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Panel on Welfare Services

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 13 November 2017**

Low-income Working Family Allowance

Purpose

This paper summarizes the discussions by the Panel on Welfare Services ("the Panel"), the Subcommittee on Poverty formed under the House Committee in the Fifth Legislative Council ("LegCo") and the Finance Committee on Low-income Working Family Allowance ("LIFA").

Background

2. In his 2014 Policy Address, the Chief Executive ("CE") announced the Government's proposal to introduce the LIFA Scheme with an aim to encourage self-reliance of low-income families not receiving Comprehensive Social Security Assistance ("CSSA") through employment. The Scheme focuses on supporting children and youths in these families to alleviate inter-generational poverty.

3. The LIFA Scheme was launched in May 2016. Under the Scheme, a Basic Allowance is granted on a family basis and tied to employment and working hours to encourage self-reliance. Each eligible child¹ of a LIFA family will receive an additional Child Allowance of \$800 per month. There is an income test and an asset test for LIFA. If the income of a family is equivalent to or below 50% of the median monthly domestic household income ("MMDHI") and the applicant is a working member who meets the working hour threshold, this family will be eligible for a full Basic Allowance of \$600 or

¹ According to the Administration, an eligible child has to be aged below 15, or aged between 15 and 21 receiving full-time education (but not post-secondary education).

a Higher Allowance of \$1,000 per month, depending on the working hours tier to which it belongs. To help prevent poverty, eligible low-income working families with a monthly income exceeding 50% of MMDHI but not higher than 60% of MMDHI will receive a half Basic Allowance and a half Child Allowance. A two-tier working hour requirement is adopted. The first tier is in the range of 144 hours to less than 192 hours a month and the second tier is set at 192 hours or more a month. If a LIFA applicant is a single-parent, the two-tiered working hour requirements for the applicant is 36 hours per month and 72 hours per month for receiving the Basic Allowance and the Higher Allowance respectively.

4. According to the Administration, as at the end of August 2017, more than 35 000 families (about 130 000 persons), including 56 000 children or youngsters, are receiving LIFA. The total amount of allowance disbursed exceeded \$900 million. The Administration commenced a comprehensive policy review of the LIFA Scheme in July 2017 with a view to making improvements as soon as possible to benefit more working households.

Members' deliberations

Level of allowance and coverage of Low-income Working Family Allowance

5. Some Members expressed the view that needy families should be offered a higher amount of Basic Allowance or a special allowance under LIFA so that their household income could be supplemented to exceed 50% of MMDHI, thereby reducing the number of households below the poverty line. Some other members called on the Administration to relax the income limit to 60%-70% of MMDHI. The Administration explained that the poverty line was not a poverty alleviation line but a measurement tool to assist policy formulation. The design of LIFA aimed to provide assistance for needy low-income working families, including those having income below or slightly higher than 50% of MMDHI.

6. Some Members considered that low-income working families with elderly, chronically ill or disabled members and with members who were not on Disability Allowance ("DA"), Old Age Allowance or Old Age Living Allowance ("OALA") should also be covered by the LIFA Scheme. Some other Members cast doubt on the design of LIFA which did not cover low-income singletons or give special considerations to full-time carers of the chronically ill. If LIFA could not benefit these people, the Community Care Fund ("CCF") under the Commission on Poverty ("CoP") should provide them with the necessary assistance.

7. The Administration advised that LIFA, which focused on helping to alleviate inter-generational poverty and promoted upward social mobility in the long run, would be granted to the needy on a family basis. To help needy elderly people, the Administration had implemented various social security measures such as OALA, and CoP had launched a public consultation exercise on retirement protection in December 2015. At the same time, a host of CCF programmes had been implemented to assist the needy. The Administration had conducted a review of the eligibility criteria for DA and would implement measures to improve the existing medical assessment arrangement for DA. As regards whether the Scheme would be extended to cover singletons, the Administration would need to take into consideration a wide range of factors, such as whether the existing policies (e.g. the statutory minimum wage) could provide sufficient support for singletons.

8. Some Members were of the view that needy youths aged between 15 and 21 who were not students should also be eligible for the Child Allowance under LIFA; and for a single-parent applicant, the age limit of his/her children to be eligible for the Child Allowance should be reviewed. The Administration explained that providing the Child Allowance to youths aged between 15 and 21 who were neither student nor in employment would be inconsistent with the LIFA's objective to promote young people's upward mobility.

9. Some Members considered it unreasonable to disallow LIFA households to benefit from household-based Work Incentive Transport Subsidy ("WITS"). The Administration advised that CoP had discussed at length the interface between LIFA and WITS, and considered that allowing LIFA household members (except the LIFA applicant) to apply for or continue to benefit from individual-based WITS would be an appropriate arrangement. The second worker within a LIFA household might also continue to benefit from individual-based WITS.

