

## **LEGISLATIVE COUNCIL BRIEF**

### **Steering Committee on Population Policy**

#### **Progress Report 2012**

### **INTRODUCTION**

At the meeting of the Executive Council on 29 May 2012, the Council took note of the information below.

2. In the 2010-11 Policy Address, the Chief Executive tasked the Steering Committee on Population Policy (SCPP) to focus its study on two topics –

- (a) ways to facilitate and support our elderly people to settle in the Mainland after retirement if they so wish; and
- (b) ramifications of children born in Hong Kong to Mainland women returning to Hong Kong to study and live.

3. The results of the study have been reported in the 2011-12 Policy Address, which includes –

- (a) the Government will introduce the “Guangdong Scheme” which would enable eligible Hong Kong elders, who choose to reside in Guangdong, to receive a full-year Old Age Allowance (OAA) without the need to come back to Hong Kong each year during receipt of the allowance;
- (b) to strengthen medical support for the elderly people in the Mainland, the Government will continue to strengthen cooperation between hospitals in Hong Kong and the Mainland, to negotiate with the Mainland on measures to streamline the formalities for setting up clinics and hospitals there, and to explore with Guangdong the cross-boundary patient conveyance arrangements;
- (c) laying down important policy principles on the subject of Mainland

women giving birth in Hong Kong, i.e. Hong Kong residents should receive priority for healthcare services. While the Government does not encourage Mainland women to give birth in Hong Kong, we must, at the same time, plan the relevant public services and make realistic projections of the number of children who may come to settle or study in Hong Kong; and

- (d) the Government will step up dissemination of information on the local education system to help Mainland families with Hong Kong-born children consider whether and how to arrange their children to return to Hong Kong, and to put in place support measures at boundary control points (BCPs) to ensure safe journey of cross-boundary students (CBS).

4. In the past eight months, there has been intensified community concern over the impact of Mainland women giving birth in Hong Kong. In recognition of the community's immediate concern, the SCPP has coordinated efforts from various bureaux and departments in devising and implementing measures to tackle the related problems (please refer to paragraph 10 below). In addition, the SCPP has also examined the effects of our changing demographic structure on the long-term economic and fiscal sustainability of Hong Kong and the appropriate policy response in the relevant key areas. These include manpower requirement and supply in key economic sectors; liberating the labour force from the existing working age population; admission of talents from outside Hong Kong; support for the elderly living in Hong Kong; and support for and integration of new arrivals.

5. This brief informs Members of the deliberation and recommendations of the SCPP, as set out in the SCPP Progress Report 2012 ("the Progress Report") at the Annex. The broad policy directions on various important issues as identified in the progress report will hopefully provide a useful basis for further consideration by the next-term Government.

Annex

## **JUSTIFICATIONS**

6. The SCPP has made a total of ten recommendations which include measures for tackling the imminent concern associated with births born in Hong Kong to Mainland women, as well as broad policy directions to address the challenges brought by the changing demographic structure of Hong Kong.

## Issues of imminent concern

7. In recent years, the implications arising from the rapid increase in the number of births born in Hong Kong to Mainland women has caused intense debate in the community. Of greater concern is the fact that a vast majority of such births are by Mainland parents who are non-Hong Kong residents. In 2011, births to mothers of Type II babies<sup>1</sup> were over 35 000, constituting 37% of total live births in that year (Type I babies only totalled about 6 100 (6%)). The community is gravely concerned over the pressure this is creating on our obstetric services in both the public and private sectors and the Maternal and Child Health Centres (MCHCs). Many also express concern over the long-term implications on Hong Kong's public resources, including education, public healthcare, and social services in meeting the needs of these babies<sup>2</sup>.

