

Our Solution to Better Retirement Security for Senior Citizens

A research team, which I led, was commissioned last year by the Commission on Poverty to study the future development of retirement security in Hong Kong. After more than a year's hard work, our team submitted our report in August 2014. Other than projecting the financing costs of six representative proposals suggested by various political parties and concerned groups, our team has also proposed one of our own, namely, the introduction of a universal old age pension for all present and future generations of senior citizens, aged 65 and above, offering each one \$3,000 a month. Immediately upon the release of our study report, public concern has been aroused and the debates focus mainly on the following two issues: One financial and the other ethical.

The first concern boils down to the question: Where will the money to finance the future new schemes come from? As the population in Hong Kong ages, it is projected that public expenditure on various social security programs for the elderly will go up from around 5% of recurrent public expenditure in 2013 to 8.2% in 2041, as the number of elderly people doubles in less than 30 years. If the improvements suggested by the various proposals are taken into account, the increase in expenditures would be more terrific as they would all involve the injection of additional funds. The sources of new money which the proposals have suggested include: The allocation of funds from the Government reserve; extra contributions from both employers and employees, on top of the 5% each for the Mandatory Provident Fund; the raising of the level of profits tax; or the introduction of new taxes, such as a payroll tax for old age.

Any suggestion to increase the costs of doing business is severely resisted by employers, who already complain that the Government is introducing too many labor reforms to improve the welfare of the workers, like the recent setting of minimum wage, and extra payments for retirement security would add to their burdens. Employees also find the additional payments for better retirement security for the elderly unbearable, as the extra sum would leave them penniless to improve their own lives, especially in view of the high property prices they are facing nowadays.

The ethical issue boils down to the question: Who should be responsible for an individual's retirement needs. The traditional belief is that elderly parents should be supported by their children and that people should save for their rainy days, including their old age financial needs. Those who oppose the introduction of old age pensions would argue that such schemes would encourage the youth not to fulfil their filial responsibility of taking care of the old and people who are now working would also be less mindful of their old age financial needs. If there is no change in the belief that retirement security is a matter of individual concern, it looks unlikely that universal old age pensions would be welcomed by the majority of the public.

However, the hard facts which Hong Kong must face are: The population will age fast and people would normally have more than 20 years to live after reaching old age; the MPF will leave about one-third of the old unprotected as they never have a steady employment record; those who are earning below the median income would have little savings and the sums which they manage to accumulate under the MPF would be so meager that they would hardly be sufficient to enable them to have a living above subsistence; people who are now aged under 50 often have no children or only one or two and their chance of financial support from their children would be slim when they become old. In brief, the age crisis will loom large if nothing is done to improve present retirement security provisions.

The questions which the Government, as well as the general public, has to answer is: Should we leave the present retirement security system untouched and let the poverty problem of the elderly aggravate? If we do want to put in place better retirement security to take care of the present and future generations of the elderly, what would be the most socially acceptable, financially equitable and administratively viable option that we can introduce so as to offer our senior citizens a brighter and more secure old age?

Professor Nelson Chow Wing-sun (周永新教授)
Department of Social Work and Social Administration

Head of Research Team
A Study on the Future Development of
Retirement Security in Hong Kong

unity
act

