

**For discussion on
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Legislative Council Panel on Welfare Services

**RELEVANCE OF THE POPULATION POLICY
TO SOCIAL WELFARE**

PURPOSE

This paper highlights the major challenges for the social welfare policy area arising from Hong Kong's demographic trends and characteristics as identified in the Report of the Task Force on Population Policy (the Report), and seeks Members' advice on the specific recommendations relating to social welfare as set out in the Report.

BACKGROUND

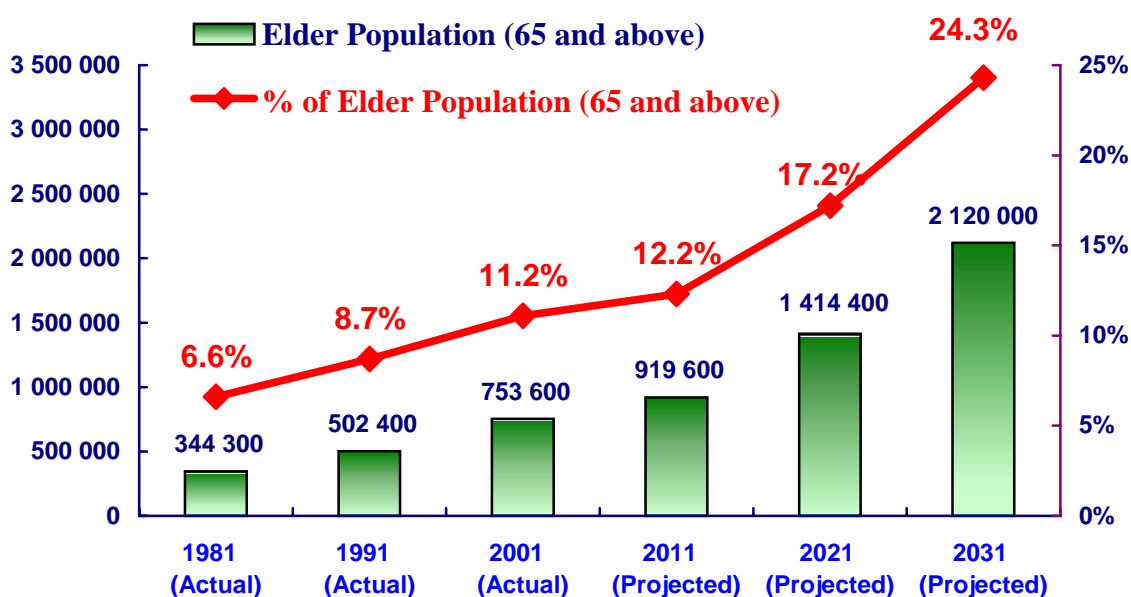
2. On 1 July 2002, the Chief Executive (CE) announced in his Inaugural Speech: "There is an urgent need for development of a comprehensive population policy, and we will work on this within this year. This population policy will be designed to fit Hong Kong's long-term social and economic development, will complement family requirements, and will address the interests of different sectors in our community." Following the CE's announcement, the Chief Secretary for Administration, who was tasked to oversee the development of the proposed population policy, set up the Task Force which he chaired with members from the relevant Bureaux and Departments.

3. Released on 26 February 2003, the Report identifies the major challenges to Hong Kong arising from its demographic trends and characteristics, sets the objective of a population policy and recommends a set of coherent policy initiatives which the Administration can explore in the short and medium term.

MAJOR CONCERNS AND CHALLENGES ARISING FROM DEMOGRAPHIC TRENDS AND CHARACTERISTICS

4. Hong Kong's extremely low fertility rate¹ (927 children per 1 000 women in 2001) and death rates (standardised death rates 4.9 per 1 000 population in 2001), and increasing life expectancy (projected to rise from 78 to 82 for male at birth and 85 to 88 for female at birth from 2001 to 2031) all contribute to an ageing population. With reference to **Chart 1** and **Chart 2**, by 2031, a quarter of the population of Hong Kong is expected to be above the age of 65, the increase will be especially prominent for the "old-olds", with a projected tripling of those aged 85 or over. By 2031, overall dependency ratio is projected to reach 562, i.e. every 1 000 persons aged between 15 and 64 will have to shoulder 562 persons aged under 15 or aged 65 and above (**Chart 3**).

