

ITEM FOR FINANCE COMMITTEE

**HEAD 90 – LABOUR DEPARTMENT
Subhead 700 General non-recurrent
Item 891 Pilot Transport Support Scheme**

Members are invited to approve the relaxations of the eligibility criteria and the subsidy period under the pilot Transport Support Scheme.

PROBLEM

There are calls from the community to relax the eligibility criteria under the pilot Transport Support Scheme (TSS) so as to help more unemployed and low-income employees with financial difficulties living in the four designated remote districts to find jobs and work either across or within districts.

PROPOSAL

2. The Commissioner for Labour, with the support of the Secretary for Labour and Welfare, proposes to relax the eligibility criteria and the subsidy period under the pilot TSS as follows –

- (a) raising the monthly income ceiling from \$5,600 to \$6,500;
- (b) allowing eligible people working and living in the same district to apply for the allowance, as long as fee-paying home-to-work commuting is needed; and
- (c) extending the duration of the subsidy period from six months to 12 months.

/JUSTIFICATION

JUSTIFICATION

The Pilot TSS

3. The pilot TSS was launched on 25 June 2007 on a one-year pilot basis as one of the poverty alleviation measures to provide time-limited transport subsidy to needy job-seekers and low-income employees living in the four designated remote districts, viz. Yuen Long, Tuen Mun, North and Islands districts to find jobs and work across districts. Eligible applicants are allowed to claim a Job Search Allowance (JSA) of up to \$600 and a Cross-district¹ Transport Allowance (CTA) of \$600 per month for up to six months.

4. Under the current Scheme, eligible applicants refer to those who are –

- (a) working across districts or for JSA applicants, declaring their intention of seeking employment and working, for 72 hours or more a month;
- (b) earning a monthly income of \$5,600 or less. Those job-seekers with income not exceeding the ceiling but wishing to change jobs are also eligible for JSA; and
- (c) meeting a personal asset limit requirement of no more than \$44,000.

Those in full-time education or training are not eligible for the allowances.

5. As at end-March 2008, 7 020 out of 7 480 applicants were admitted to the Scheme. Of the 7 020 persons admitted, 4 614 participants have submitted claims, with an approved payout of around \$10.5 million.

Review of the Pilot TSS

6. The Scheme was originally scheduled to be reviewed at the end of the one-year pilot, i.e. June 2008. In response to the requests from the Legislative Council (LegCo) Subcommittee to Study the Subject of Combating Poverty and the community for relaxing the Scheme's eligibility criteria, the Administration advanced and completed the review in February 2008.

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¹ The demarcation of districts follows that for District Councils.

7. The review not only took stock of the operational experience of the Labour Department, but also gauged the effectiveness of the pilot Scheme. The review on effectiveness was conducted through two key means. First, we analysed the operational statistics of the Scheme with a view to identifying possible improvement measures that might help enhance access to the Scheme by the target beneficiaries living in the four designated districts. Second, experience-sharing sessions and focused group meetings with non-governmental organisations (NGOs) commissioned to implement the TSS were conducted. These organisations had first-hand contacts with the target beneficiaries and provided valuable inputs on how the Scheme might be refined. Feedback from participants and NGOs indicated that the Scheme has been effective in alleviating the problem of high transport cost faced by job-seekers and low-income employees living in the four designated districts.

Proposed Relaxations under the Pilot TSS

8. Upon review, the Administration considers that the Scheme's objective, viz. to provide a time-limited allowance as an incentive for needy job-seekers and low-income employees living in the four designated remote districts, should remain unchanged. Nevertheless, to better achieve this purpose, the eligibility criteria of applicants and the duration of allowance can be suitably relaxed. The proposed relaxations are –

Raising the monthly income ceiling to \$6,500

9. We propose to raise the monthly income² ceiling from \$5,600 to \$6,500. This is 65% of the median income³ and covers 26% of salaried employees⁴ in the four designated districts. As at end-March 2008, 142 applicants were rejected under the pilot TSS. The applications were rejected mainly because the applicants' monthly income exceeded the income ceiling. With salary and inflation picking up in the past few months, the ceiling of \$5,600 is considered too low. There have been strong demands for raising the income ceiling so that those earning slightly more than this amount may also benefit from the Scheme to help them develop and consolidate a work habit.

/Covering

² Monthly income refers to the total incomes of an applicant from all jobs in a month. In determining the monthly income of individual applicant, reference will be made to the definition of wages under the Employment Ordinance if in doubt.

