and half rate allowances.

The LIFA Scheme will also be renamed as the WFA Scheme. The Government plans to implement the relevant enhancements on 1 April 2018.<sup>5</sup> Key parameters of the WFA Scheme are set out below.

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<sup>1</sup> A survey was commissioned to gather relevant data from first-time LIFA beneficiary households, including employment-related information of the members of LIFA families (e.g. number of paid working hours before and after receiving LIFA), behavioral changes related to the implementation of the LIFA Scheme (e.g. work pattern), as well as difficulties encountered in relation to the application process. Moreover, a few additional questions were included in the Census and Statistics Department's General Household Survey to identify the possible reasons for not applying for LIFA even if the respondents were, *prima facie*, eligible for LIFA in terms of income and working hours. The results of the two surveys are available at [http://www.lwb.gov.hk/eng/other\\_info/index.htm](http://www.lwb.gov.hk/eng/other_info/index.htm).

<sup>2</sup> The existing LIFA Scheme adopts MMDHI of households for calculating the income limits.

<sup>3</sup> The Old Age Living Allowance will no longer be taken into account under the income test.

<sup>4</sup> For a household which cannot fulfil the relevant working hour requirement under the existing mechanism, if there is more than one working member in the household, it may become eligible under the enhanced arrangement where working hours are allowed to be aggregated.

<sup>5</sup> Applications submitted on or after that date will be processed in accordance with the details of the enhanced Scheme.

*Key parameters of the WFA Scheme<sup>6</sup>*

	<b>Full rate monthly allowance</b> (monthly household income not higher than 50% MMDHI of economically active households)	<b>3/4 rate monthly allowance</b> (monthly household income of more than 50% but not higher than 60% MMDHI of economically active households)	<b>Half rate monthly allowance</b> (monthly household income of more than 60% but not higher than 70% MMDHI of economically active households)
Basic Allowance: monthly working hours of at least 144 hours (single-parent households: 36 hours)	\$800	\$600	\$400
Medium Allowance: monthly working hours of at least 168 hours (single-parent households: 54 hours)	\$1,000	\$750	\$500
Higher Allowance: monthly working hours of at least 192 hours (single-parent households: 72 hours)	\$1,200	\$900	\$600
Child Allowance (Each child or youth)	\$1,000	\$750	\$500

Note: All household members will be allowed to aggregate their working hours for WFA applications; and the WFA Scheme covers singleton households.

<sup>6</sup> The key parameters of the existing LIFA Scheme are as follows –

Allowance per month	<b>Full rate monthly allowance</b> (Monthly household income not higher than 50% of MMDHI)	<b>Half rate monthly allowance</b> (Monthly household income of more than 50% but not higher than 60% of MMDHI)
Basic Allowance: monthly working hours of at least 144 hours (single-parent households: 36 hours)	\$600	\$300
Higher Allowance: monthly working hours of at least 192 hours (single-parent households: 72 hours)	\$1,000	\$500
Child Allowance (Each child or youth)	\$800	\$400

Note: Household members are not allowed to aggregate their working hours for LIFA applications; and the LIFA Scheme does not cover singleton households.

### Preparatory work pertaining to the implementation of enhancements

5. The Working Family and Student Financial Assistance Agency (WFSFAA) is undertaking necessary preparatory work for implementing the above enhancements, and will conduct a new round of publicity and support services. Specifically, apart from a 24-hour hotline and a dedicated website,<sup>7</sup> the Working Family Allowance Office (WFAO) of WFSFAA will conduct briefings for interested groups, including District Council (DC) Members, non-governmental organisations (NGOs) and ethnic minority organisations in December 2017 and January 2018. Starting from early March 2018, an Announcement in the Public Interest will be broadcast on television and radio. Posters will be displayed and leaflets will be distributed to the public.<sup>8</sup> In March and April 2018, a series of community briefings will be conducted in various districts on Saturdays and Sundays, and visits will be made to newly established public housing estates on weekdays to promote the WFA. WFAO will also continue to operate the enquiry desk set up at the Housing Authority Customer Service Centre at Lok Fu during office hours each working day, and stands ready to attend briefings and/or form-filling support services sessions to be organised by NGOs and DC members.