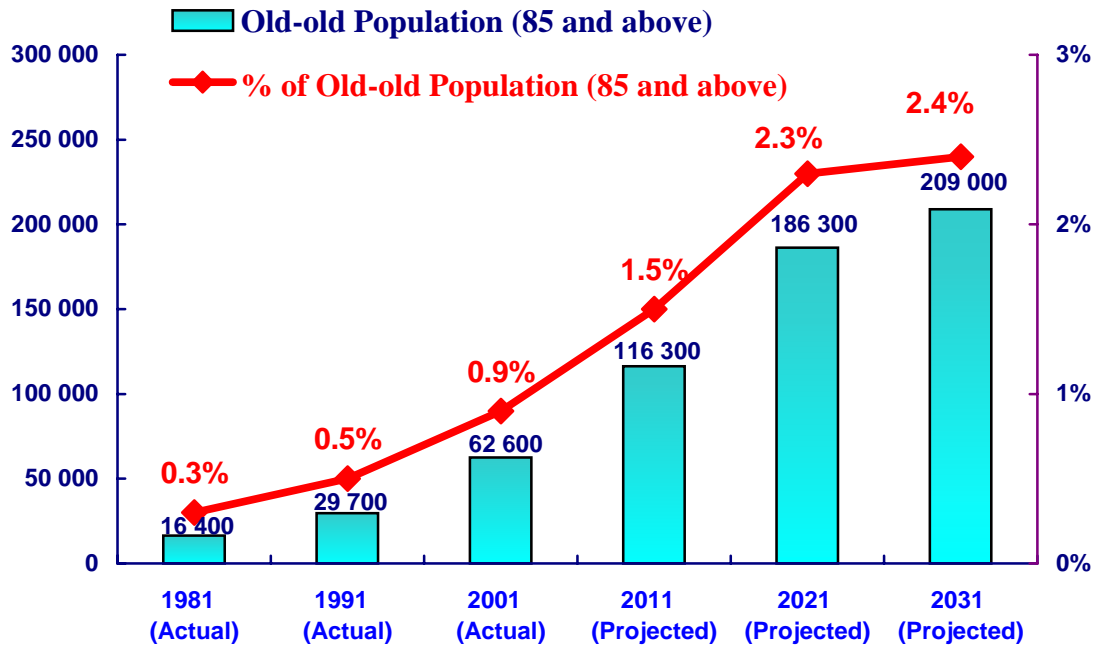
Chart 1 : Population ageing – projection of population aged 65 and above, 1981 - 2031



Source : *Hong Kong Population Projections 2002-2031*, Census & Statistics Department