³ The median monthly employment earnings of employed person were \$10,000 in the third quarter of 2007.

⁴ According to the statistics on demographic and socio-economic characteristics of the population published by the Census and Statistics Department in mid-2007, there were 157 100 employees (26%) earning \$6,500 or below and working 18 hours or more a week out of 603 400 salaried employees living in the four designated districts in 2006.

Covering intra-district travels

10. To encourage the residents in the four designated districts to work, we propose to relax the cross-district working requirement under the Scheme, taking into account that the four districts are large and intra-district travels can also entail a relatively high transport cost. An example is intra-district travel between Tung Chung and Ngong Ping which costs \$16 to \$25 per single trip. In other words, as long as fee-paying home-to-work commuting is needed, an applicant will be eligible for transport allowance regardless of whether he/she works within or across districts. As such, we propose that the CTA be renamed as “On-the-job Transport Allowance” (OTA). This is also in line with the JSA which has already covered both intra- and cross-district job-seeking.

Extending the duration of subsidy period to 12 months

11. We also propose to extend the duration of the subsidy period from the current six months to 12 months to help develop and consolidate a work habit among the target beneficiaries. The proposed extension is still in line with the original objective of the Scheme to provide work incentives on a time-limited basis to the unemployed and low-income employees.

Treatment of Existing Participants

12. To allow sufficient time for participants to benefit fully under the relaxed regime, we propose that the new participants can claim both JSA and OTA within 24 months from the approval date of applications, as against the prevailing 12-month qualifying period. For fairness, we propose that the 24-month extended qualifying period should also be applicable to the existing participants. In addition, those already admitted into the Scheme will be automatically allowed to claim the balance of allowances within the 24-month qualifying period provided that they meet all eligibility criteria under the revised Scheme.

Implementation

13. Subject to Members’ approval of the proposed relaxations set out in paragraphs 9-11 above, we plan to launch the revised Scheme in July 2008. NGOs serving the four designated districts and with experience in delivering training and employment assistance to job-seekers will continue to be invited to assist in the processing of applications according to prescribed procedures⁵.

/FINANCIAL

⁵ Taking into account the operational experience and the proposed extension of the duration of transport allowance, we will adjust the maximum unit cost of processing both JSA and OTA from the current \$300 to \$440.

FINANCIAL IMPLICATIONS

14. According to the 2006 district statistics, there were 40 500 unemployed persons and 157 100 employees with monthly income of \$6,500 or less and working 18 hours or more per week living in the four designated districts. However, these figures have not taken into account those with personal asset value of no more than \$44,000 as no such data is available. It is thus difficult for the Administration to have an accurate estimate of the response and the actual number of persons who will come forth to apply for allowances under the relaxed regime. Notwithstanding this, the remainder of the non-recurrent commitment of \$365 million⁶ approved by the Finance Committee (FC) in April 2007 should be adequate for implementing the Scheme under the relaxed regime⁷.

PUBLIC CONSULTATION

15. We consulted the LegCo Panel on Manpower on the proposed relaxations on 20 March 2008. Whilst expressing general support of the proposal, Members requested the Administration to further relax the other eligibility criteria under the Scheme such as the districts covered, working hours required and personal asset limit. The Administration has reiterated that the original objective of the Scheme is to encourage the unemployed and low-income employees of the four designated remote districts to seek employment, and that the revised Scheme should be allowed to operate for a period of at least one year before any review is done.

BACKGROUND

16. In the 2007-08 Budget Speech, the Financial Secretary (FS) announced the introduction of a one-year pilot TSS in mid-2007, to encourage unemployed and low-income employees in financial difficulties who live in remote areas to seek jobs and work across districts as recommended by the then Commission on Poverty. With FC's approval, non-recurrent funding of \$365 million has been allocated for implementing the Scheme.

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⁶ As at end-March 2008, around \$12.4 million of the approved commitment of \$365 million has been committed. This is made up of \$10.5 million for payment of allowances, \$1.2 million for processing costs for NGOs, and \$0.7 million for publicity and other costs.

⁷ After discounting some \$44.9 million payable to existing participants who will be entitled to claim the balance of their entitlements based on operational statistics up to end-February 2008, the remainder of the approved non-recurrent commitment will be \$307.7 million [\$(365 – 12.4 – 44.9) million].

17. In the 2008-09 Budget Speech, while emphasising that the objective of the Scheme of providing time-limited allowance as a work incentive for people living in the four districts should remain unchanged, the FS announced the three relaxations as set out in this paper.

Labour and Welfare Bureau
April 2008