8. Since 2007, the Hospital Authority (HA) has implemented revised arrangements for obstetric service for non-local women (being Non-eligible Persons (NEPs)), under which booking for delivery places in public hospitals by non-local pregnant women would only be accepted when spare service capacity is available. NEPs with prior booking would be issued with booking confirmation certificates and are required to pay a package charge of \$39,000 while emergency deliveries through the Accident and Emergency Departments (A&EDs) will be charged at \$48,000. In April 2011, HA further announced the suspension of obstetric services from non-local women until the end of 2011. Towards the end of 2011, the number of non-local pregnant women delivering in A&EDs surged. "Gate-crashing" at A&EDs causes danger to the pregnant women and their babies and creates additional pressure on the hospitals' resources, adversely affecting the operation of A&ED services for other patients requiring emergency treatment. The community strongly urges the Government to step up efforts in controlling the number of Mainland women giving birth in Hong Kong and to review the relevant policies against the wider context of our population policy.

9. In anticipation of a further increase in the number of births by local women in 2013, the Government's original plan was to suspend booking of obstetric service at HA hospitals by non-local women and to further reduce the number of their delivery quota at private hospitals. In early April 2012, HA announced that it would suspend all booking of delivery places by non-local women for 2013. On 16 April 2012, the Chief Executive-elect expressed the

<sup>1</sup> "Type II babies" refer to babies born to Mainland women in Hong Kong and whose fathers are not Hong Kong permanent residents while "Type I babies" refer to those whose fathers are Hong Kong permanent residents.

<sup>2</sup> As a result of the judgement of the Final Court of Appeal in the case of "*Director of Immigration v. Chong Fung Yuen*" in 2001, Chinese citizens born in Hong Kong have the right of abode in Hong Kong regardless of the residential status of their parents. Hence Type II babies being Hong Kong permanent residents will enjoy the same social benefits as babies born in Hong Kong to local women.

position that the booking of delivery place at private hospitals by non-local women whose spouses were not Hong Kong permanent residents should be suspended for 2013, subject to further consideration by the next-term Government on the longer-term implication of Type II babies on education, social and other related services. If a “zero delivery quota” were implemented in 2013, the community’s concern over the provision of adequate and quality obstetric services for local women would be largely addressed.

### **Recommendation 1 [paragraph 4.10 of the Progress Report]**

10. The SCPP recommends that the relevant bureaux and departments should continue to take forward the various administrative measures that are in place for tackling the problem of “gate-crashing” A&EDs. These measures include -

- (a) stepping up surveillance and screening on pregnant visitors at BCPs;
- (b) stepping up the crackdown on unscrupulous intermediaries which help pregnant Mainlanders without confirmed booking certificates to cross the boundary;
- (c) referring “refused entry” cases involving Mainland pregnant women to the Mainland authorities to deter their dangerous behaviour of seeking emergency hospital admissions shortly before labour, and stepping up the investigation and prosecution for the offence of overstaying in Hong Kong;
- (d) stepping up the crackdown on unlicensed guesthouses which help accommodate Mainland pregnant women for overstaying in Hong Kong; and
- (e) raising the fee level charged for obstetric services at public hospitals for non-booked cases of Non-eligible Persons (NEPs) to deter non-local pregnant women from “gate-crashing” at A&EDs.

11. These measures have produced the desirable deterrent effect. The number of emergency deliveries in the beginning of the year has significantly reduced compared with the peak period in the last three months of 2011.

**Recommendations 2 - 4**

12. As regards children who were already born to Mainland parents in Hong Kong or those to be delivered within 2012, the SCPP recommends that the Government should continue to make suitable preparation in the relevant public services.

**Recommendation 2 [paragraph 4.11 of the Progress Report]**

## (a) MCHC services

The Department of Health should continue to take measures to enhance the capacity of MCHCs and monitor the services demand;

**Recommendation 3 [paragraphs 4.12(a) and 4.13(a)(b) of the Progress Report]**

## (b) Education

Adopt or explore multiple measures to strengthen the mechanism for projection of demand for education services; to ensure adequate provision of school places for those who are eligible and in demand of education in Hong Kong; and to increase the supply of school places;

**Recommendation 4 [paragraphs 4.12(b) and 4.13(c) of the Progress Report]**

## (c) Cross-boundary students

For security and safety concerns, cross-boundary schooling at pre-primary and primary levels is not encouraged. The Government will manage the number of CBS having regard to the capacity of the land BCPs. Facilitating transport arrangements will be enhanced as far as practicable taking into consideration the capacity of the border facilities. It is estimated that by 2012/13, the total capacity for handling CBS at land BCPs on a daily basis would be around 13 000 students. Given the physical constraints of land BCPs, parents should carefully consider whether and how to arrange their children to study cross-boundary.