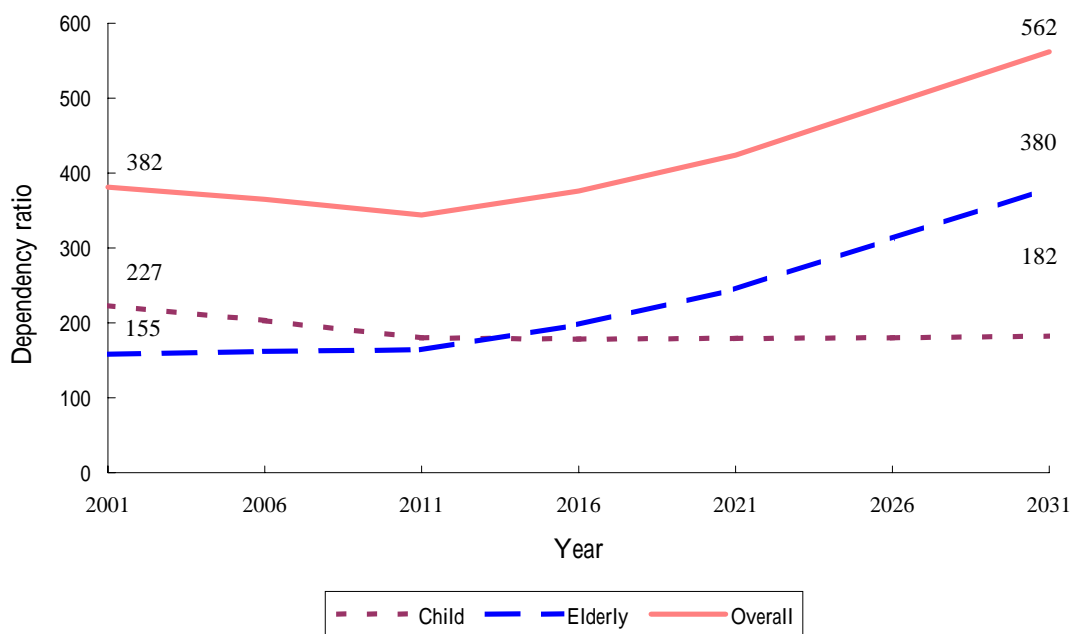
¹ Except where separate reference is quoted, all demographic figures in this paper are quoted from the Report.

Chart 2 : Population ageing – projection of population aged 85 and above, 1981 - 2031



Source : *Hong Kong Population Projections 2002-2031*, Census & Statistics Department

Chart 3 : Dependency ratio, 2001 - 2031



Source : *Hong Kong Population Projections 2002-2031, Census & Statistics Department*

5. From 1983 to 2001, there were a total of 724 259 new arrivals² admitted under the One Way Permit (OWP) Scheme, which was 10.8% of the population of 6.72 million in 2001. The Census and Statistics Department (C&SD) projected that from 2023 onwards, there will be more deaths than births each year, the natural increase of the population (i.e. births less deaths) will become negative, and de-population and rapid population ageing would occur if there were no net inward migration.

6. The growth of our population relies much on immigration the bulk of which is admitted through the OWP Scheme. The tasks of training and upgrading the skills of adult new arrivals; education and socialisation of new arrival children; facilitating family unity to overcome problems arising from separated families due to the discrepancy in arrival times of the Certificate of Entitlement (CoE) children and their Mainland parents; and social integration of new immigrants into society are serious

² For the purpose of the Report, “new arrivals” refer to immigrants who have resided in Hong Kong for less than seven years.

challenges for Hong Kong.

7. On the other hand, many public services in Hong Kong are heavily subsidized and there is considerable discrepancy in the eligibility for various privileges among residents with different length of residence. When available resources are increasingly limited and demand is continuously rising, there is a case for reviewing the eligibility of residents for such heavily subsidized services, particularly against the current austere fiscal situation.

POLICY OBJECTIVE

8. The key objective of Hong Kong's population policy is to secure and nurture a population which sustains our development as a knowledge-based economy. We should strive to improve the overall quality of our population to meet our vision of Hong Kong as a knowledge-based economy and world-class city, and aim to redress population ageing, foster the concept of active and healthy ageing, promote social integration of new arrivals, and ensure the long-term sustainability of our economic growth. While we should move away from the idea that there is a simple optimum population both in terms of size and composition, it is more useful to ensure that there is sufficient flexibility built into the future policy formulation and implementation processes for Hong Kong to respond quickly to changing demographic conditions and market situations.

RECOMMENDATIONS RELEVANT TO SOCIAL WELFARE

9. Amongst the policy recommendations proposed by the Task Force, eight recommendations under four areas are directly relevant to social welfare. They are

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- Under Training and other needs of new arrivals –
 - To foster closer partnership between the Government and non-governmental organisations (NGOs) to identify and address the needs of new arrivals in Hong Kong.

- Under Elderly policy –
 - To revisit and redefine the notion of retirement and old age.
 - To continue to develop programmes and promote active and healthy ageing.
 - To develop a sustainable financial support system for the needy elderly.

