

For meeting on
21 January 2020

Legislative Council Panel on Manpower

Adjustment of the financial limits of the Individual-based Work Incentive Transport Subsidy Scheme

Purpose

This paper briefs Members on the proposal to freeze the income limits for the individual-based Work Incentive Transport Subsidy (I-WITS) Scheme and its related matters.

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 Work Incentive Transport Subsidy (WITS) Scheme since October 2011¹. The Working Family Allowance Office (WFAO) of the Working Family and Student Financial Assistance Agency, which is responsible for the processing of the Working Family Allowance (WFA) Scheme, has taken up the processing of I-WITS applications from the Labour Department to provide more efficient and convenient service for applicants since 1 April 2019.

3. From WFAO's taking up of I-WITS applications to end-December 2019, a total of 35 428 I-WITS applications were received, which covered 26 759 persons². Out of the 31 690 processed applications, 29 843 applications have been approved with allowance, benefitting 23 257 persons. The amount disbursed is about \$123 million.

¹ 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 income (not including employees' mandatory contributions to Mandatory Provident Fund schemes) and asset limits; and
- (d) working no less than 72 hours per month (full-rate subsidy), or working less than 72 hours but at least 36 hours per month (half-rate subsidy).

² The claim period of an I-WITS application covers the immediate past six calendar months before the submission of the application.

Annual adjustment mechanism for income and asset limits

4. According to the annual adjustment mechanism on the income and asset limits for WITS applications as approved by the Finance Committee (FC) of the Legislative Council, the limits are adjusted in February each year. The income limit is updated on the basis of 100% of the median monthly domestic household income (MMDHI) for one-person household in the third quarter of the previous year, and the asset limit is pegged to three times of the corresponding asset limit of the Comprehensive Social Security Assistance Scheme as adjusted annually. According to the MMDHI for one-person household in the third quarter of 2019, the income limit for I-WITS applications would have been reduced from \$11,000 (based on the MMDHI figure as at the third quarter of 2018) to \$10,000.

Proposed freezing of the income limit of I-WITS in the annual adjustment in 2020

5. If we were to follow the existing adjustment mechanism, WFAO has to tighten the eligibility criterion for I-WITS, which will reduce the number of low-income earners to be covered thereunder. For instance, out of the I-WITS applications processed by WFAO (involving 23 257 persons with their allowances approved as at end-December 2019), 7.1% (or 1 654 persons) had an average monthly income greater than \$10,000 and not exceeding \$11,000. Should the income limit for I-WITS be adjusted to \$10,000, these applicants would no longer be eligible for I-WITS. Having considered factors including the prevailing economic situation, it is proposed, as a one-off special arrangement, to freeze the income limit of I-WITS at \$11,000.

Annual adjustment of income limits for the WFA Scheme

6. Meanwhile, the income limits of the WFA Scheme are adjusted annually based on the MMDHI of economically active households (MMDHI(EA)) of the previous calendar year (figures are available in around March each year)³. Depending on the actual statistical changes, the MMDHI(EA) of some household sizes might record a decrease as compared with the previous year. Having considered the factors mentioned above, it is recommended that for the WFA's annual income limit adjustment in 2020, a similar approach at paragraph 5 above should

³ The income limits for WFA are adjusted in April each year, whereas the asset limits are adjusted according to the asset limits for public rental housing applications in tandem.

be adopted, that is to introduce a one-off special arrangement to freeze the income limits of household sizes which register a year-on-year drop in MMDHI(EA), but to increase/ maintain the income limits of the remaining household sizes according to the established mechanism.

Financial implication

7. As at end-December 2019, the balance of the non-recurrent commitment for the I-WITS Scheme was about \$620 million. The financial implication of the proposal of freezing the I-WITS income limit is about \$12 million⁴ in the form of extra payment. No additional funding is required for effecting this proposal. As for the WFA Scheme, we will ascertain the financial implication when the full-year MMDHI(EA) statistics are available.

Way forward

8. Members are invited to note the content of this paper. We will report the recommendations to FC by way of an Information Note at an appropriate juncture.

Labour and Welfare Bureau
Working Family and Student Financial Assistance Agency
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⁴ The financial implication is estimated on the assumption that each of the applicants mentioned at paragraph 5 above is approved with full-rate monthly allowance of \$600 for 12 months (i.e. \$600 X 12 X 1 654 = \$11,908,800).