Working hour requirements

10. Expressing concern that it might be difficult for some low-income families, part-time workers, casual workers, single parents and families having members with disabilities to meet the working hour requirement for the Higher Allowance of LIFA, some Members urged the Administration to relax the working hour requirements for these families. Some other Members considered that LIFA should be provided for the needy regardless of the number of hours they worked given that many grass-roots were under-employed for reasons beyond their control and some elderly persons could only work for a few hours a day because of their health conditions. Some other Members were of the view that many low-income families having children with special needs were unable to meet the working hour requirements under the LIFA Scheme as

the parents had to take care of their children at home. They called on the Administration to relax the working hour requirements for these families as early as possible.

11. Some Members were of the view that as an employee working 72 hours a month was generally regarded as in continuous employment, and the majority of workers worked 144 hours a month, the working hour threshold should be lowered to 72 hours a month and 144 hours a month for receiving the Basic Allowance and the Higher Allowance respectively. Some other Members considered that an extra tier of working hour threshold should be set between 144 hours and 192 hours. They also proposed that for carers of elderly or disabled family members, the two-tiered working hour thresholds should be set at 36 hours and 72 hours per month. Some Members called on the Administration to simplify the operation of LIFA by adopting a one-tier system for both the working hours and the allowance, i.e. setting the working hour threshold at 144 hours a month and the allowance at \$1,000 a month. Noting that some casual workers from low-income families were unable to meet the working hour requirements under the LIFA Scheme, some other Members urged the Administration to include an additional working hour threshold (between 72 hours and 144 hours per month) and provide an allowance of \$300 per month for households meeting this requirement. These Members also took the view that the Child Allowance should be provided for all LIFA households with eligible children even if these households did not meet the working hour requirements. Some Members opined that it was unreasonable to count the income but not the hours worked of the entire family under the LIFA Scheme. They considered that the Administration should allow all household members to aggregate their working hours.

12. The Administration advised that since the basic principle of LIFA was to encourage self-reliance through employment, more allowance would be granted to those who worked more. As such, the Higher Allowance would serve as an incentive for work. Having considered the views collected, the Administration had lowered the working hour threshold for the Higher Allowance from the original proposal of 208 hours to 192 hours per month, which was its bottom line. It was estimated that over 60% of prospective applicants would meet the current 192-hour threshold for the Higher Allowance. Lower working hour thresholds were set for single-parent families and a Child Allowance would be provided for each eligible child in a LIFA family. There was a view that a lower working hour threshold should be set for persons with disabilities and different levels of allowances should be considered for low-income working families living in private housing and those living in public housing. The Administration advised that it would take into account members' views in the policy review of the LIFA Scheme.

13. Noting that the Administration had abolished the absence rule under the LIFA Scheme before the review was conducted, some Members considered that the working hour requirements should also be adjusted before completion of the review. The Administration advised that as the policy objective of the Scheme was to encourage self-reliance through employment, the requirements for working hours and income were the key parameters of the Scheme. Changes to these parameters should therefore be carefully considered in order not to undermine the policy objective of the Scheme. To this end, the Administration would collect information on the working hours and income of LIFA recipients and study the changes in these aspects before and after they received LIFA. As such information would be more meaningful after the Scheme had been implemented for a reasonable period, the Administration considered that the review of the Scheme should be conducted at least one year after its implementation.

14. Some Members considered it infeasible to verify the number of working hours. They said that the LIFA applicants who were self-employed or daily waged workers might not be able to provide proof of their income and hours worked. The Administration advised that for such applicants, self-declaration on their income and hours worked would suffice.

15. Some Members held the view that general/statutory holidays, on the basis of eight hours a day, should be counted towards the working hour requirements per month for all applicants, regardless of whether they were full-time workers, casual workers or self-employed. This would avoid their working hours being affected by the number of general/statutory holidays. Some other Members further requested the Administration to consider counting also unpaid sick leave for the working hour threshold.

16. According to the Administration, paid holidays/leave/absence from duty would be counted towards the working hour requirements for the purpose of LIFA's eligibility assessment. The number of hours an applicant worked on working days would be taken as a reference for considering how the applicant's paid holiday/leave/absence from duty would be counted in LIFA's working hour assessment. Detailed arrangements would be worked out at a later stage and the treatment of holidays/leave/absence from duty would be subject to review. The Administration was of the view that using eight hours a day as a basis for calculating the working hours for general/statutory holidays would not be feasible as it could not reflect the actual working hours of the applicants, which could vary to a great extent.

Asset test and income test

17. While some Members considered that the asset test for LIFA should be removed, some other Members considered the asset test necessary. Given that public rental housing ("PRH") applicants currently waiting for PRH allocation had already met the asset test when applying for PRH, they should be exempted. Some Members took the view that assets of members of a LIFA family aged 65 or above should be disregarded in the calculation of assets. According to the Administration, to ensure that limited public resources would be put on those households most in need, there should be an income test and an asset test for LIFA, but the thresholds would be more generous.