- Under Eligibility for public benefits –
 - To adopt the principle of “seven-year” residence requirement for providing social benefits heavily subsidized by public funds. To consider tightening up the eligibility criterion for Comprehensive Social Security Assistance (CSSA) so that such benefits should, from a future date, be available only to residents who comply with the seven-year residence rule (except for children under the age of 18; current residents in Hong Kong will not be affected by this rule).
 - To review in the longer term access to subsidized benefits by residents absent from Hong Kong for a long period of time.

- Under Portability of benefits –
 - To address, in the longer term, the issue of portability of public benefits taking into account the pace of our economic integration with the Pearl River Delta (PRD).
 - To examine in detail the cost implications of portable benefits for the Government fiscal position and the local economy.

Considerations in respect of these recommendations are set out below to facilitate Members’ discussion.

Training and other needs of new arrivals

To foster closer partnership between the Government and NGOs to identify and address the needs of new arrivals

10. With reference to paragraph 6 above, the Task Force considers that it is in the interests of the individual CoE children and their family, as well as the HKSAR, that they should be admitted into Hong Kong as early as possible. A number of measures to improve the OWP Scheme are recommended so as to alleviate the problem of split families, accelerate family reunion, and facilitate social integration. It is also recommended that closer partnership between the Government and NGOs should be fostered to identify and address the different needs of new arrivals, including other non-Chinese immigrants who may have similar problems and concerns.

11. Worked under the overall co-ordination of the Home Affairs Bureau, the Social Welfare Department (SWD) has all along attached importance to the early and smooth integration of new arrivals into the local community. A wide range of social welfare services, comprising an extensive network of family services centres/integrated family service centres, family support and resource centres, family support networking teams, family life education, medical social services, child care services, various services for young people, are accessible to new arrivals like other Hong Kong residents. Apart from these mainstream services, dedicated services are put in place to strengthen the support to and meet the welfare needs of the new arrivals to facilitate their early integration into the local community. Currently, a total of eight post-migration centres provide a comprehensive array of services to new arrivals during their first year of residence in Hong Kong including brief counselling, family education and parent education programmes, group work service, orientation programmes, language classes, employment-related training, outreaching and referral services, etc., with particular emphasis to promote their self-reliance. With more new arrival women coming to join their husbands in recent years, SWD has, among other things, enhanced parent education and family education with emphasis on marital enrichment and improvement of parent-child relationship in these centres.

12. Other than the subvented services, a number of projects have been launched to serve the new arrivals with funding support from the Hong Kong Jockey Club Charities Trust, the Community Chest, etc. They include, among others, a five-year community education project launched by the Hong Kong Council of Social Service from 1998 to 2003 to promote mutual acceptance between new arrivals and local residents, and six six-year integrated projects operated by five NGOs between 1997 and 2003 in Sham Shui Po, Kwun Tong, Hong Kong Island, Kowloon City, Yau Tsim Mong and Tsuen Wan/Kwai Tsing Districts. Besides, with funding support from the Community Chest, the International Social Service – Hong Kong Branch launched a three-year project from 2000 to 2003 at Shui Pin Wai Estate, Yuen Long to coordinate and mobilize volunteer resources to help new arrivals.

13. In 2002, the Department set up 14 Family Support Networking Teams to reach out to vulnerable families including new arrivals with a view to introducing to them support services available in the community. The number of such teams is increased to 22 with the addition of eight teams run by NGOs through deploying resources from Integrated Neighbourhood Projects. Continual efforts will be made to enhance preventive and supportive services to enable early identification of problems, provide timely services, and promote mutual acceptance between new arrivals and other members of the community.

Elderly policy

To revisit and redefine the notion of retirement and old age

14. Taking advantage of the release of the Report, we believe that population ageing should be given a new perception; that it should not be seen as a burden on society but an opportunity to re-visit the various aspects relating to ageing to ensure that these are in line with the changes in our socio-economic development and our health and demographic profile, e.g. retirement and human resource practices which remove older persons from the workforce prematurely and place them in a state of dependency, particularly financial dependency. Of paramount importance is how we could transform these challenges of population ageing into opportunities.

