

Narrowing the Rich-Poor Gap Promoting Social Mobility
Submission to the 2010-11 Budget

Executive Summary

Premier of the State Council Wen Jiabao urged the Chief Executive Donald Tsang to resolve the “deep-rooted problems” in Hong Kong during the latter’s duty visit to Beijing in late 2009. In this connection, The Professional Commons recommends the Government to adopt the “narrowing of the poverty gap” and the “promotion of social mobility” as the two overarching principles in the formulation of the upcoming Budget. This submission covers 40 policy recommendations in five policy areas.

It would be of particular importance for the Government to designate specific benchmarks for a thorough implementation of the target on narrowing of the gap between the rich and the poor, including the provision of a set of measureable and quantifiable targets, a definite timetable and a well-planned roadmap. To this end, the Government should set a designated target of reducing the Gini Coefficient from 0.533 in 2006 to the 1991 level of 0.476 by the year 2017.

Rationalize Land Supply, Create a Favorable Business Environment.

There is a general view that the costs of doing business in Hong Kong are really high due to high rental costs, and that the urbanspace is of a poor condition. In the light of this, the Government should adopt the following policy measures:

- Resuming regular land sales on a quarterly basis. Adding the fact that the land application list system has occurred side by side, it would become a regular and flexible dual-track land sales system;
- Review of the territorial strategic planning and lowering the objective of housing 40% of the increased population in the metro core area under the “Hong Kong 2030 Report”;
- Improving the urbanscape of the metro core through the provision of more public open space and facilities in various regenerated urban areas on one hand and lowering development density and plot ratio on the other;
- Expediting the legislative process of the Competition Law (officially called “Competition Ordinance Bill”) and enacting the new legislation as soon as possible.

Urban Regeneration: Conducting Through the Principles of Resident-led, Rehabilitation first. The “Urban Renewal Authority” should be renamed as “Urban Regeneration Authority”. The new URA is advised to focus mainly on rehabilitation and redevelopment work of run-down buildings in the future. A holistic rehabilitation programme should be in place to ensure that all buildings would be subject to regular inspection and proper renovation. It would be advisable to adopt the mode of “redevelopment cooperative” for the redevelopment of dilapidated buildings in the old districts, which could help realize the “resident-led” principle. Details of the new mechanism would be as follows:

- “Resident-led, Government Facilitates”: The residents shall decide collectively on whether a particular site shall be redeveloped, whether any redevelopment plan is worthy of consideration, and so on. The Government should provide financial assistance to the redevelopment cooperatives via collaborative organizations;
- “Environmental and Public Need as the Foremost”: Redevelopment proposals should be designated in accordance with the principle of sustainable development. Plot ratio should be maintained at a low level in most cases but flexible arrangement would be accepted in order to foster a higher value for the benefit of the society. Planning and design should be optimized to improve the built environment;
- “Comprehensive Care, Community Support”: Provision of support to the underprivileged, in a way to maintaining their social network and safeguarding healthy development of local economy;

Strengthening Human Resources Training, Expansion of Higher Education. The Government should grasp the opportunities of higher education review to add momentum to the development of knowledge based economy. The review should cover the following areas:

- Popularize higher education through increasing 3 000 subvented first year university undergraduate places;
- Expand substantially the two existing medical schools, and to increase the numbers of undergraduate places for medical students as well as for auxiliary medical personnel;
- Put in place more diversified standards to rectify the fallacy of overemphasis on academic performances in staff evaluation mechanisms of post-secondary education institutions;

- Increase the funding for public policy research;
- Establish a dedicated fund to finance the studies on local social issues, such as politics, culture, languages and linguistics, folklore, etc;
- Provide a HK\$80,000 “Post-secondary Education Allowance” to parents having children studying in self-finance post-secondary programmes but are ineligible in receiving post-secondary education grant.

Care for the Elderly: Establishment of Universal Old Age Pension Scheme. The Government should consider to introduce a Universal Old Age Pension (hereafter OAP) Scheme in 2010. Under the proposed pension system, all permanent citizens aged 65 or above are eligible for the pension and no means test would be required. Details of the proposed OAP Scheme are as follows:

- \$3,000 per month, 15 per cent higher than the current level of Comprehensive Social Security Assistance (hereafter the CSSA);
- Employees and employers shall contribute 1.9 per cent of employees’ income. Workers who earn less than HK\$5,000 do not need to contribute. No capping on maximum contribution for the employers and the employees;
- Current CSSA payments for the elderly and the Old Age Allowance will be injected in the OAP scheme, while additional appropriations should be injected in accordance with future changes in population proportion;
- HK\$25 billion of public coffer should be injected into the account of the pension scheme every five years.

Promotion of Social Mobility and Improvement of People's Livelihood. The Government should introduce various kinds of measures to substantially improve people’s livelihood. Most importantly, it should inspire the hopes of the general public in regard of their future. The specific measures included:

- Narrowing the rich-poor gap: The minimum wage should be set at the level close to the request of the workers. The ratio of the elderly in poverty should be lowered from the current 30% of total elderly population to the 1991 level of 24.8% by 2017;
- Incorporation of Internet access fee into the School Textbook Assistance Scheme;
- Extension of stay for students with intellectual disabilities for two years until they reach 20 years of age;
- Re-building of the Home Ownership Scheme flats, with an annual supply of 2 000 units;

- Nurturing an enabling business environment in public housing estates, for instance: providing vacant units in the ground floor of public housing blocks for commercial purposes and shops of smaller sizes, increasing the number of bicycle parking spaces, establishing cycling rental spots in large scale public transportation interchanges, etc;
- Shortening the interval for the review of CSSA and the relevant Social Security Assistance Index of Prices in a bid to relieve the negative effects arising from the time lag in the adjustment of the rate of CSSA;
- Greening the roof in government buildings and buildings managed by the public bodies for combating climate change;
- Directly allocating government funding to implement the 19 recommendations as stipulated in the public consultation document entitled “Air Quality Objectives Review ”.