18. Some Members took the view that OALA and the allowance under the Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low-income Families should not be counted in LIFA's income test. The Administration advised that the aforementioned assistance was living allowance and should be counted in the LIFA's income test.

19. As low-income families with elderly, disabled members and children with special needs might have additional expenses in emergency situations, some Members called on the Administration to relax the asset limits under LIFA so that these families could have the means to deal with such situations.

Implementation of Low-income Working Family Allowance

20. Some Members were of the view that the Administration should review the eligibility criteria and simplify the application procedures of the LIFA Scheme in light of the low application rate for the Scheme. The Administration advised that it had started collecting data such as the existing LIFA recipients' views on the application procedures, changes in the working hours of LIFA households, etc. by way of a dedicated survey among LIFA households. In the upcoming General Household Survey, households who might be eligible but had not applied for LIFA would be asked about the reasons why they had not done so. To simplify the application procedures, the Working Family and Student Financial Assistance Agency ("WFSFAA") had revised the LIFA application form. The application form had been further simplified with the abolition of the absence rule and a new version of the form had been issued in end-January 2017.

21. Some Members considered that to facilitate ethnic minorities ("EMs") applying for LIFA, publicity on the LIFA Scheme should be strengthened. The Support Service Centres for EMs ("SSCs") should help EMs to complete the LIFA application form. Given that SSCs were funded by the Administration, policies should be formulated to require SSCs to assist LIFA

applicants in filling out the application form. The Administration might consider providing administrative fees for SSCs to undertake the task.

22. According to the Administration, to help EM applicants understand the LIFA Scheme and the application details, WFSFAA had translated the promotional leaflet and poster into six EM languages (namely Hindi, Urdu, Nepali, Bahasa Indonesia, Tagalog and Thai) and promoted the Scheme through radio broadcasts in EM languages and advertisements in EM newspapers. Upon the invitation of some EM organizations, briefings on the Scheme had been arranged for EM groups at local districts and information on how to fill in the LIFA application form was provided at the briefings, some of which were organized after office hours, on Saturdays or Sundays. WFSFAA had translated the sample application form into the six EM languages for reference by EM families in filling in the application forms. Starting from January 2017, WFSFAA had engaged some non-governmental organizations to help new LIFA applicants to fill in the application form.

23. At its meetings on 12 June and 17 July 2017, the Panel was briefed on the implementation of the LIFA Scheme and progress of the preparation for the comprehensive policy review on the Scheme. The Panel passed four motions and two motions at the meetings on 12 June and 17 July 2017 respectively to urge the Administration to make improvements to the eligibility criteria, working hour requirements, application procedures, income and asset limits, etc. under the Scheme. The wording of the motions is in **Appendix I**. The Administration advised that it would take into account members' views and suggestions in conducting the policy review of the Scheme.

Latest development

24. In CE's 2017 Policy Address, the Administration announced the following enhancements to the LIFA Scheme which are expected to be implemented on 1 April 2018:

- (a) extending the Scheme to cover singletons;
- (b) introducing a tier with the income limit pitched at 70% of MMDHI, and adopting MMDHI of economically active households as the basis for calculating the income limit;
- (c) for the working hour requirements, adding a new tier of 168 hours a month for non-single-parent households and a new tier of 54 hours a month for single-parent households. Households meeting the respective monthly working hour requirements are eligible for higher

rates of allowance;

- (d) allowing household members to aggregate working hours for assessing the allowance; and
- (e) increasing all rates of allowance, and add another tier of $\frac{3}{4}$ allowance rate between the current full-rate allowance and half-rate allowance.

In addition, the LIFA Scheme will be renamed as the "Working Family Allowance" Scheme. The Administration will brief the Panel on the enhancements at its meeting on 13 November 2017.

Relevant papers

25. A list of the relevant papers on the LegCo website is in **Appendix II**.

Council Business Division 2
Legislative Council Secretariat
6 November 2017

Panel on Welfare Services

**Motion passed under agenda item IV on
"Review of effectiveness of
Low-income Working Family Allowance Scheme"
at the meeting on 12 June 2017**

Motion 1

As the Low-income Working Family Allowance Scheme is so ineffective that only 110 000-odd persons benefited from the Scheme as of June 2017, differing greatly from the estimated number of beneficiaries of 700 000, it has failed to effectively achieve the objective of poverty alleviation. In this connection, this Panel requests the Government to:

- (1) relax the time limit for application to six to 12 months;
- (2) allow working hours of all family members to aggregate;
- (3) include an additional working hour threshold between 72 and 144 hours; and
- (4) relax the income limits to 75% of the median monthly domestic household income or below.