15. To tackle the issue of population ageing, the Government has, with the

advice of the Elderly Commission (EC), identified and worked on seven areas of focus, viz. to actively take the lead in promoting a proper perspective on ageing; to encourage public and private sectors to make the best use of the knowledge and experience of senior citizens; to promote “lifelong learning” among the elderly; to improve town planning and the design of public facilities and housing to create a “barrier-free” environment; to provide sound primary health care services; to promote a positive and healthy lifestyle; and to encourage the commercial sector to establish an “elder-friendly” service culture.

16. To make the best use of the knowledge and experience of senior citizens, the Task Force recommends to revisit and redefine the notion of retirement and old age. The Task Force recommends that the Administration should consider further research on the conceptual framework and overseas experiences in meeting the challenges of an ageing population, with a view to identifying and developing those ideas which may be applied in the local context. With the advice from the EC, the Government will continue efforts to study on the subject and seek to engage the community in reinventing the concept of ageing and rethinking on the notion of retirement.

To continue to develop programmes and promote active and healthy ageing

17. To actively take the lead in promoting a proper perspective on ageing, the Government and the EC organised a “Symposium on Challenges and Opportunities of an Ageing Population” in June 2002 to enhance the community’s awareness of ageing issues. The promotion of positive ageing aims to increase the productivity and reduce the dependency of the elderly on the community. As the majority of our elders are healthy, we should enable them to continue to lead an active and healthy life. Much disability and ill health in later life are preventable if we take a life-course approach to promote active and healthy ageing in the community, targeting not only the current generation of older population, but also the future elders. In this connection, the EC has launched a three-year Healthy Ageing Campaign in 2001 to promote the physical and psychosocial well-being of elders through four strategic directions :

- promoting personal responsibility;

- strengthening community action;
- creating a supportive environment; and
- improving the image of ageing.

18. The Campaign has organised central public education and publicity programmes in the first year, and has also supported community projects of multifarious themes promoting the physical and psychosocial well-being of elders to encourage community level participation in healthy ageing. Senior volunteerism and lifelong learning among elders have been encouraged so that elders can achieve a sense of worthiness as they age. Specific programmes of 2003-04 include an Arts Promotion Programme for Elders jointly organised by the EC, the Hong Kong Arts Development Council, the District Councils, and SWD; television programmes to promote the positive aspects of ageing and healthy lifestyle produced by the EC in collaboration with Radio Television Hong Kong. There will also be collaborations with the Hong Kong Retirement Schemes Association and the Mandatory Provident Fund Authority etc to promote awareness of and discussions on the implications of population ageing.

19. On the other hand, to achieve the CE's pledge to promote the sense of worthiness among elders at his policy address in 1997, the SWD was funded with Lotteries Fund grant to run the "Opportunities for the Elderly Project" (OEP) from 1999 to 2002. With its success, from 2003-04 onwards, the OEP becomes a regular service of SWD. The theme for this year is "Enjoying quality life together".

20. In sum, we will continue to develop programmes to sustain community participation in promoting active and healthy ageing and a sense of well-being and worthiness among elders.

To develop a sustainable financial support system for the needy elderly

21. In the light of the ageing population, the Administration has been examining ways to develop a sustainable financial support scheme for the needy elders, drawing reference from the "Three Pillar Approach" recommended by the World Bank for old age financial protection :

First Pillar	A privately managed mandatory provident fund
Second Pillar	Private savings, investments and annuities
Third Pillar	A social safety net to provide financial protection to needy elders to meet their basic needs

