

ITEM FOR FINANCE COMMITTEE

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

Members are invited to approve a new commitment of \$365 million for implementing a pilot Transport Support Scheme.

PROBLEM

There is a relative lack of local employment opportunities in some remote districts. For needy unemployed persons and low-income employees living in these districts, the community is concerned that transport costs may become a disincentive for them to work across districts. There is a need to explore how to provide additional incentives to encourage needy unemployed and low-income residents living in the remote districts to find jobs and work across districts.

PROPOSAL

2. The Secretary to the Commission on Poverty (CoP) proposes to create a new commitment of \$365 million for implementing a one-year pilot Transport Support Scheme (TSS) for eligible job seekers and low-income employees living in Islands, North, Tuen Mun and Yuen Long districts to find jobs and work across districts.

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JUSTIFICATION

Need to Promote Employment for Needy in Remote Districts

3. A core element of our poverty alleviation policy is to help those with the ability to work move from welfare to self-reliance through promoting employment. Recognising the relative lack of local employment opportunities in remote districts, the Government has accepted CoP's recommendation to introduce a one-year pilot TSS to encourage needy unemployed persons and low-income employees who live in remote districts to find jobs and work across districts. This is also in line with the district-based approach in alleviating and preventing poverty by taking into account the specific needs of different communities.

Proposed Features of TSS

General Considerations

4. In designing the TSS, we have taken into account the following factors –
- (a) the TSS should be simple and easy to understand;
 - (b) the costs of administering the TSS should be kept low vis-à-vis the amount of allowance to be disbursed; and
 - (c) while application procedures should be as user-friendly as possible, safeguards should be put in place to ensure prudent use of public funds and minimise chances for abuse, in view of the number of potentially eligible applicants.

Territorial Coverage

5. We propose to cover the needy target groups living in four remote districts, namely Islands, North, Tuen Mun and Yuen Long in the pilot. This has taken into account the remoteness of these districts and their relative lack of local employment opportunities, and is in line with the specific objective of the TSS to provide additional incentives to the needy living in remote districts to find jobs and work across districts.

Allowances Payable under TSS

6. Two types of allowances will be made available under the TSS to eligible job seekers and low-income employees living in the four districts. They are the Job Search Allowance and the Cross-district Transport Allowance. These

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allowances are not meant to cover all the transport costs incurred in seeking jobs and working across districts during the qualifying period, but to provide an incentive to eligible applicants to find jobs and work across districts.

(i) Job Search Allowance

7. We propose that a Job Search Allowance of up to \$600 be provided to each eligible job seeker to help meet the transport costs involved in job searches within or outside his/her residential district. Eligible applicants can claim the allowance on a reimbursement basis within one year from the approval date of their applications, following submission of duly completed records on job searches and transport costs involved. Assuming an average transport cost of \$20 for each job search, the allowance will be able to subsidise about 30 job interviews for each eligible applicant.

8. For the purpose of the pilot, eligible job seekers refer to those who are –

- (a) lawfully employable and actively seeking employment. They should declare their intention of seeking employment and working for 72 hours or more a month (i.e. an average of 18 hours or more a week); and
- (b) meeting a personal asset limit requirement of no more than \$44,000, which is twice of that for an able-bodied adult under the Comprehensive Social Security Assistance (CSSA) Scheme.

In addition to unemployed persons, the allowance is also payable to individuals meeting the above criteria who have a monthly income¹ of \$5,600 or less and wish to change jobs. However, those in full-time education or training will not be eligible.

(ii) Cross-district² Transport Allowance

9. We propose that a Cross-district Transport Allowance of \$600 per month for up to six months (i.e. a total of \$3,600) be provided to eligible low-income employees who work across districts. As in the case of the Job Search Allowance, eligible applicants can claim the Cross-district Transport Allowance

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¹ Monthly income refers to total incomes from all jobs in a month in the same district or different districts. In determining the monthly income of an individual applicant, reference will be made to the definition of wages under the Employment Ordinance if in doubt.

² The demarcation of districts should follow that for District Councils.

within one year from the approval date of their applications, following submission of documentary proof or self-declarations on their employment details. Should they be unable to exhaust the six-month Cross-district Transport Allowance in one job, they may claim the remaining balance in subsequent new job(s) within the one-year qualifying period. In line with the spirit of keeping the administration of the TSS as simple as practicable, we do not propose stipulating differential rates for eligible applicants whose transport costs for commuting to work may vary.

10. Eligible applicants need to fulfil the following criteria –
- (a) working across districts for 72 hours or more a month (i.e. an average of 18 hours or more a week);
 - (b) earning a monthly income of \$5,600 or less; and
 - (c) meeting a personal asset limit requirement of no more than \$44,000.

