

LEGCO QUESTION NO. 17

(Written Reply)

Asked by : Hon Frederick FUNGDate of meeting : 8 March 2006Replied by : Financial Secretary**Question**

In its report released last month, the Subcommittee to Study the Subject of Combating Poverty ("the Subcommittee") of the Legislative Council recommended that the Government should provide financial assistance such as rental and travel subsidies to the working-poor households. On the other hand, the Financial Secretary stated in his Budget Speech delivered last month that the Government would provide short-term travel support on a trial basis for Tin Shui Wai, Tung Chung and North District residents who are financially needy and have completed full-time courses with the Employees Retraining Board, so as to encourage unemployed people in districts further afield who are not receiving Comprehensive Social Security Assistance to take up employment. In this connection, will the Government inform this Council:

- (a) of the details of the trial scheme, including the date of implementation, the basis for deciding the districts to be covered by the scheme, how those who are "financially needy" are identified, the length of time to be regarded as "short-term", whether there are restrictions on the means of transportation taken by the recipients, how the travel support will be granted, the estimated public expenditure to be incurred and the number of recipients each year, and the anticipated effect of the scheme towards poverty alleviation;
- (b) of the measures to prevent employers from reducing accordingly the wages of their employees while the latter are receiving the travel support; and
- (c) as the Subcommittee has recommended that long-term financial assistance should be provided to the working-poor households, of the reasons for the trial scheme being devised in such a way that it

is only targeted at the unemployed who have completed the relevant courses but not the working-poor households, and it only applies to the three districts mentioned above but not all the remote areas, and why the travel support is granted only on a short-term basis; of the other schemes in place to help the working-poor households?

Reply

Madam President,

Reply to (a)

The trial scheme (the scheme) will be administered and managed by the Employees Retraining Board (ERB). The scheme will run on a trial basis starting from April 2006 in Yuen Long (including Tin Shui Wai), Islands (including Tung Chung) and the North districts. It will provide short-term travel support to retrainees residing in the above three districts who have completed a full-time or placement-tied course offered by the ERB and who are financially needy. This will encourage unemployed people in districts further afield who are not receiving CSSA to take up employment.

The processing of applications for and distribution of the travel support will be handled by training bodies offering full-time/placement-tied retraining courses in the above three districts. As the scheme is targeted for non-CSSA recipients with financial needs, applicants will have to pass a means test. The ERB will model on the vetting criteria and payment arrangements of the Intensive Employment Assistance Projects (IEAPs) run by the Social Welfare Department and issue an operational manual to relevant training bodies to follow. To ensure the support is provided in a cost-effective manner, the operational procedures on one hand should be streamlined and at the same time should not leave room for possible abuses. To avoid double subsidy, local domestic helpers receiving the ERB's special incentive allowance (Special Incentive Allowance Scheme for Local Domestic Helpers) and IEAPs participants are not eligible for the travel support.

An eligible applicant who meets the above criteria will be entitled to a short-term travel subsidy up to a maximum of \$1,500 in the form of an allowance or an interest-free loan within the first four months upon

completion of training. The amount of travel support payable will depend on the locations and frequency of job interviews and the actual expenses to be incurred during the first month of employment of the applicants. There will be no restrictions on the locations of the workplace or the mode of transport taken, to allow greater flexibility for the retrainees in seeking employment.

According to the figures in 2005, there are around 6,700 graduates residing in the 3 districts who have completed full-time courses offered by the ERB. However, not all of the graduates would be financially needy nor travel to other districts to work. Our preliminary estimate is that this trial scheme would benefit no less than 1,500 retrainees. In the light of actual demand, the number of beneficiaries may be adjusted as and when required. There is no pre-set upper limit at the moment. The budget for this trial scheme is about \$2.7 million. The scheme will be reviewed in six months' time.

Reply to (b)

Apart from financial implications, the following four factors have to be taken into account in considering providing travel support to people living in remote areas -

- Possibility of employers to reduce the wages of their employees while the latter receive long-term travel support, as rightly suggested in the question;
- Need to target at those with genuine financial needs and avoid possible abuse;
- Fairness of the scheme to people not living in remote areas; and
- Availability of other more effective intervention measures, such as downward adjustment of public transport fees or other measures to help the low-income families.

In view of the above, we propose to provide short-term travel support on a trial basis to assist the unemployed non-CSSA recipients who live in districts further afield and are financially needy in meeting travelling expenses for attending job interviews and for commuting to work during the first month of employment.

Reply to (c)

The Financial Secretary (FS) noted that the House Committee of the Legislative Council endorsed the Report on Working Poverty ("the Report") on 10 February. On 15 February, FS also made preliminary response to the recommendations in the Report and agreed to work with the Legislative Council on practical ways to better improve the existing policies.

As far as the strengthening of financial assistance is concerned, we shall consider the most effective way to enhance incentives for the low-income employees to work, bearing in mind the principle of prudent management of public finances and the risk of weakening their motivation to work. As suggested by the Legislative Council, we shall examine the operation of Disregarded Earnings (DE). The travel support for the unemployed non-CSSA recipients as announced in the Budget on 22 February also addressed the recommendation of providing allowances to assist job-seekers in low-income families to attend job interviews made in the Report (paragraph 5.22 refers). We shall take into account the experience of the trial scheme and consider how to further implement the scheme.