## **Long-term challenges**

13. In the long-term, the major challenge Hong Kong faces is an ageing population and a slow growth in manpower supply. Ageing population increases the demand for public healthcare and certain social welfare, thereby bringing challenges to the fiscal sustainability of Hong Kong, while a shrinking labour force can negatively impact on Hong Kong's economic growth. Like many economies with an ageing population, the economic dependency ratio of our population is on an increasing trend. It is projected that by 2020, the economic dependency ratio of Hong Kong would reach 1 042 (per 1 000 economically active persons), meaning that the economically inactive persons would out-number those that are active. We must, therefore, make our best endeavour to slow down the rise in economic dependency ratio.

14. To face up to the challenge, apart from continuing to explore measures to encourage local women to give births, the SCPP recommends that government policies should be geared towards increasing the working age population and the labour force participation rate. The SCPP has the following recommendations.

### **Recommendation 5 [paragraph 4.19 of the Progress Report]**

(a) Support for and Integration of New Arrivals

New arrivals via One-Way Permit Scheme from the Mainland are the major source of population growth in Hong Kong. The SCPP recommends that the Government should continue to strengthen services and support for new arrivals through the use of district partnership and media partnership, and to keep track of the characteristics and service needs of new arrivals.

(b) Nurturing and Admission of Talents

The Government should:

### **Recommendation 6 [paragraphs 4.38 and 4.43 of the Progress Report]**

- (i) explore measures to make fuller use of the youth, female and older population to expand our local labour force. In particular, the Government should consider stepping up the promotion of youth employment in cooperation with non-governmental organisations and social enterprises;

**Recommendation 7 [paragraph 4.39 of the Progress Report]**

- (ii) consider examining the merits and implications of encouraging the adoption of a higher retirement age so as to promote employment of elderly persons. However, any such change should not affect the existing conditions and arrangements for withdrawal of benefits under the various retirement benefits schemes;

**Recommendation 8 [paragraphs 4.47 and 4.48 of the Progress Report]**

- (iii) conduct in-depth reviews of the pull and push factors affecting talents' decision on whether to come to work and stay in Hong Kong, for example, development opportunities and supporting services such as availability of international school places, and other services/facilities for their families, and to examine the various aspects of the talents admitted;
- (iv) consider reviewing the various talents admission schemes, including the Quality Migrant Admission Scheme, with a view to improving their operation for enhancing our position in the global competition for talents; and
- (v) continue its effort in expanding the admission of non-local students at graduate and postgraduate levels in order to take-in overseas and Mainland talents at an early stage.

**Recommendation 9 [paragraphs 4.54, 4.55, 4.60, 4.61 and 4.63 of the Progress Report]**

- (c) Supporting Our Elderly
  - (i) On healthcare, Hong Kong should develop both public and private healthcare sectors in parallel and to diversify sources of funding in meeting the rising medical and healthcare cost. To this end, the proposed Health Protection Scheme is being taken forward. The Government will also continue to develop specific plans and implement measures to address the healthcare needs of elderly people;
  - (ii) To harness the potential of the elderly population, measures should be taken to further encourage active ageing, for example,

by promoting lifelong learning and enabling elderly people to take major modes of public transport at a concessionary fare of \$2 per trip;

- (iii) The Government should continue to promote filial piety and inter-generational support for the elderly; and

### **Recommendation 10 [paragraphs 4.57 and 4.59 of the Progress Report]**

- (iv) On financial support, Hong Kong should continue to consolidate and strengthen the existing three-pillar retirement protection system<sup>3</sup>, as well as other subsidized services such as elderly care services, public housing and healthcare services which are all important components of our support system for the elderly.

## **IMPLICATIONS OF THE PROPOSAL**

15. The Progress Report is in conformity with the Basic Law, including the provisions concerning human rights and has no economic, financial, civil service, productivity or environmental implications. As for the sustainability implications, related assessment will be conducted when there are specific proposals.

