

立法會
Legislative Council

LC Paper No. CB(2)526/19-20(04)

Ref : CB2/PL/MP

Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 21 January 2020**

Work Incentive Transport Subsidy Scheme

Purpose

This paper provides background information and summarizes the past discussions by the Panel on Manpower ("the Panel") on the Work Incentive Transport Subsidy ("WITS") Scheme.

Background

2. The WITS Scheme, which seeks to help low-income earners reduce their cost of travelling to and from work and encourage them to secure or stay in employment, has started to receive household-based applications from October 2011.¹ Following a mid-term review of the WITS Scheme conducted in 2012, the Administration introduced the option of individual-based applications as an alternative to household-based applications from the claim months of 2013.

3. The Labour Department ("LD") conducted a review of the WITS Scheme to evaluate the objectives, eligibility criteria, level of subsidy rate, length of claim period, modus operandi and effectiveness of the Scheme, and reported the review findings to the Panel in June 2016.

¹ WITS applicants should meet the following eligibility criteria: (a) being employed or self-employed, and be lawfully employable in Hong Kong; (b) incurring travelling expenses in commuting to and from work; (c) meeting the monthly income and asset limits; and (d) working no less than 72 hours per month (if applying for full-rate subsidy of \$600 per month), or work less than 72 hours but at least 36 hours per month (if applying for half-rate subsidy of \$300 per month).

Deliberations of the Panel

Income and asset limits

4. Most members were dissatisfied that the Administration had not proposed any changes to the eligibility criteria for the WITS Scheme upon completion of the review in 2016. These members considered that the requirement to pass a restrictive income and asset assessment would discourage needy low-income employees from submitting applications. This would defeat the objective of the WITS Scheme to help low-income employees reduce the cost of travelling to and from work and encourage them to secure or stay in employment. It was also inappropriate to require applicants to undergo an asset test under the WITS Scheme which aimed at encouraging employment. Moreover, as low-income employees generally enjoyed a pay rise after the implementation of statutory minimum wage in May 2011, the income limits should be raised. Most members called on the Administration to further relax the eligibility criteria and remove the means test requirement so as to promote sustained employment. Some members suggested that the income and asset limits of the WITS Scheme should be adjusted on a regular basis.

5. Some members also raised concern that different eligibility criteria were adopted for the WITS Scheme and the Low-income Working Family Allowance ("LIFA") Scheme², although both Schemes aimed to assist low-income workers through sustained employment. Moreover, the poverty line was set at 50% of median monthly domestic household income ("MMDHI"); whereas the income limit for individual-based WITS applications was set at 60% of MMDHI of one-member household. These members considered that the Administration should enhance the interface of these Schemes.

6. The Administration advised that WITS was provided on a recurrent basis. Under the current annual adjustment mechanism, both the income and asset limits of the WITS Scheme would be adjusted concurrently with the asset limits of the Comprehensive Social Security Assistance ("CSSA")

² The objective of the LIFA Scheme 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.

Scheme in February each year.³ Specifically, the income limits would be updated on the basis of MMDHI in the third quarter of the previous year, whereas the asset limits would be pegged to three times the corresponding asset limits of the CSSA Scheme as adjusted. The Administration further advised that having regard to the review findings of the WITS Scheme in 2016, it was considered that the income and asset limits remained appropriate.

7. The Administration further advised that it would conduct a comprehensive policy review of the LIFA Scheme one year after its implementation in mid-2017. The interface issues between the LIFA Scheme and the WITS Scheme would be examined during the review. The Administration would also explore how to rationalize the income limit adjustment mechanism and manpower requirements for the WITS Scheme as well as the application procedures. The overall objective was to keep both Schemes simple and easy to administer having taken into account the principle of prudent use of public money.

8. Concern was raised about whether LIFA would be taken into account in the calculation of family income under the WITS Scheme and vice versa. The Administration advised that all working members in a LIFA family (except for the LIFA applicants themselves) might apply for individual-based WITS, and their WITS payment would be counted towards the family income in LIFA's income test.

Level of subsidy rate

9. Most members took the view that the current full-rate subsidy of \$600 per month, which had remained unchanged since inception of the WITS Scheme in 2011, should be adjusted upwards. Pointing out that the significant rise in transport cost had aggravated the inflationary pressure faced by low-income employees, some members considered that the subsidy rate should be adjusted automatically in accordance with the inflation rate and the movement of the Consumer Price Index or with reference to the increase in the public transport fares. Given that the

³ The income limits for (i) individual-based/one-person household-based applications and (ii) household-based applications from households of six persons or above under the WITS Scheme were frozen in the 2017 annual adjustment exercise as a special one-off arrangement. All the income and asset limits of the WITS Scheme for the 2018 annual adjustment were frozen in the light of the implementation of enhancements to the LIFA Scheme on 1 April 2018 (please see paragraph 15 below).

income and asset limits of the WITS Scheme were updated annually, some members enquired whether similar mechanism could be adopted for reviewing the subsidy rate.

