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Panel on Welfare Services

**Updated background brief prepared by the Legislative Council Secretariat
for the special meeting on 9 February 2018**

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. 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. Having considered the stakeholders' views on the LIFA Scheme and various factors,¹ the CE's 2017 Policy Address announced that the LIFA Scheme will

¹ 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

be renamed as the Working Family Allowance ("WFA") Scheme with the following enhancements to be implemented on 1 April 2018:

- (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") and using MMDHI of economically active households instead for calculating the income limit;
- (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; and
- (e) raising all the rates of allowance, and adding an additional layer of 3/4 rate between the existing full rate and half rate allowances.

4. Key parameters of the WFA Scheme are set out below:

	Full rate monthly allowance (monthly household income not higher than 50% MMDHI of economically active households)	3/4 rate monthly allowance (monthly household income of more than 50% but not higher than 60% MMDHI of economically active households)	Half rate monthly allowance (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

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.

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.

5. According to the Administration, as at the end of October 2017, more than 36 000 families (over 133 000 persons), including 58 000 children or youngsters, have benefited from LIFA. The total amount of allowance disbursed exceeded \$953 million.

Members' deliberations

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

6. 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. Besides, as announced in the CE's 2017 Policy Address, a tier of income limit of 70% of MMDHI would be added and all the rates of allowances would be raised. The Administration would review the amount of allowance at an appropriate time having regard to the development of the Scheme.

7. 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 under the Commission on Poverty ("CoP") should provide them with the necessary assistance.

8. 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, 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. In addition, the Administration had implemented measures to assist some family carers, e.g. the Pilot Scheme on Living Allowance for Carers of Elderly Persons from Low Income Families ("the Pilot Scheme on Carer Allowance") and the Pilot Scheme on Living Allowance for Low-income Carers of Persons with Disabilities. The Administration would conduct a comprehensive review of these Pilot Schemes in 2018 with a view to drawing up a long-term plan for the provision of support for these carers. In conducting the review, the Administration would study how different assistance schemes for these carers could complement each other. Besides, one of the enhancements to the LIFA Scheme was that the Administration would extend the LIFA Scheme to cover singleton households.

9. 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;² 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.

10. Some Members considered that the level of LIFA for eligible households living in private housing should be higher than those living in public rental housing ("PRH") in the light of higher rental expenses borne by the former. The Administration advised that unlike the CSSA Scheme, the amount of allowance was set having regard to, inter alia, the income of LIFA households rather than their needs.

² 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).

Working hour requirements

11. Expressing concern that it might be difficult for some low-income families, part-time workers, casual workers, single parents, families having members with disabilities and families having children with special needs to meet the working hour requirements under the LIFA Scheme, 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. At its meeting on 13 November 2017, the Panel passed a motion³ suggesting that the working hour requirements for those households with special needs should be on par with those for single-parent households, and the working hour thresholds should be lowered to 18 hours and 36 hours for the Basic Allowance and the Higher Allowance respectively.

12. 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. 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.

13. The Administration advised that since the basic principle of LIFA was to encourage self-reliance through employment, more allowance would be granted

³ The wording of the motion (Motion 1) is in **Appendix I**.

to those who worked more. As such, the Higher Allowance would serve as an incentive for work. The working hour requirements for Basic Allowance and Higher Allowance were 144 hours a month (around 36 hours a week) and 192 hours a month (around 44 hours a week) respectively. Labour groups generally considered that working 44 hours a week was reasonable. 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. Under the enhanced arrangement, a tier of working hour requirement of 168 hours and 54 hours per month was added for non-single-parent households and single-parent households respectively. All household members would also be allowed to aggregate their working hours for assessing the allowance.

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. Given that applicants were legally responsible for their declarations, some other Members asked whether the Administration would consider assessing the applications based on an honour system. The Administration advised that for such applicants, self-declaration on their income and hours worked would suffice. Besides, flexibility had been built into the system to address the concern about the difficulties in providing proof of working hours. As there was a need to guard against abuse, the Administration should not rely solely on an honour system in assessing the applications.

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 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 Carer Allowance 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.⁴

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 the light of the low application rate for the Scheme. The Administration advised that two surveys (as mentioned in footnote 1 above) had been conducted to gather relevant data from first-time LIFA beneficiary households and households who might be eligible but had not applied for LIFA respectively. Having considered results of the two surveys and the stakeholders' views on the LIFA Scheme, the Administration had made a series of enhancements to the LIFA Scheme as set out in paragraph 3 above. 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. Notwithstanding the Administration's advice, the Panel passed a motion⁵ at its meeting on 13 November 2017 requesting the Administration to simplify the application procedures for LIFA and allow applicants to make self-declaration

⁴ Under the enhancement to be implemented on 1 April 2018, OALA will no longer be taken into account under the income test.

⁵ The wording of the motion (Motion 2) is in **Appendix I**.

on working hours and income, which might be subject to random checks by the authorities if necessary.

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, advertisements in EM newspapers and other channels such as visiting centres of EM groups before or after their religious rituals. 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. To tie in with the enhancements to the LIFA Scheme which would be implemented on 1 April 2018, a new round of briefing sessions on the enhancements would be conducted in December 2017 for non-governmental organizations ("NGOs"). To enable more members of the public to understand the enhancements, community briefings would be conducted on Saturdays and Sundays in March and April 2018. 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 NGOs to help new LIFA applicants to fill in the application form.

23. At its meeting on 13 November 2017, the Panel passed a motion⁶ requesting the Administration to strengthen its support for the LIFA Scheme by setting up one-stop offices in each of the 18 districts to support on-site oath-making while the opening hours of such offices should be extended. According to the Administration, it had reservation about the cost-effectiveness of setting up one-stop offices in all the 18 districts. That said, it would explore the feasibility of consolidating various welfare services.

⁶ The wording of the motion (Motion 3) is in **Appendix I**.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
2 February 2018

Panel on Welfare Services

**Motions passed under agenda item VI on
"The Low-income Working Family Allowance Scheme"
at the meeting on 13 November 2017**

Motion 1

The design of the Low-income Working Family Allowance has not considered the situation of households with special needs, including those having members with disabilities, special educational needs (SEN), chronic diseases and elders etc. The working hours requirement for them should be on par with that for single-parent households, and the working hour thresholds should be lowered to 18 hours and 36 hours, so as to address the actual situation of these households with special needs.

Moved by : Dr Hon Fernando CHEUNG Chiu-hung

Motion 2

This Panel requests the Government to simplify the application procedures for the Low-income Working Family Allowance and allow applicants to make self-declaration on working hours and income, which may be subject to random checks by the authorities if necessary.

Moved by : Hon LEUNG Yiu-chung

Motion 3

This Panel requests the Government to strengthen its support for the Low-income Working Family Allowance Scheme by setting up one-stop offices in each of the 18 districts to support on-site oath-making, and the opening hours of such offices should be extended.

Moved by : Hon LEUNG Yiu-chung

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	13 March 2017 (Item IV)	Agenda Minutes

Committee	Date of meeting	Paper
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
Panel on Welfare Services	13 November 2017 (Item VI)	Agenda Minutes

* Issue date

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