## **PUBLIC CONSULTATION**

16. SCPP has conducted several public engagement exercises on the two topics referred in paragraph 1. As an onset, the Chief Secretary for the Administration (CS) attended the Special House Committee of the Legislative Council (LegCo) on 10 December 2010 to collect Members' views. In December 2010, the Central Policy Unit assisted the SCPP to conduct four focus group meetings to collect views of some 40 academics, professionals, representatives of non-governmental organisations and concerned groups. The SCPP also consulted the Commission on Strategic Development in March 2011. In February and March 2011, two consultation forums were held and attended by district personalities and community leaders.

<sup>3</sup> The three-pillars refer to non-contributory social security system (comprising Comprehensive Social Security Assistance, Old Age Allowance and Disability Allowance), the Mandatory Provident Fund system and voluntary private savings.



**PUBLICITY**

17. A press release will be issued on 30 May 2012. Copies of the Progress Report will be made available through the website and the District Offices.

**BACKGROUND**

18. The Task Force on Population Policy published a report in 2003 and laid down important goals, including redressing population ageing; improving the overall quality of our population; promoting social integration of new arrivals; and ensuring the long-term sustainability of Hong Kong's economic growth. The recommendations therein were followed up by the respective bureaux and departments.

19. The SCPP was set up in 2007. It is led by CS to coordinate efforts by relevant policy bureaux and departments in reviewing policy measures taking into account the latest demographic data and forecasts. Core members include the Financial Secretary, Secretary for Education, Secretary for Security, Secretary for Food and Health, Secretary for Home Affairs, Secretary for Labour and Welfare, Secretary for Financial Services and the Treasury and directorates of relevant departments.

**ENQUIRIES**

20. For enquiries about this brief, please contact Miss Winnie Wong, Assistant Director of Administration (1), at 2810 3503.

Administration Wing,  
Chief Secretary for Administration's Office  
30 May 2012



# Steering Committee on Population Policy Progress Report 2012

May 2012

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## Executive Summary

The objective of the population policy of Hong Kong was laid down in *the Report of the Task Force on Population Policy* published in 2003, i.e. to secure and nurture a population which sustains our development as a knowledge-based economy. The Report put forward a range of recommendations which were subsequently implemented and followed up by the relevant bureaux and departments.

2. The Steering Committee on Population Policy (SCPP) was set up in 2007 and led by the Chief Secretary for Administration (CS) to coordinate efforts by relevant bureaux and departments in reviewing policy measures, taking into account the latest demographic data and forecasts. As directed by the Chief Executive (CE) in the 2010-11 Policy Address, SCPP has focused much of its efforts in the past 18 months on studying ways to facilitate and support our elderly people to settle in the Mainland after retirement if they so wish, and the ramifications of children born in Hong Kong to Mainland women returning to Hong Kong to study and live.

3. The outcome of the review was elaborated in the 2011-12 Policy Address, which includes –

- (a) the Government will introduce the “Guangdong Scheme” which would enable eligible Hong Kong elders, who choose to reside in Guangdong, to receive a full-year Old Age Allowance (OAA) without the need to come back to Hong Kong each year during receipt of the allowance;
- (b) to strengthen medical support for the elderly people in the Mainland, the Government will continue to strengthen cooperation between hospitals in Hong Kong and the Mainland, to negotiate with the Mainland on measures to streamline the formalities for setting up clinics and hospitals there, and to explore with Guangdong the cross-boundary patient conveyance arrangements;
- (c) laying down important policy principles in the 2011-12 Policy

Address on the subject of Mainland women giving birth in Hong Kong, i.e. Hong Kong residents should receive priority for healthcare services. While the Government does not encourage Mainland women to give birth in Hong Kong, we must, at the same time, plan the relevant public services and make realistic projections of the number of children who may come to settle or study in Hong Kong; and

- (d) the Government will step up dissemination of information on the local education system to help Mainland families with Hong Kong-born children consider whether and how to arrange their children to return to Hong Kong, and to put in place support measures at boundary control points (BCPs) to ensure safe journey of cross-boundary students (CBS).

