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Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the special meeting on 23 November 2010**

Provision of employment-related transport subsidy

Purpose

This paper provides background information on the discussions of the Panel on Manpower ("the Panel") on employment-related transport subsidy.

Background

2. In its Report on Working Poverty presented to the Council on 15 February 2006, the Subcommittee to Study the Subject of Combating Poverty ("the Subcommittee") formed under the House Committee recommended, among others, the provision of transport subsidy to the working-poor households.

3. On 22 February 2006, the Financial Secretary announced in the 2006-2007 Budget the provision of short term travel support for attending job interviews and first-month employment for trainees of the Employees Retraining Board who had completed full-time placement-tied courses and who were financially needy residents in the North, Yuen Long and Islands districts.

4. The Financial Secretary subsequently announced during the resumption of Second Reading debate on the Appropriation Bill 2006 on 29 March 2006 that he agreed in principle with the proposal of the Commission on Poverty to launch a transport subsidy trial scheme for low-income residents of remote districts to encourage them to work. The Administration would consider the implementation details of the scheme and its target was to roll out the scheme in 2006-2007.

5. At its meetings on 17 March 2006, 18 July 2006, 5 October 2006, 9 November 2006, 19 January 2007, 8 March 2007 and 26 March 2007, the Subcommittee discussed issues relating to the provision of transport subsidy to low-income employees living in remote areas. The Administration advised that a pilot Transport Support Scheme ("TSS") would be launched to assist those who were needy to work across districts.

Launch of TSS on a pilot basis

6. 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 four designated remote districts, namely, Yuen Long, Tuen Mun, North and Islands districts, to find jobs and work across districts. Under TSS, two types of allowances were made available to eligible applicants, namely, a Job Search Allowance of up to \$600 and a Cross-district Transport Allowance of \$600 per month for a period of up to six months. TSS was originally scheduled to be reviewed in June 2008.

7. In response to requests from the community for relaxation of the eligibility criteria under TSS and to allow more needy people to benefit from TSS, the Administration advanced and completed the review of TSS in February 2008. After the review, the Administration considered that the objective of TSS should remain unchanged. Nevertheless, to better achieve this purpose, the eligibility criteria of applicants and the duration of allowance could be suitably relaxed.

Relaxations under TSS

8. Upon a review of the pilot scheme in February 2008, a number of relaxation measures were introduced on 2 July 2008, including -

- (a) raising the monthly income ceiling for eligible persons from \$5,600 to \$6,500;
- (b) allowing eligible people living and working in the same designated remote district to apply for allowances, provided that fee-paying home-to-work commuting had been used; and
- (c) extending the duration of the subsidy period from six to 12 months.

9. The Administration advised that under the relaxed TSS, eligible applicants would be allowed to claim an On-the-job Transport Allowance ("OTA") of \$600 per month for up to 12 months and a Job Search Allowance of up to \$600 on a reimbursement basis. These allowances were not intended to cover all transport costs incurred in job-seeking and work, but to provide an incentive to eligible applicants to find jobs and remain in employment.

10. As at 30 June 2009, 28 660 admitted applicants had been approved claims for allowance under TSS, among whom 3 494 had already exhausted their 12-month entitlement to OTA. All of these 3 494 applicants were admitted under the pilot TSS.

Deliberations of the Panel

11. The Panel was briefed on the progress of implementation of TSS at its meeting on 21 January 2009.

12. Some members envisaged that in the face of the financial tsunami, transport fares were anticipated to rise and the salary of workers would be reduced. They expressed concern that some applicants admitted under the pilot TSS would have exhausted their 12 months' entitlement of allowances by December 2008. They considered that the Administration should further relax TSS to operate on a long-term basis and extend it to workers of other districts.

13. The Administration stressed that the objective of TSS was to provide time-limited transport subsidy so as to encourage needy job seekers and low-income employees in the four designated districts to seek jobs and remain in employment. In response to members' requests, the Administration had already advanced and completed the review of TSS in February 2008, following which a number of relaxation measures were introduced in July 2008. The Administration considered that the relaxation of TSS to cover all low-income workers in the territory and to operate on a long-term basis was a major policy change and would have significant policy and financial implications. The Administration did not consider it appropriate to provide the subsidy on a permanent basis, which was tantamount to providing an income supplement to low-income employees on a long-term basis.

14. Noting that the Administration would conduct a review of the relaxed TSS after its implementation for at least one year, a member asked whether the Administration would assure TSS recipients that they would continue to receive the subsidy until the completion of the review. The member considered that the Administration should advance the review with a view to recommending to FS, who was preparing the budget for the following year, to continue with the implementation of the scheme.

15. The Administration explained that as the effectiveness of TSS had yet to be reviewed, it was not in a position to give an undertaking that the scheme would continue. It was aware that members were in support of the continuation of the scheme. The Administration informed members that the majority of TSS applicants were admitted under the relaxed scheme and it would take quite some time for them to receive the subsidy in full. The Administration stressed that time was needed to gauge public views and analyze the data collected in order to review TSS in July 2009.

