

For information on  
20 March 2008

## **Legislative Council Panel on Manpower**

### **Proposed Relaxations under the Transport Support Scheme**

#### **Purpose**

This paper briefs Members on the proposed relaxations under the Transport Support Scheme (TSS).

#### **Background**

2. The 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. The Scheme was originally scheduled to be reviewed at the end of the one-year pilot i.e. June 2008.

3. In response to requests from the 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 of the pilot in February 2008.

#### **Summary of the Review**

4. The review not only took stock of the operational experience of the Labour Department (LD), 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 designated districts. In addition, 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.

### *Operational statistics*

5. Up to end-February 2008, 6 412 persons applied to join the pilot Scheme. Of these, 5 977 persons were admitted, 119 were refused while applications from 316 persons were under processing. Among the refusal cases, the main reason was because the applicants' monthly income exceeded the ceiling of \$5,600. Of the 5 977 applicants admitted, 2 643 (44.2%) came from Yuen Long/Tin Shui Wai area and 2 096 (35.1%) from Tuen Mun. By end-February 2008, 4 296 participants submitted claims for job search and cross-district transport allowances involving an approved payout of about \$9.15 million. Both operational statistics as well as 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 designated districts.

### *Major areas of concern*

6. The major areas of concern identified are as follows:

(a) Monthly income ceiling

This is the most frequently cited criterion that rendered most worthy cases ineligible. With salary and inflation picking up in the past few months, the ceiling of \$5,600 per month is considered too low. There have been 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 sustain a work habit.

(b) Travels within district

While the objective of the Scheme is to facilitate cross-district employment, the large geographical spread of the four designated districts means that the transport cost for commuting within these districts could be relatively high. Examples are intra-district travels between Tung Chung and Ngong Ping (\$16 – \$25 per single trip) as well as between Tin Shui Wai and San Tin (\$11.8 per single trip).

(c) Duration of allowance

TSS allowances include the Job Search Allowance (JSA) on a reimbursement basis (subject to a ceiling of \$600) and a monthly Cross-district Transport Allowance (CTA) of \$600 for up to six months. It is clear that the Scheme was launched to provide time-limited transport subsidy as a short-term incentive to motivate job-seekers and low-income employees living in the designated

districts to seek and stay in employment. This notwithstanding, there have been increasing demands to extend the CTA beyond six months in order to help promote sustained employment.

## **Recommendations**

7. The Administration has carefully reviewed the effectiveness of the Scheme and considered the findings above. The conclusion is that the Scheme's objective, viz. to provide time-limited transport subsidy to 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 period of allowance could be suitably relaxed as announced by the Financial Secretary in his Budget Speech on 27 February 2008. The proposed relaxations are:

(a) Raising the monthly income ceiling to \$6,500

We propose to raise the monthly income<sup>1</sup> ceiling from \$5,600 to \$6,500. This is about 65% of the median income<sup>2</sup> and will cover 26% of salaried employees<sup>3</sup> in the four designated districts.

(b) Covering intra-district travels

The four designated districts are large and intra-district travels can also entail a relatively high transport cost. To encourage the residents in these four districts to work, we propose to relax the cross-district working requirement under the Scheme. 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 district. As such, it is proposed that the CTA be renamed "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.

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<sup>1</sup> 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.

<sup>2</sup> The median monthly employment earnings of employed person are \$10,000 in the third quarter of 2007.

<sup>3</sup> According to the statistics on the 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.

(c) Extending the duration of transport allowance to 12 months

To help develop and entrench the work habit among the target beneficiaries, we propose to extend the duration of the transport allowance from the current six months to 12 months. The proposed extension is still in line with the original objective of the Scheme to provide work incentive on a time-limited basis to the unemployed and low-income employees.

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

### **Financial Implications**

9. 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 a 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. Thus it is difficult to have an accurate estimate of the actual number of persons who will join the Scheme under the relaxed regime. Notwithstanding this, we believe the remainder of the non-recurrent commitment of \$365 million approved by the Finance Committee in April 2007 should be adequate for the purpose of the relaxations outlined above.

### **Implementation**

10. We plan to submit the proposed relaxations outlined in paragraph 7 above to the Finance Committee for approval at the meeting of 25 April 2008, with a view to implementing the relaxations as soon as practicable.