4. In the past eight months, there has been intensified community concern over the impact of Mainland women giving birth in Hong Kong. In recognition of the community's immediate concern, SCPP has coordinated efforts from various bureaux and departments in devising and implementing measures to tackle the problems concerning the use of obstetric services in Hong Kong and emergency deliveries at the Accident and Emergency Department (A&ED) by non-local women, as well as other areas of public services such as services at the Maternal and Child Health Centre (MCHC) and the education service for Type I and Type II children.

5. In addition to the above, SCPP has also examined the effects of our changing demographic structure on the long-term economic and fiscal sustainability of Hong Kong and the appropriate policy response in the relevant key areas. These include:

- (a) assessing the manpower requirement and supply in key economic sectors;
- (b) liberating the labour force from the existing working age population;
- (c) admission of talents from outside Hong Kong;

- (d) assessing the healthcare, financial and other support for our elderly; and
  - (e) devising measures for the support for and integration of new arrivals.
6. The findings and recommendations of SCPP are set out below.

### ***Mainland Women Giving Birth in Hong Kong***

7. Since 2007, the Hospital Authority (HA) has implemented the revised arrangements for obstetric service for non-local women, under which booking for delivery places in public hospitals by non-local pregnant women (being Non-eligible Persons (NEPs)) would only be accepted when spare service capacity is available. NEPs with prior booking would be issued with booking confirmation certificates and are required to pay a package charge of \$39,000. Emergency deliveries through the A&EDs will be charged at \$48,000. These arrangements have been successful in reducing the number of “gate-crashing” A&EDs by non-local women, until towards the end of 2011. In the second half of 2011, the Government announced that the delivery quota for non-local women for 2012 were to be limited to 35 000.

8. In anticipation of a further increase in the number of births by local women in 2013, the Government’s original plan was to suspend booking of obstetric service at HA hospitals by non-local women and to further reduce the number of their delivery quota at private hospitals. In early April 2012, HA announced that it would suspend all booking of delivery places by non-local women for 2013. On 16 April 2012, the Chief Executive-elect expressed the position that the booking of delivery place at private hospitals by non-local women whose spouses were not Hong Kong permanent residents should be suspended for 2013, subject to further consideration by the next-term Government on the longer-term implication of Type II babies on education, social and other related services. If a “zero delivery quota” were implemented in 2013, the community’s concern over the provision of adequate and quality obstetric services for local women would be largely addressed.



## **Recommendation 1**

9. The SCPP recommends that the relevant bureaux and departments should continue to take forward the various administrative measures that are in place for tackling the problem of “gate-crashing” A&EDs. These measures include –

- (a) stepping up surveillance and screening on pregnant visitors at BCPs [paragraph 4.10(a)];
- (b) stepping up the crackdown on unscrupulous intermediaries which help pregnant Mainlanders without confirmed booking certificates to cross the boundary [paragraph 4.10(b)];
- (c) referring “refused entry” cases involving Mainland pregnant women to the Mainland authorities to deter their dangerous behaviour of seeking emergency hospital admissions shortly before labour, and stepping up the investigation and prosecution for the offence of overstaying in Hong Kong [paragraph 4.10(c)];
- (d) stepping up the crackdown on unlicensed guesthouses which help accommodate Mainland pregnant women for overstaying in Hong Kong [paragraph 4.10(d)]; and
- (e) raising the fee level charged for obstetric services at public hospitals for non-booked cases of NEPs to deter non-local pregnant women from “gate-crashing” at A&EDs [paragraph 4.10(e)].

### *Type I and Type II babies*

10. As regards the children who were already born to Mainland parents in Hong Kong or those to be delivered within 2012, the SCPP recommends that the Government should continue to make suitable preparation in the relevant public services.