Moved by : Hon Michael TIEN Puk-sun, BBS, JP

Motion 2

Given that since the implementation of the Low-income Working Family Allowance ("LIFA") Scheme in May last year, its effectiveness falls short of the policy expectation and quite a number of low-income families have not yet joined the Scheme, this Panel requests the Government to expeditiously conduct a review of the LIFA Scheme and proactively remove the barriers, including adjusting the income limits and the working hour requirements as well as simplifying the application procedures, so as to alleviate working poverty.

Moved by : Hon KWOK Wai-keung

Motion 3

This Panel proposes that the Low-income Working Family Allowance Scheme should be extended to cover one-person households, and the income and asset limits for one-person households should follow those for two-person households.

Moved by : Dr Hon LAU Siu-lai^{*}

Motion 4

This Panel proposes that the Child Allowance under the Low-income Working Family Allowance Scheme should not be tied to working hours, so that children from low-income families which meet the income requirement can all receive full-rate Child Allowance.

Moved by : Dr Hon LAU Siu-lai^{*}

^{*} [According to the Judgment of the Court of First Instance of the High Court on 14 July 2017, LEUNG Kwok-hung, Nathan LAW Kwun-chung, YIU Chung-yim and LAU Siu-lai have been disqualified from assuming the office of a member of the Legislative Council, and have vacated the same since 12 October 2016, and are not entitled to act as a member of the Legislative Council.]

Panel on Welfare Services

**Motion passed under agenda item I on
"Review of effectiveness of
Low-income Working Family Allowance Scheme"
at the special meeting on 17 July 2017**

Motion 1

The Low-income Working Family Allowance ("LIFA") Scheme, which has been launched by the Government for more than a year, was originally planned to benefit 200 000 households; but only about 50 000 households have applied for LIFA successfully so far, and the expected results of the Scheme not being achieved was mainly due to its cumbersome procedures and excessively high threshold. This Panel urges the Government to immediately make the following improvements:

1. relaxing the income limits from 60% to 75% of the median monthly domestic household income, so that more working-poor households can be benefited;
2. lowering the working hour threshold by including an additional line at 72 hours and adjusting downward the 192-hour line to 144 hours, and allowing working hours of two family members to aggregate;
3. extending the Scheme to cover one-person households, and requiring that the income and asset limits of one-person households should follow those of two-person households; and
4. simplifying the application procedures and allowing applicants to make self-declaration on working hours.

Moved by : Dr Hon Fernando CHEUNG Chiu-hung

Motion 2

The Low-income Working Family Allowance Scheme has been implemented for more than a year. The system has not just been marked by a lower-than-expected number of beneficiaries, but also brought to light the loopholes and injustice therein. This Panel urges the Government to immediately make the following improvements:

1. increasing the living subsidy for tenants of private rental housing;
2. relaxing the upper limits of income for tenants of private rental housing;
3. relaxing the working hour requirements for carers of persons with disabilities, elderly people and chronic patients;
4. disregarding those of family members aged 65 or above in the calculation of assets; and
5. delinking the Child Allowance from the working hour requirements, i.e. granting the allowance solely upon compliance with the income requirements, and granting additional allowance to children with special needs.

Moved by : Dr Hon Fernando CHEUNG Chiu-hung

Relevant papers on Low-income Working Family Allowance

Committee	Date of meeting	Paper
Panel on Welfare Services	23 January 2014 (Item II)	Agenda Minutes
Subcommittee on Poverty	29 January 2014 (Item I)	Agenda Minutes
Subcommittee on Poverty	12 May 2014 (Item I)	Agenda Minutes
Subcommittee on Poverty	27 May 2014 (Item I)	Agenda Minutes
Subcommittee on Poverty	28 October 2014 (Item I)	Agenda Minutes
Finance Committee	16 January 2015 (Item No. 2)	Agenda Minutes
Subcommittee on Poverty	29 January 2015 (Item I)	Agenda Minutes
Subcommittee on Poverty	23 March 2015 (Item I)	Agenda Minutes
Subcommittee on Poverty	20 October 2015 (Item II)	Agenda Minutes
Subcommittee on Poverty	22 December 2015 (Item II)	Agenda Minutes
Subcommittee on Poverty	20 May 2016*	Report of the Subcommittee on Poverty
Panel on Welfare Services	9 January 2017 (Item V)	Agenda Minutes
Panel on Welfare Services	26 January 2017 (Item I)	Agenda

Committee	Date of meeting	Paper
Panel on Welfare Services	13 March 2017 (Item IV)	Agenda Minutes
Finance Committee	7 April 2017	Administration's replies to members' written questions in examining the Estimates of Expenditure 2017-2018 Pages 2230-2231
Panel on Welfare Services	12 June 2017 (Item IV)	Agenda Minutes
Panel on Welfare Services	17 July 2017 (Item I)	Agenda Minutes

* Issue date

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