16. The Panel passed a motion urging the Government to actively support the travelling expenses of low-income workers and implement immediately supportive measures, including cancelling immediately the one-year subsidy duration of TSS for the remote districts, extending TSS immediately to all districts and relaxing its coverage to include part-time workers and reinstating the allowance for local domestic helpers working across districts under the Integrated Scheme for Local Domestic Helpers.

17. At the briefing by the Secretary for Labour and Welfare on the Chief Executive's 2009-2010 Policy Address held on 22 October 2009, some members urged the Administration to consider further relaxing TSS to operate on a long-term basis and to extend it to workers of other districts. The Administration advised that the review of TSS was in full swing. Apart from evaluating whether the policy objective of TSS had been achieved, the review would also cover an assessment of the overall effectiveness of TSS, the case processing procedures and practices adopted by non-government organizations participating in administering TSS, and the modus operandi, control and monitoring measures. The review would also take account of the views and suggestions of different quarters of the community on TSS. The Administration aimed at completing the review by the end of 2009.

18. The Panel was briefed on the progress of the Administration's review of TSS at its meeting on 19 November 2009. Members were informed that the Administration had conducted two telephone surveys to collect feedback from admitted applicants drawn by means of random sampling from the pool of applicants admitted between June 2007 and June 2009. It had also organized discussion sessions with the management and front-line staff of the 12 TSS Operators and their network of 33 service centres and two mobile service centres. It was validating the findings of the telephone surveys and analyzing the views and recommendations of the stakeholders. It aimed to complete the review and map out the way forward of TSS before the end of 2009.

19. Some members took the view that the Administration should consider extending TSS to all districts and relaxing its coverage to include part-time

workers. Regarding the Job Search Allowance ("JSA") of up to \$600 payable on a reimbursement basis to cover transport expenses incurred in job search, the Administration should consider enhancing its support to the unemployed by increasing the amount of JSA to \$1,000. Some members were of the view that the Administration should consider whether TSS should be operated on a long-term basis and extended to cover all low-income workers in the territory. To enable more people, including self-employed persons, to benefit from the scheme, the Administration should also review whether the eligibility and the personal asset limit requirement should be relaxed. Another member expressed concern about the effectiveness of the scheme in encouraging needy job seekers to "go out" and seek jobs. The member considered that the allowances payable under TSS might not be sufficient and appealing enough to encourage the unemployed to "go out" and seek jobs.

20. The Administration responded that extending TSS to all other districts and running it on a long-term basis would in effect turn the subsidy into another form of income supplement, over and above the low-income Comprehensive Social Security Assistance ("CSSA") for eligible low-income employees. This would depart from the policy intention of TSS, which was originally designed as a purpose-specific scheme to encourage, through the provision of time-limited transport subsidy, needy job seekers and low-income employees in the four designated remote districts to seek jobs or work across districts. The Administration added that the threshold on personal assets of value not exceeding \$44,000 was far less stringent than that under the CSSA Scheme, which was set at \$22,500. The Administration assured members that it would take all relevant factors, including members' views and concerns, into consideration in deciding the way forward for TSS.

21. Noting that the Labour Department was reviewing TSS after the implementation of its relaxation measures for one year, the Panel received views from deputations and discussed the future of TSS with the Administration at its special meeting on 14 January 2010. Members requested the Administration to further relax TSS to operate on a long-term basis and to cover districts other than Yuen Long, Tuen Mun, North and Islands so as to provide assistance to all low-income workers.

22. The Administration explained that TSS was a time-limited incentive scheme offering transport allowance to encourage needy job seekers and low-income workers in the four designated remote districts to seek jobs or work across districts. The review of TSS was in full swing. Apart from evaluating whether the policy objective had been achieved, the review would also cover an assessment of the overall effectiveness of TSS, the case processing procedures and practices adopted by non-government organizations participating in administering TSS, and the modus operandi, control and monitoring measures.

The Administration would take all relevant factors, including members' views and suggestions of different quarters of the community, into consideration in mapping out the way forward for TSS.

Latest development

23. At the briefing by the Secretary for Labour and Welfare on 21 October 2010 on policy initiatives relevant to the Panel in the Chief Executive's 2010-2011 Policy Address, the Administration informed members that in order to relieve the burden of transport costs for home-work commuting for employed persons from low-income families and encourage them to stay in employment, it would launch a territory-wide Work Incentive Transport Subsidy Scheme. Each employed member of eligible low-income families can receive a monthly transport subsidy of \$600. The new scheme will replace TSS.

24. At the Council meeting on 10 November 2010, Dr Hon PAN Pey-chyou moved a motion on the Work Incentive Transport Subsidy Scheme. The motion moved by Dr Hon PAN Pey-chyou as amended by Hon WONG Sing-chi and Hon IP Kwok-him was carried.

Relevant papers

25. Members are invited to access the website of the Legislative Council at <http://www.legco.gov.hk> to view the relevant papers and minutes of meeting.