公共專業聯盟
The Professional Commons

Ensure the Financial Security of the Elderly
Research Report on Universal Old Age Pension Scheme
The Professional Commons

Executive Summary

In light of the emerging problem of ageing population, the financial security for growing number of senior citizens merits greater attention as there is still no comprehensive retirement protection mechanism in place. On the other hand, there is no sign that the Government has accorded high importance to the ageing problem.

Elders become stranded in their Dotage: A Shame of Asia's World City

Leaving helpless senior citizens unattended is definitely a shame of Hong Kong, one of the wealthiest cities in the world. There would be no dispute that old age poverty is one of the "deep-rooted social problems". In a bid to curtail business costs, many social and livelihood-related policies have had succumbed to the "pro-business principle". As a consequence, lower class and the underprivileged, especially the elderly, failed to have a fair share of the fruits of economic development and prosperity.

Continued growth of elderly population will definitely worsen the problem of elderly poverty. It is highly likely that current mode of disbursement by public fund will not, in the long run, be sustainable. Statistics showed the population aged 65 or above amounted to 880000 in 2008, a 20% surge compared with that of 2000. Also, from 2014 onward, the elderly population is expected to soar by 4% annually. With this rate, there will be 2.3 million in total by 2036, which accounts for 26.4 per cent of the total population. By then, the elderly dependency ratio will jump to 425 (per 1000 persons aged between 15 and 64). A survey conducted in 2007 by the Hong Kong Council for Social Service also discovered that elderly population in poverty had reached 260 000, accounting for 30% of the total. Furthermore, a report from the Government's Taskforce on Population Policy pointed out that government expenditure on the Comprehensive Social Security Assistance (hereafter the "CSSA") and Old Age Allowance will surge to 31 billion dollars, tripling the amount in the year 2002/03. All these will put our public finance in jeopardy.

On the other hand, the current Mandatory Provident Fund System (hereafter "MPF") is teeming with considerable shortcomings. First, this system is not equitable in the sense that it is an occupational retirement scheme. Under the existing system, home carers, retired middle-aged people, the unemployed, jobless disabled persons, and so forth are all out of the scheme. In 2006, the estimated size of the "unprotected groups" was up to 2.4 millions. Second, those who join the scheme after 40 of age would not have enough money to cover their expenditure after retirement because of their relatively short period of contribution. Let's suppose someone aged 40 who started joining MPF in 2000, he, given his current salary of $8,000, is expected to get a lump sum of about $300,000 after 25 years, which is far from enough to sustain his post-retirement life.

Universal Old Age Pension Scheme Helps Address the "Deep-rooted Problems"

"Ensuring the financial security of the Elderly" is by no means a matter of conscience and humanity only, it can also serve as a powerful tool that help alleviate social conflicts. In this connection, as far as The Professional Commons is concerned, the Government should introduce a Universal Old Age Pension System (hereafter "OAP") within this year. Under the proposed pension scheme, all permanent citizens aged 65 or above are eligible and no means test is required. Each of them can get $3,000 per month, which is 15 per cent higher than the current level of CSSA. Also, both MPF and the proposed OAP will run in parallel to encourage people to save more, so that they will enjoy a better off life after retiring.

The crux of any success of this proposed OAP hinges on a sustainable and reliable mode of finance. We suggested a "tripod" involving contributions from employers, employees and the Government, in which employees and employers each contribute 1.9 per cent of the former's income. Workers who earn less than $5,000 do not have to contribute. Also, it is suggested that there will be no capping on maximum contribution of both employers and employees. As regards the Government, current CSSA payments for the elderly and the Old Age Allowance will be put into the proposed OAP scheme, while extra appropriations should be injected *pro rata* according to future change in population proportion. Moreover, the Government is required to inject $25 billion from public coffer into the pension scheme account every 5 years. It would be of crucial importance for the Government to start the relevant appropriations as quickly as possible in order to generate accrued benefits to offset future inflation and meet the growing expenditure on retirement protection of senior citizens.

This scheme, embodied in the principle of “inter-generational support”, is conducive to fostering social harmony. More importantly, it would help bring a fairer distribution of the fruits of economic development and prosperity across the community as there would be more contribution (in amount) from high-income groups and employers, despite their same contribution rate of 1.9 per cent.

A Thorough Review on Mandatory Provident Fund System

It would be important to review and redress the shortcomings of the MPF system in the light of its forthcoming 10th anniversary. The Government is advised to consider the following options: changing lump sum payments to a monthly one, reducing management fees, abolishing the clauses under which MPF benefits can be used to offset long service payments or severance pay, stepping up effort against default MPF payments, etc.

But more importantly, renovation of the existing MPF system is not the cure-all for the absence of universal retirement protection. A pension system covering the whole population is regarded as the right medicine and therefore should be included in the upcoming review.