## **Recommendation 2**

### **(a) MCHC services**

**The Department of Health (DH) should continue to take measures to cope with the surge in demand for services. For example, the Fanling MCHC was expanded in March 2012 and Hunghom MCHC will be re-provisioned and expanded in 2013. DH will monitor the demand for MCHC services and ensure that proper and adequate child health services are provided to babies born in Hong Kong [paragraph 4.11];**

## **Recommendation 3**

### **(b) Education**

- (i) The Government will strengthen the mechanism for projection of demand for education services by Types I and II children so as to facilitate the planning of school places in the longer term [paragraph 4.13(b)];**
- (ii) the Government will ensure adequate provision of school places for those who are eligible and in demand of education in Hong Kong [paragraph 4.12(a)]; and**
- (iii) multiple measures will be adopted or explored to increase the supply of school places, such as providing additional classrooms within the existing school premises; recycling suitable school premises; diverting CBS to districts with more supply of school places; temporarily allocating additional students per class; and search for additional school sites for new school building programmes [paragraph 4.13(a)].**

#### **Recommendation 4**

##### **(c) Cross-boundary students**

**For security and safety concerns, cross-boundary schooling at pre-primary and primary levels is not encouraged. To manage the number of CBS having regard to the capacity of the land BCPs, facilitating transport arrangements will be enhanced as far as practicable taking into consideration the capacity of the border facilities (for example, increasing pick-up/drop-off bays in Lok Ma Chau Spur Line BCP, putting in place on-board clearance arrangement in Lok Ma Chau (Huanggang), and diversion of CBS to control points with spare capacity). It is estimated that by 2012/13, the total capacity for handling CBS at land BCPs on a daily basis would be around 13 000 students [paragraphs 4.12(b) and 4.13(c)].**

#### ***Support for and Integration of New Arrivals***

#### **Recommendation 5**

**11. The SCPP recommends that the Government should continue to strengthen services and support for new arrivals through the use of district partnership and media partnership, and to keep track of the characteristics and service needs of new arrivals [paragraph 4.19].**

#### ***Nurturing and Admission of Talents***

**12. On the quality side, Hong Kong is generally doing well in nurturing a population which will meet the needs of our economic development. With the expansion of post-secondary and tertiary education, by 2015, over one-third of the relevant cohort of our population will have access to degree-level education, and including sub-degree programmes, over two-thirds will have access to post-secondary education. The higher-educated future workforce will**

continue to support Hong Kong's development as a knowledge-based economy. At the same time, the stock-taking exercise on the manpower situation of some key or developing industries or sectors has indicated that the Government's current policy with regard to manpower training has, in the main, been able to meet the growth in these sectors. Likewise, the operation of various talent admission schemes is able to meet needs in these sectors.

13. On the other hand, we are doing less well on the quantity aspect. The total fertility rate of Hong Kong has been below the replacement level of 2 100 live births per 1 000 women since 1980 and is projected to remain so. Within the community, there are some who considers that babies born to Mainland women in Hong Kong can help replenish our population. However, there are issues which cast doubt on whether these births can really provide a complete answer as -

- (a) it is highly uncertain as to whether and when these babies would return to Hong Kong for settlement;
- (b) the implications on education and other social services are significant, so much so that it has caused serious concern in the community; and
- (c) policies that concern talent admission, as in many economies, are designed for attracting and selecting talents who can make an immediate contribution to the economy. However, on the question of taking-in young children born to non-local women in Hong Kong, we have no control on whether, when, and who will be returning.

14. Hong Kong is facing an ageing population and a slow growth in manpower supply. Like many economies with an ageing population, the economic dependency ratio of our population is on an increasing trend. It is projected that by 2020, the economic dependency ratio of Hong Kong would reach 1 042 (per 1 000 economically active persons), meaning that the economically inactive persons would out-number those that are active. We must, therefore, make our best endeavours to slow down the rise in the economic dependency ratio.

15. To face up to this challenge, apart from increasing local births, our policies should be geared towards increasing the working age population and the labour force participation rate. Relating to this, it is worth noting that the local fertility rate has experienced slight increase in the past few years from 1 042 in 2009 to 1 189 in 2011. The Government will continue to explore measures to encourage local women to give birth.

