

## **Proposed Research Outline**

### **Social Security System for Retirement Protection in Selected Places**

#### **1. Background**

1.1 At its meeting on 22 March 2005, the Subcommittee to Study the Subject of Combating Poverty requested the Research and Library Services Division (RLSD) to conduct a research on the social security system for retirement protection in selected places to facilitate the deliberation of the Subcommittee on the issue in the Hong Kong context.

#### **2. Scope of research**

2.1 The proposed research studies the social security system for retirement protection that is either fully or partly funded by contributions from employer, employee or both.<sup>1</sup> These contribution-related social security systems for retirement protection can broadly be divided into redistributive and non-redistributive systems. A redistributive system pools all contributions together and redistributes them to beneficiaries in a flat-rate and/or an earnings-related pension. A non-redistributive system accumulates contributions of a beneficiary in a separate account and will not redistribute them to other beneficiaries. The proposed research provides a detailed discussion on the respective system in the selected places, focusing on the following aspects:

- (a) responsible authorities and governing legislation;
- (b) coverage of the system;
- (c) funding sources and amount of contributions;
- (d) management of the fund; and
- (e) benefit payment programmes.

2.2 The analysis chapter provides a comparison of the system in the selected places.

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<sup>1</sup> A forthcoming RLSD research report entitled *Social Security System in Support of the Elderly in Poverty in Selected Places* studies the non-contributory system.

### **3. Proposed places to be studied**

3.1 RLSD proposes to study the Canadian, Japanese and Singaporean systems.

3.2 Both the Canadian and Japanese systems are redistributive. While the former redistributes benefits in an earnings-related pension, the latter redistributes benefits in both a flat rate and an earnings-related pension. The Singaporean system is non-redistributive and each Singaporean accumulates savings for the protection of his/her own retirement.

3.3 The Canadian system is selected because of its pay-as-you-go feature, in which the Canadian government levies taxes on the income of the working population and uses the proceeds for pension payment to the retirement population.

3.4 The Japanese system is chosen because its National Pension Program has a wide coverage, covering not only employees, but also housewives, foreign students and self-employed persons. In addition, funding of the Program comes from most categories of the beneficiaries, employers as well as the Japanese government.

3.5 Singapore is chosen because its Central Provident Fund, unlike most of the other systems, is neither inter-generation nor intra-generation redistributive. Another characteristic of the Central Provident Fund is that it can be used for various purposes other than supporting retirement life, such as making investment, financing home mortgages and paying for medical bills.

### **4. Proposed Completion Date**

4.1 RLSD proposes to complete the research by July 2005.