The self-employed (with the exception of those who are employees in essence) and those in full-time education or training will not be eligible for the allowance.

Implementation and Evaluation

11. Subject to Members' approval of the funding proposal, we plan to launch the proposed one-year pilot TSS in mid-2007, and conduct a review of the TSS at the end of the one-year pilot.

Administration and Monitoring of TSS

12. The Labour Department (LD) will set up a new TSS Office³ to oversee the implementation of the pilot. Non-governmental organisations (NGOs) serving the four districts and with experience in delivering training and employment assistance to job seekers will be engaged to assist in the processing of applications according to prescribed procedures. They will be responsible for assessing the applicants' eligibility, checking their documentary proof, approving applications and disbursing allowances. These NGOs may also offer advice to eligible applicants on training opportunities and provide employment assistance as appropriate. The LD will monitor the quality of services provided by the NGOs with the assistance of an outside accounting firm to ensure the NGOs' processing and vetting of applications are in compliance with the stipulated requirements.

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³ The new office will be staffed by one Senior Labour Officer, two Labour Officers, three Assistant Labour Officers I and four Assistant Labour Officers II, and six non-civil service contract clerical staff.

13. The LD will put in place a monitoring framework to guard against abuses through vetting, counter-checking, auditing, inspection, etc. For example, arrangements will be devised to prevent the possibility of accepting multiple applications from the same individual. There will be a cross-checking mechanism with relevant departments to avoid provision of double benefits (please also see paragraph 14 below). The applicants will also be required to sign a consent form allowing representatives authorised by the LD to approach employers and other relevant departments and organisations concerned for verification of information provided by the former, where necessary.

Avoidance of Double Benefits

14. Eligible applicants under the TSS will be required to declare that they are not concurrently receiving similar employment-related transport subsidy benefits. Similar benefits include those provided under the Temporary Financial Aid of the Intensive Employment Assistance Projects under the CSSA Scheme, the travelling allowance for the elderly, the ill health and the disabled under the CSSA Scheme, and the Special Incentive Allowance Scheme for Local Domestic Helpers.

15. Graduates of training programmes organised by the Employees Retraining Board (ERB) and CSSA recipients can benefit from the pilot so long as they are able to meet the eligibility criteria. To encourage CSSA recipients to make use of the TSS to re-integrate into the employment market, we will disregard the allowances as earnings under the CSSA Scheme.

FINANCIAL IMPLICATIONS

16. Assuming that some 80 000 people will come forth to apply for the allowances under the TSS, we propose to earmark non-recurrent funding of \$365 million for the one-year pilot. This has taken into account the number of unemployed persons in the four remote districts (51 800 as at 2005) and the number of low-income employees with monthly income of \$5,600 or less and working 72 hours or more per month (86 500 as at 2005). The cost breakdown is as follows –

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	\$ million
(a) Allowances for eligible applicants	336
(b) Processing costs for NGOs	24 ⁴
(c) Publicity	1
(d) Auditing and monitoring ⁵	1
(e) Contingency	3
Total	365

17. The estimated cash flow is as follows –

Financial Year	\$ million
2007-08	218
2008-09	128
2009-10	19
Total	365

18. We estimate that the recurrent expenditure for running the TSS Office (mainly covering staffing and accommodation cost) is \$7 million per annum. The LD will absorb the expenditure from within its existing resources.

PUBLIC CONSULTATION

19. We consulted the Legislative Council Subcommittee to Study the Subject of Combating Poverty on 8 March 2007 on the proposed features of the TSS. Taking into account Members' views, we have made further modifications to the scheme, and consulted the Subcommittee again on 26 March 2007. Members in general supported the proposed features of the TSS set out in the present funding proposal.

/BACKGROUND

⁴ The estimate is based on an estimated unit cost of \$300 for processing both Job Search Allowance and Cross-district Transport Allowance for 80 000 cases.

⁵ Covering the expenses for engaging an accounting firm to conduct audit checks to ensure that the NGOs' processing and vetting of applications are in compliance with the requirements of the TSS.

BACKGROUND

20. The CoP supports the broad direction to provide transport support for the needy living in remote areas to encourage work and self-reliance. A short-term travelling support scheme was implemented in 2006-07 in Islands, North and Yuen Long districts on a trial basis to facilitate eligible graduates of the ERB to transit from unemployment to work. The CoP further supported launching the pilot TSS in January 2007 with an expanded coverage and improved incentives. A working group consisting of representatives from the LD, the Social Welfare Department, the ERB and the CoP Secretariat was set up to study the recommendations and the implementation issues. After careful deliberation, the Government has taken on board CoP's recommendations and the Financial Secretary announced in the 2007-08 Budget the decision to introduce a one-year pilot TSS in mid-2007.

Secretariat to the Commission on Poverty
Financial Secretary's Office
April 2007