22. Under the First Pillar, the Mandatory Provident Fund which is a privately managed but mandatory retirement fund for the working population, was established in December 2000. Under the Third Pillar, elders in Hong Kong who are in financial need can apply for the means-tested CSSA Scheme; while the Social Security Allowance (SSA) encompassing the Old Age Allowance (OAA) Scheme and the Disability Allowance (DA) Scheme are designed to meet the special needs of the elderly and the disabled. As at the end of December 2002, 170 452 persons aged 60 or above, representing 16.6% of the population of the same age group, were receiving CSSA; while 455 740 elders aged 65 or above were on OAA, accounting for 43.0% of elders aged 65 to 69, and 64.2% of those aged 70 or over. The Administration has been reviewing the existing social security schemes for the elders with the aim to develop a long-term sustainable financial support system for the needy elders, drawing reference from the above-mentioned “Three Pillar Approach” and having regard to our ageing population and simple and low taxation system. Given the complexity of the issues involved, we need to conduct more in-depth studies. The Administration has informed Members at the Panel meeting on 9 December 2002 that it will take some time before the review can be completed.

Eligibility for public benefits

To adopt the principle of “seven-year” residence requirement for providing social benefits heavily subsidized by public funds

23. The Task Force considers that there is a strong case for removing the anomaly that exists in the eligibility criteria for major subsidized benefits, and for applying a uniform seven-year residence rule for providing all heavily subsidized social services including CSSA and public healthcare benefits. Eligibility based on a seven-year residence requirement reflects the contribution a resident has made

towards our economy over a sustained period of time in Hong Kong. In applying this “seven-year” rule to CSSA applicants, for exceptional cases, the Director of Social Welfare (DSW) will have discretionary power to grant CSSA on compassionate grounds waiving the residence rule. These measures are to take effect from a future date, children under the age of 18 are to be exempted from while residents already in Hong Kong before implementation of the new rule will not be affected.

24. With reference to **Table 1** below, as at end-December 2002, there were 69 345 new arrival³ CSSA recipients, constituting 14.9% of all CSSA recipients, an increase of 2.9 percentage points from March 1999 (12%). Among them, 69.6% were female; 51.6% were below 18 of age, 35.5% were aged 22 to 59 – among this particular age group, over 95% were female (**Table 2**). The 69 345 new arrival CSSA recipients came from 36 023 cases, among which 27.2% fell within the “old age” category, 24.2% “single parent family”, and 21.5% “unemployment” (**Table 3**).

³ New Arrivals on CSSA benefits may include non-Mainland immigrants, though the great majority are new arrivals from the Mainland.

Table 1 : Number and percentage of new arrival CSSA recipients, March 1999 to December 2002

Time	New arrivals receiving CSSA	Total CSSA recipients	Percentage
March 1999	45 945	382 454	12.0%
March 2000	45 477	370 231	12.3%
March 2001	50 146	367 470	13.6%
March 2002	60 982	410 995	14.8%
December 2002	69 345	466 868	14.9%

Table 2 : Age and sex distribution of new arrival CSSA recipients, December 2002

Age	Male	Female	Overall
Below 18	25.6%	26.0%	51.6%
18 – 21	2.6%	3.5%	6.2%
22 – 59	1.4%	34.0%	35.5%
60 and above	0.7%	6.0%	6.8%
Overall	30.4%	69.6%	100.0%

Table 3 : Case nature of CSSA cases with new arrival recipients, December 2002

Case nature	Number of CSSA cases with new arrival recipients	Percentage
Old age	9 794	27.2%
Single parent family	8 702	24.2%
Unemployment	7 740	21.5%
Low earnings	4 431	12.3%
Others	5 356	14.8%
Total	36 023	100.0%

25. Between March 1999 and June 2002, it is estimated that new arrivals on CSSA benefits rose from 14.3% to 16.6% of all new arrivals.⁴ On the other hand, the rest of the population that were CSSA recipients rose from 5.4% in June 1999 to 5.7% in June 2002.