### **Recommendation 6**

16. **The SCPP recommends that the Government should explore measures to make fuller use of the youth, female and older population to expand our local labour force. In particular, we should consider stepping up the promotion of youth employment in cooperation with non-governmental organisations and social enterprises [paragraphs 4.38 and 4.43].**

### **Recommendation 7**

17. **At present, there is no statutory retirement age in Hong Kong. To promote employment of elderly persons, the Government should consider examining the merits and implications of encouraging the adoption of a higher retirement age. However, any such change should not affect the existing conditions and arrangements for withdrawal of benefits under the various retirement benefits schemes [paragraph 4.39].**

### **Recommendation 8**

18. **On the admission of talents, the Government should –**
- (a) conduct in-depth reviews of the pull and push factors affecting talents' decision on whether to come to work and stay in Hong Kong, for example, development opportunities and supporting services such as availability of international school places, and other services/facilities for their families, and to examine the various aspects of the talents admitted [paragraph 4.47];**

- (b) consider reviewing the various talents admission schemes, including the Quality Migrant Admission Scheme, with a view to improving their operation for enhancing our position in the global competition for talents [paragraph 4.48]; and
- (c) continue its effort in expanding the admission of non-local students at graduate and postgraduate levels in order to take-in overseas and Mainland talents at an early stage [paragraph 4.48].

### *Supporting Our Elderly*

#### **Recommendation 9**

19. To better support our elderly, the SCPP recommends that –
- (a) on healthcare, Hong Kong should develop both public and private healthcare sectors in parallel and to diversify sources of funding in meeting the rising medical and healthcare cost. To this end, the proposed Health Protection Scheme is being taken forward. The Government will also continue to develop specific plans and implement measures to address the healthcare needs of elderly people [paragraphs 4.54 and 4.55];
  - (b) to harness the potential of the elderly population, measures should be taken to further encourage active ageing, for example, by promoting lifelong learning and enabling elderly people to take major modes of public transport at a concessionary fare of \$2 per trip [paragraphs 4.60 and 4.61]; and
  - (c) the Government should continue to promote filial piety and inter-generational support for the elderly [paragraph 4.63].

## **Recommendation 10**

20. **On financial support, Hong Kong should continue to consolidate and strengthen the existing three-pillar retirement protection system<sup>1</sup>, as well as other subsidized services such as elderly care services, public housing and healthcare services which are all important components of our support system for the elderly[paragraphs 4.57 and 4.59].**

21. In this connection, we note that the Chief Executive-elect has, in his manifesto for election, proposed to build on the existing OAA and introduce a means-tested special allowance for needy elders as well as to increase voucher amount under the Elderly Health Care Voucher Pilot Scheme.

## **Concluding Remarks**

22. The demography of Hong Kong evolves over a long period of time and has been affected by factors more than just births and deaths. Immigration and emigration has all along been playing a significant role in affecting the size and composition of our population in the past decades. Looking into the future, population ageing, while may possibly be slowed down by increased birth and immigration, is nonetheless inevitable.

23. Therefore, population policies should focus on investing to raise the quality and productivity of our population, liberating more labour force from the existing population, and providing effectively for the elderly population by making the best use of public and private resources.

24. Over the decades, Hong Kong has thrived on being a centre for attracting new arrivals and talents from different parts of the world. We have been able to provide an environment for people of different ethnic origins to succeed and to contribute to our community's

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<sup>1</sup> The three-pillars refer to non-contributory social security system (comprising Comprehensive Social Security Assistance, Old Age Allowance and Disability Allowance), the Mandatory Provident Fund system and voluntary private savings.

advancement. We should ensure that we continue to do so.

25. The SCPP Progress Report 2012 outlines the broad policy directions on various important issues. Some of the recommendations have already been launched. For the remaining proposals, broad directions have been set out in this Progress Report. It is meant to provide a basis for the next-term Government to consider how the various issues should be taken forward. SCPP hopes that this Progress Report can provide a broader and more comprehensive discussion on the key demographic concerns and challenges which Hong Kong is facing, so that it can form the basis for further deliberation by the community on appropriate measures which should be adopted for the future.



# CHAPTER I

## INTRODUCTION

### **Policy Objective**

1.1 The key objective of the population policy of the Hong Kong Special Administrative Region (HKSAR) is to secure and nurture a population which sustains our development as a knowledge-based economy. Accordingly, our population policy 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.