6. While the design of the WFA Scheme should be as simple and easy to understand as possible, there is a need for appropriate safeguards against abuse. To address stakeholders' concern over the difficulties in providing documentary proof for an application, particularly, proof on working hours, flexibility has been built into the system. Depending on the circumstances of individual cases, WFAO accept declarations from applicants. In fact, around 20% of the approved applications involve applicants providing declarations for working hours in lieu of concrete proof, for example, self-employed persons, casual workers, applicants whose former companies have closed down. These applicants may use the relevant template form in declaring their working hours.

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<sup>7</sup> The LIFA website (lifa.gov.hk) will be renamed as wfa.gov.hk on 1 April 2018.

<sup>8</sup> There will be 159 distribution points, which are located at the offices of the WFSFAA, the WITS Division, Job Centres and Industry-based Recruitment Centres of the Labour Department (LD), the District Social Welfare Offices, Social Security Field Units and Integrated Family Service Centres of the Social Welfare Department and the Home Affairs Enquiry Centres of the Home Affairs Department.

## **The Relevant Arrangements for the WITS Scheme**

7. Upon the implementation of enhancements, it is expected that the WFA Scheme will basically cover the applicants of the household-based WITS. As such, the household-based WITS will be abolished at the same time when the enhancements are implemented. Henceforth, eligible applicants may apply for WFA and/or the individual-based WITS.<sup>9</sup> Furthermore, WFSFAA will upgrade its information technology systems. Upon completion of such work, the processing of individual-based WITS applications currently performed by LD will be taken up by WFSFAA (expected to be on 1 April 2019 the earliest) to bring about more efficient and convenient service provision to applicants. The way forward for the individual-based WITS will be considered having regard to the changes in the number of applications following the implementation of the WFA Scheme, as well as the proposed non-means-tested Public Transport Fare Subsidy Scheme announced in the PA.

8. Under the annual adjustment mechanism approved by the Legislative Council's Finance Committee (FC) in December 2012, the income and asset limits for WITS applicants are to be adjusted concurrently with the asset limits of the Comprehensive Social Security Assistance (CSSA) Scheme in February every year.<sup>10</sup> In the 2017 annual adjustment of income and asset limits for the WITS Scheme, the income limits for individual-based/one-person household-based applications and household-based applications from households of six persons or above would have to be reduced under the existing adjustment mechanism.<sup>11</sup> The Government informed the FC on 28 April 2017 of the freezing of these two income limits for 2017 vide FCRI(2017-18)2.

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<sup>9</sup> Similar to the existing arrangement, working members in a WFA household (except for the WFA applicant and those household member(s) whose working hour(s) are aggregated for the WFA application) may apply for individual-based WITS, but the WITS payment will be counted towards the household income in WFA's income test.

<sup>10</sup> Under the annual adjustment mechanism approved by the FC in December 2012, the income limits are updated on the basis of the MMDHI of all households 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. The asset limits are pegged to three times the corresponding asset limits of the CSSA Scheme as adjusted.

<sup>11</sup> In the third quarter of 2016, MMDHI for one-person households was \$8,700, representing a drop by 13.0% 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%.

9. The next annual adjustment exercise shall take effect from 1 February 2018. However, having regard to the way forward for the WITS Scheme as referred to in paragraph 7 above, we recommend freezing all the income and asset limits of the WITS Scheme for the 2018 annual adjustment and shall notify the FC of this freezing proposal by way of an Information Note.

### **Advice Sought**

10. Members are invited to note the content of this paper.

**Labour and Welfare Bureau**  
**Working Family and Student Financial Assistance Agency**  
**Labour Department**  
**November 2017**