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**Legislative Council**

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**Subcommittee to Study the Subject of Combating Poverty**

**Background brief prepared by the Legislative Council Secretariat**

**Transport subsidy for low-income workers in remote areas**

**Purpose**

This paper summarises Members' deliberations on the proposal of providing transport subsidy for low-income workers living in remote areas, viz. Yuen Long, Tuen Mun, Islands and North District.

**Background**

2. The Financial Secretary (FS) announced in the 2006-2007 Budget that the Administration would provide short term travel support for attending job interviews and first-month employment for trainees of the Employees Retraining Board (ERB) who had completed a full-time placement-tied course and who were residents in North, Yuen Long and Islands districts and were financially needy.

3. During the resumption of the Second Reading debate on the Appropriation Bill 2006 at the Council meeting on 29 March 2006, FS stated that –

"Some people have requested the Government to assist the unemployed living in districts further afield to take up employment by providing them with short-term travel support. I have announced in my Budget that, in the coming year, we will provide, on a trial basis, such support for Yuen Long, Islands and North Districts residents. We will keep an open mind in reviewing the trial scheme, and also study the possibility of introducing other measures to promote self-reliance through work. On top of this, I have already agreed in principle with the proposal of the Commission on Poverty (CoP) to launch a transport subsidy trial scheme for low-income residents of remote districts to encourage them to work. We will further consider the implementation details of the scheme and our target is to roll it out in 2006-2007".

### **Recommendation on transport subsidy made by the Subcommittee**

4. The Subcommittee to Study the Subject of Combating Poverty has completed its work on the subject of working poverty and presented its report to the House Committee in February 2006. To assist the working poor, the Subcommittee recommends, among other things, the provision of financial assistance to the working-poor households such as transport subsidy. A motion urging the endorsement of the Subcommittee's report was moved and passed at the Council meeting on 15 February 2006.

5. According to the Administration's response to the Subcommittee's recommendation provided in July 2006, the Administration advised that CoP at its meeting on 27 March 2006 also suggested that the Administration should consider how longer-term travelling support should be provided to low-income employees living in remote areas. The Administration was exploring with the relevant bureaux, departments and non-governmental organisations (NGOs) on the feasibility and mechanism to be adopted. It targeted to launch a pilot project in 2006-2007.

### **Views and concerns expressed by the Subcommittee**

#### Meeting on 17 March 2006

6. At the Subcommittee meeting on 17 March 2006, members discussed with the Administration the resources for assisting the working poor. Members generally agreed that the provision of travel support to the working poor was in the right direction, but FS's proposal in the Budget for providing short-term travel support only to those who had completed full-time courses with ERB was too restrictive. As the purpose was to encourage people to stay in employment, such scheme should be provided on a long-term basis and should not be restricted to three districts.

7. The Administration explained that the trial scheme proposed in the Budget was to assist the unemployed to take up employment. Notwithstanding that, CoP had been studying measures to assist the low-income employees. While CoP agreed that travel subsidy for low-income workers living in remote areas would enhance their incentive to take up employment across districts, it was necessary to devise a viable and cost-effective implementation mechanism. If the trial scheme operated through the training bodies of ERB in the pilot districts as proposed in the Budget proved effective, the Administration would consider extending the travel support scheme.

8. To urge the Administration to provide cross-district transport subsidy to the working poor living in remote areas, Hon LEE Cheuk-yan moved the following motion at the meeting on 17 March 2006 –

"That this Subcommittee strongly urges the Government of Hong Kong Special Administrative Region to introduce a 'Cross-district transport subsidy to the working poor living in remote areas', and to provide a monthly transport subsidy of \$500 to the working-poor households living in remote areas (Yuen Long, Tuen Mun, Islands and North District) and working across districts".

All seven members present at the meeting voted for the motion and no member voted against the motion.

9. The Administration pointed out that while there was consensus that transport subsidy should be targeted at the needy, other issues, such as the target beneficiaries, territorial coverage, level of subsidy and an effective system to prevent abuse had to be worked out.

#### Meetings on 18 July, 5 October and 9 November 2006

10. The Subcommittee raised concern about the slow progress made in implementing the travel support scheme at the subsequent meetings on 18 July, 5 October and 9 November 2006. Some members pointed out that they had supported the 2006-2007 Budget in the light of FS's undertaking in his Budget speech that transport subsidy would be provided to financially needy people living in remote areas to encourage them to attend job interviews and take up employment in other districts. They expressed dissatisfaction that no progress had been made several months after the Budget was passed.

11. The Administration explained that in the 2006-2007 Budget, FS announced that a short-term travel support scheme for eligible graduates of ERB would be introduced to facilitate the unemployed not on the Comprehensive Social Security Assistance Scheme (CSSA) to move from unemployment to work. The short-term travel support scheme had been launched, and the Administration would review the experience of the trial scheme later in the year. In respect of the proposal of providing longer-term travel support to low-income employees living in remote areas, CoP was separately studying ways to provide support to these people. In view of the complexity of the issues involved, CoP was working on the implementation mechanism together with the relevant bureaux, departments and NGOs. The Administration aimed to launch a pilot project in 2006-2007. The Administration stressed that while CoP would try its best to meet the target implementation date, it had to devise a viable and cost-effective mechanism for implementing the scheme.