10. Some members also took the view that the Administration should introduce a two-tier subsidy rates or setting different levels of subsidy based on the distance between the location of work and residence. These members pointed out that the current full-rate subsidy was inadequate for low-income employees, especially for those living in remote areas like Tung Chung and Tuen Mun, to meet the actual travelling expenses when working across districts which could amount to over \$1,000 per month.

11. The Administration explained that according to the General Household Survey conducted by the Census and Statistics Department ("C&SD"), the average monthly expenses of all WITS target recipients on public transport for travelling to and from work was \$442, and that for those residing in the New Territories and working across districts was \$525 in 2015. The average monthly expense incurred by WITS target recipients on public transport fell well within the current full-rate subsidy of \$600 per month. LD had commissioned C&SD to collect relevant statistics in the fourth quarter of 2016. It was expected that the statistics would be available by mid-2017. The Administration further advised that it would be difficult and administratively costly to adopt a customized subsidy based on WITS applicants' actual travelling expenses. To keep the WITS Scheme simple and easy to administer, the Administration considered it appropriate to provide the subsidy at a flat rate of \$600 per month per qualified applicant.

Application procedures for the WITS Scheme

12. Most members expressed concern that the application procedures for the WITS Scheme were cumbersome and not user-friendly to the applicants. The design of the application form was also too complicated and time-consuming for completion. This apart, eligible applicants were deterred from applying for WITS because of the difficulties to obtain supporting documents, such as proof for employment earnings and working hours records, from their employers and frequent follow-up calls from LD staff to verify applicants' claims. Members called on the Administration to streamline the application procedures and simplify the application forms.

13. The Administration advised that although the current mode of operation of the WITS Scheme was considered effective, LD would further

launch enhancement measures to improve services for WITS applications. Notably, the information to be provided by applicants would be further reduced, and repeated applicants would no longer be required to provide certain information, unless such relevant information had changed, in their new round of WITS application. With such simplification, the existing application forms would be more succinct, concise and convenient for WITS applicants. As set out in the guidance notes for WITS application, if an applicant was unable to provide any supporting document in relation to employment earnings and/or working hours in his application, he could submit self-declared statement and LD would continue to process his application. Applicants might also specify in the application form if it was inconvenient for them to receive telephone call from LD staff in any particular time period.

Administration cost of the WITS Scheme

14. Some members considered the administration cost for implementing the WITS Scheme too high and disproportionate to the subsidy payment and number of applications. The Administration advised that with the increase in the number of applications arising from the inclusion of individual-based applications in the Scheme, the proportion of the administration cost was expected to decrease.

Abolishment of the household-based WITS

15. Following the launch of the LIFA Scheme in May 2016, the Administration conducted a comprehensive policy review of the Scheme in mid-2017. In this context, the interface issues between the LIFA Scheme and the WITS Scheme were examined. The Chief Executive's 2017 Policy Address announced that a series of enhancements to the LIFA Scheme would be implemented from 1 April 2018. The LIFA Scheme would also be renamed as the Working Family Allowance ("WFA") Scheme. Members were advised that the WFA Scheme basically covered the applicants of the household-based WITS. As such, the household-based WITS would be abolished at the same time when the enhancements were implemented. Henceforth, eligible applicants might apply for WFA and/or the individual-based WITS. With effect from 1 April 2019, the WFA Office under the Working Family and Student Financial Assistance Agency had taken up from LD the processing of individual-based WITS applications.

Relevant papers

16. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
14 January 2020

**Relevant papers on
Work Incentive Transport Subsidy Scheme**

Committee	Date of meeting	Paper
Panel on Manpower	21.1.2009 (Item IV)	Agenda Minutes
Panel on Manpower	19.11.2009 (Item IV)	Agenda Minutes
Panel on Manpower	16.12.2010 (Item III)	Agenda Minutes
Panel on Manpower	16.12.2010 (Item III)	Motion on "Work Incentive Transport Subsidy Scheme"
Panel on Manpower	4.1.2011 (Item I)	Agenda Minutes
Panel on Manpower	17.2.2011 (Item IV)	Agenda Minutes
Panel on Manpower	16.9.2011 (Item II)	Agenda Minutes
Panel on Manpower	16.2.2012 (Item IV)	Agenda Minutes
Panel on Manpower	3.12.2012 (Item I)	Agenda Minutes
Panel on Manpower	17.12.2013 (Item IV)	Agenda Minutes
Panel on Manpower	10.2.2015 (Item V)	Agenda Minutes
Panel on Manpower	21.6.2016 (Item II)	Agenda Minutes
Panel on Manpower	18.4.2017 (Item VI)	Agenda Minutes

Committee	Date of meeting	Paper
Panel on Welfare Services	13.11.2017 (Item VI)	Agenda Minutes

Council Business Division 2
Legislative Council Secretariat
14 January 2020