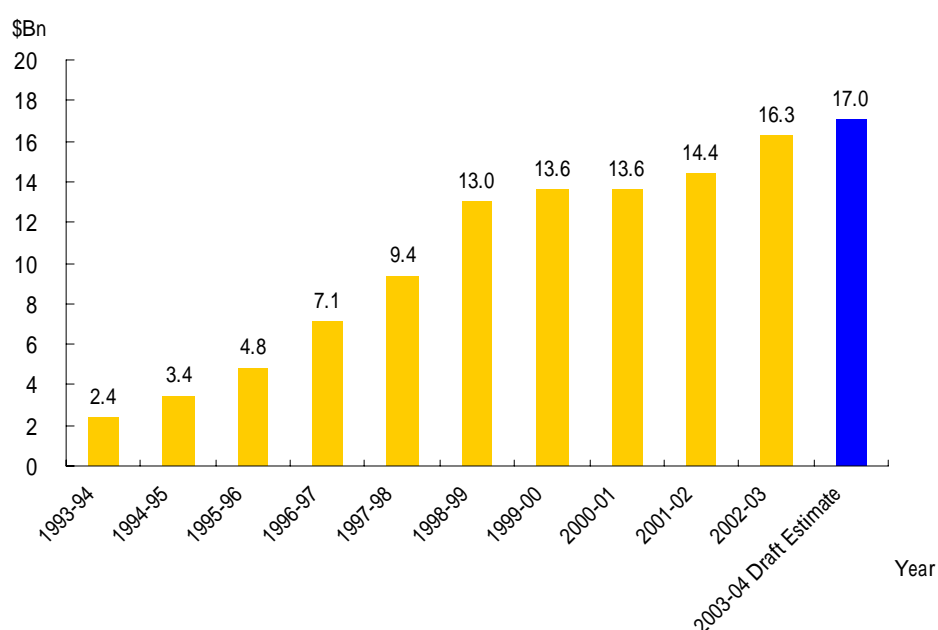
26. In approaching this complex issue, a very fine balance among the interests of various sectors of the community has been struck, with due regard to the long-term sustainability of our social services within limited financial resources. **Chart 4** below shows CSSA expenditure over the past decade. In the 2003-04 Draft Estimates of Expenditure, we are seeking a provision of \$17,030 million for CSSA to meet anticipated increase in demand. This is \$780 million over the revised provision of \$16,250 million in 2002-03. Against the serious fiscal deficit, there have been increasing public concerns that the current one-year residence rule for eligibility to apply for CSSA is too lax. We need to ensure that there is a rational basis on which our social resources are allocated.

27. We consider a seven-year residence rule for new arrivals aged 18 or above to be a rational basis. First, CSSA is a non-contributory scheme funded entirely by General Revenue. Eligibility based on a seven-year residence requirement reflects the contribution a resident has made towards our economy over a sustained period of time in Hong Kong. Second, to facilitate early integration of children, the seven-year residence requirement will be waived for all new arrivals under the age of 18. This is in fact a relaxation of current rule as the one-year residence requirement is applied to all new arrivals regardless of the age. More favourable treatment of minors is generally regarded as being in line with the UN Convention on the Rights of the Child. Thirdly, in genuine cases of hardship, DSW has the discretion to waive the residence requirements. This discretion is resorted to from time to time under the present rule with some 700 CSSA cases involving recipients who have resided in Hong Kong for less than one year. Fourthly, it is not unreasonable to expect the sponsoring persons in Hong Kong to support their sponsored new arrivals, or the new arrivals who are economically active to support themselves with their own means in Hong Kong. As the proposed measures are to take effect from a future date, potential new arrivals will have an opportunity to make an informed

⁴ The statistics should be read with caution as those new arrivals are in fact the cumulative number of OWP holders over the past seven years prior to the given date. They may have included those who, despite being OWP holders, were not in Hong Kong at the given date.

decision on whether they would move to Hong Kong for settlement taking account of all relevant considerations. Finally, we do not intend to apply the new rule to existing new arrivals already residing Hong Kong. The new rule will take effect from a future date and all new arrivals already in Hong Kong then will not be affected. That is to say, they will still be subject to only the one-year residence requirement. Appropriate steps will also be taken to ensure that the new rule is brought to the attention of potential new arrivals.