Meeting on 19 January 2007

12. At the Subcommittee meeting on 19 January 2007, members were informed that CoP discussed at its meeting on 8 January 2007 issues relating to the provision of transport support for those living in remote areas. CoP members were supportive of the general direction to enhance work incentives to encourage low-income employees to stay in employment. For those living in remote areas, the CoP supported in principle the initiative to explore if additional transport support would be an effective way to encourage work. CoP members also noted that the subject involved complex policy issues such as parity for residents living in other districts, other support measures for the working poor, the impact on wages and probable displacement of labour arising from the travel subsidy.

13. The Administration advised that after internal deliberations, it considered that providing transport allowance to encourage the unemployed to look for jobs, and assisting them during the period when they were adjusting to a new job would be an effective way to encourage those living in the remote districts to work cross-districts. The Administration proposed to provide a Job Search Allowance and a Transition-to-Work Allowance for the needy unemployed living in Yuen Long, Tuen Mun, North and Islands (including Tung Chung) districts. According to the Administration, CoP members held divergent views on the proposals. Some of them were of the view that the subsidy should also be provided to people in the remote areas who were already in employment. The Administration would submit a revised proposal to CoP for discussion at its next meeting on 23 January 2007.

14. While members raised no objection to the Administration's current proposal, members present at the meeting expressed strong dissatisfaction that the Administration did not provide a concrete plan for providing transport subsidy for low-income employees living in remote areas to work cross-districts. These members strongly requested the Administration to provide a concrete answer as to whether FS would honour his commitment made during the resumption of the Second Reading debate on the Appropriation Bill 2006 on 29 March 2006 for launching a transport subsidy trial scheme for low-income residents of remote districts in 2006-2007. They pointed out that the purpose of providing transport subsidy was to assist the low-income workers in remote areas to work across districts, to enable them to have a wider range of job choices within or outside the district, and to provide incentives for the unemployed to take up employment. The proposed Job Search Allowance and Transition-to-Work Allowance could not benefit the low-income workers living in remote areas.

15. The Administration explained that the proposed transport subsidy for low-income workers were meant to be time-limited. Its effectiveness in assisting people who were in low-earning employment but were unable or had no intention to change to other jobs due to various reasons was unclear. Moreover, the possible adverse impact of the transport subsidy on a long-term

basis on wages and the policy on income subsidy should also be studied. Given that the issues involved were complex and cut across different policy areas, the Administration would need to further deliberate carefully on their policy implications. In the light of this, the Administration proposed to proceed on a more cautious basis by providing a Job Search Allowance and a Transition-to-Work Allowance to assist the needy unemployed living in Yuen Long, Tuen Mun, North and Islands districts. According to the Administration, the new pilot scheme would benefit about 50 000 unemployed or who intended to change to other jobs living in the four pilot districts. The Administration pointed out that the policy and technical issues involved in providing transport subsidy to the unemployed in remote areas were less complex and had been resolved by the relevant bureaux/ departments, and the new pilot scheme would be ready for rolling out in 2006-2007. The Administration stressed that the new pilot scheme did not contravene the study on the provision of transport subsidy to low-income workers in remote areas.

16. Members expressed strong reservations about the Administration's explanation that the provision of transport subsidy to low-income workers involved complex issues which would need time to be resolved. They pointed out that FS should have already studied the policy and technical issues before making his pledge in the Budget Speech. Furthermore, income subsidy for the low-income employees was not a new policy, e.g. income allowance was provided for low-income employees under the low earnings category of CSSA Scheme.

17. The following motion was moved by Hon LEE Cheuk-yan and passed at the meeting on 19 January 2007 –

"That this Subcommittee expresses its utmost dissatisfaction with the Financial Secretary's breach of his pledge made during the Budget Debate held on 29 March 2006 to launch a pilot transport support scheme for low income people in remote areas, and considers that the Chairman of the Subcommittee should move a motion of no-confidence against the Financial Secretary for his failure to honour his promise and breach of his own pledge".

18. The Subcommittee agreed that FS should be invited to attend the next meeting of the Subcommittee and provide a written response in respect of the Administration's plan for providing transport subsidy for low-income employees living in remote areas to work cross-districts. The Subcommittee also agreed to discuss at the next meeting whether and if so, how the motion would be proceeded with after taking into account the Administration's response.

### **Questions raised at Council meeting**

19. At the Council meetings on 29 November 2006 and 17 January 2007, Hon Frederick FUNG raised an oral question and a written question respectively on the provision of travel support to low-income employees.

### **Relevant papers**

20. A list of relevant papers and documents is in the **Appendix** for members' easy reference. The papers and documents are available on the Council's website at <http://www.legco.gov.hk>.

Council Business Division 2  
Legislative Council Secretariat  
31 January 2007

## Appendix

### Relevant Papers/Documents

<u>Meeting</u>	<u>Meeting Date</u>	<u>Papers/Questions</u>
Legislative Council	29 November 2006	Long-term travel support for low-income earners
	17 January 2007	Travel support to the low-income earners and the unemployed
Subcommittee to Study the Subject of Combating Poverty	17 March 2006	Paper provided by the Administration LC Paper No. CB(2)1391/05-06(01)  Minutes of meeting LC Paper No. CB(2)2822/05-06
	18 July 2006	Paper provided by the Administration LC Paper No. CB(2)2727/05-06(01)  Minutes of meeting LC Paper No. CB(2)394/06-07
	5 October 2006	Paper provided by the Administration LC Paper No. CB(2)3110/05-06(02)  Minutes of meeting LC Paper No. CB(2)506/06-07
	9 November 2006	Minutes of meeting LC Paper No. CB(2)806/06-07
	19 January 2007	Paper provided by the Administration LC Paper No. CB(2)863/06-07(01)