Chart 4 : CSSA expenditure over the past decade



28. At present, there are differences in the eligibility for assistance under different schemes within the social security system. While a one-year residence requirement is applicable under CSSA, to be eligible for Old Age Allowance (OAA), a person must have resided in Hong Kong for not less than five years since attaining the age of 60 while an applicant for Disability Allowance (DA) must have resided in Hong Kong continuously for at least one year immediately before the date of application. Since these two schemes are non-means tested, we will examine whether there is a case for aligning the residence requirement in the eligibility criteria for social security in the context of an ageing population.

To review in the longer term access to subsidized benefits by residents absent from Hong Kong for a long period of time

29. Nowadays, more and more residents of Hong Kong are moving to foreign countries or the Mainland to live and work. They probably contribute less to the local economy and are paying no local taxes. There is concern whether they should enjoy the same privileged access to subsidized public services as other residents once they return. The Task Force considers that this concern involves complex issues. Some residents, though away from Hong Kong for a long period of time, may still maintain close links with Hong Kong through property or other asset ownership, supporting the livelihood of residents (e.g. their relatives) in Hong Kong, charitable donations, etc. As time does not permit the Task Force to go into this matter in detail and come to a conclusive recommendation, it is suggested that the Administration should review it later.

Portability of benefits

To address, in the longer term, the issue of portability of public benefits taking into account the pace of our economic integration with the Pearl River Delta

30. The Portable CSSA (PCSSA) Scheme, whereby elderly CSSA recipients who are permanent Hong Kong residents and have been receiving assistance continuously for three years are allowed to continue to receive their payment should they leave Hong Kong to take up permanent residence in Guangdong, was implemented in April 1997. As at December 2002, only 2 865 CSSA recipients, i.e. 2.7% of the CSSA singleton old age caseload, opted for PCSSA. We are given to understand that the apparent unpopularity of the Scheme is the lack of affordable medical support in the Mainland whereas CSSA recipients enjoy free medical services in the public health care system in Hong Kong.

31. Another relevant provision is the “absence rule” in the various social security schemes. For OAA and DA recipients, the annual permissible limit of absence from Hong Kong is 180 days subject to the recipient having been resident in Hong Kong for not less than 90 days in the year. For elderly and disabled CSSA recipients, the above provision applies but without the “not less than 90 days a year”

restriction. For non-old-age able-bodied CSSA recipients, the permissible limit of absence is 60 days.

32. We recognize that there is a body of opinion in the community in favour of further relaxation or removal of the absence rule for OAA as they deem that in recognition of elders' past contribution, they should be paid OAA as a matter of their right even if they have spent more time outside Hong Kong or retired to their native places in the Mainland where the cost of living is considerably lower and OAA could be used to supplement their living. Counter arguments however point out that OAA is non-contributory and entirely funded by the general revenue, it is an unfair burden to Hong Kong taxpayers to pay for the welfare of those staying outside Hong Kong. Moreover, as OAA is a largely non-means-tested scheme, recipients are therefore not necessarily the financially vulnerable and the Government should concentrate its available resources on helping those who are most in need.

33. The Task Force considers that moving to live in the Mainland is essentially an individual's decision, which may develop into a trend depending on the pace and scope of our integration with the PRD. The Government should not adopt policies which are perceived to be coercing people, particularly the elderly, to move across the boundary.

To examine in detail the cost implications of portable benefits for the Government fiscal position and the local economy

34. Because public benefits are heavily subsidized, extensive cost-benefit analysis has to be conducted to weigh the net effect of extending the concept of portable benefits on the Government's fiscal position. Moreover, the leakage caused to the local economy as a result of this should also be critically assessed. As recommended by the Task Force, the Administration will address, in the longer term, this issue of portability of benefits, taking into account among other things our pace of economic integration with the PRD.

ADVICE SOUGHT

35. Members are invited to discuss the relevance of the population policy to the planning and provision of social welfare services, and to express their views on the recommendation to alter the residence requirements under the CSSA and SSA Schemes.

Health, Welfare and Food Bureau
March 2003