1.2 Hong Kong's aspiration is to continue to maintain our position as Asia's world city. The "One Country, Two Systems" arrangement ensures that Hong Kong continues to enjoy free flows of information, ideas and capital; to follow the common law legal system; and to maintain an independent judiciary. This, together with our unique history, has engendered Hong Kong's distinct strategic position as Asia's world city. We can encompass the best of both East and West. However, there is no room for complacency. With the accelerated pace of the process of globalization, competition among major world cities has never been more intense. Among the key parameters for success are quality people. Maintaining the quality of our population requires efforts both in respect of the education and health portfolios. Low fertility rate and longer life expectancy lead to changes in our demographic structure. Migration also plays an important role in shaping our population profile. In this context, the HKSAR Government's population policy should seek to reinforce our competitive advantages by nurturing local talents as well as attracting those from outside of Hong Kong. We also need to tackle the challenges arising from population ageing, low fertility rate, adequacy of quality labour supply and maintaining the long-term financial sustainability of our public services and welfare system.

1.3 When formulating the above policy objectives, the Task Force on Population Policy, which published its report in 2003, laid down

important goals, including redressing population ageing; improving the overall quality of our population; promoting social integration of new arrivals; and ensuring the long-term sustainability of Hong Kong's economic growth. Against this set of clear policy goals which our population policy strives to achieve, it is important to emphasize that many factors which shape our demographic developments are not within the Government's full control. Apart from Government policies, market forces and individual choices have a considerable part to play. For example, the economic integration of Hong Kong with the Pearl River Delta (PRD) and the rapid economic developments in the Mainland as a whole has brought about new demographic challenges. Over the past decade, Hong Kong residents have moved across the boundary to live, work and study. With the completion of large scale cross-boundary transport links, the preferences of some Hong Kong people with regard to their living and work locations could be extended to nearby PRD cities. These new developments will carry far-reaching consequences on future demographic patterns of Hong Kong.

## **The Steering Committee on Population Policy**

1.4 The Steering Committee on Population Policy (SCPP)<sup>1</sup> was set up in 2007 and led by the Chief Secretary for Administration (CS) to coordinate efforts by relevant policy bureaux and departments in reviewing policy measures, taking into account the latest demographic data and forecasts. In the 2010-11 Policy Address, the Chief Executive (CE) tasked the SCPP to focus its study on two topics. Firstly, the SCPP would examine ways to facilitate and support our elderly people to settle in the Mainland after retirement if they so wish. Secondly, over 30 000 children born in Hong Kong to Mainland women annually in recent years become Hong Kong permanent residents, although most of them return to the Mainland after birth. The SCPP would study in detail the

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<sup>1</sup> The Steering Committee on Population Policy (SCPP) was set up in October 2007 to facilitate the better planning and coordination of Government's efforts on population policy, with relevant bureaux continuing to be responsible for reviewing and implementing specific measures under their respective policy purviews which have a population angle. The SCPP is chaired by the Chief Secretary for Administration and comprises the Financial Secretary, Secretary for Education, Secretary for Security, Secretary for Food and Health, Secretary for Home Affairs, Secretary for Labour and Welfare, Secretary for Financial Services and the Treasury and directorates of relevant departments as core members.

ramifications of children born in Hong Kong to Mainland women returning to Hong Kong to study and live.

## **Focus of the Progress Report**

1.5 In the past 18 months, the SPPP has focused much of its efforts on the above two subjects, but we have also looked into how changing demography affect our labour supply and the development of key economic sectors. To gauge the views of the community, a series of meetings and consultation sessions have been conducted with Legislative Council Members, District Council members, academics and non-governmental organisations (NGOs) representatives as well as concerned groups (a summary of the consultation exercise is at Annex A). However, in the past few months, there has been intensified community concern over the use of obstetric services by non-local women and how babies born in Hong Kong to Mainland couples may impact on the provision of public services in future.

1.6 In support of the study, the Census and Statistics Department (C&SD) has conducted surveys on –

- (a) Hong Kong older persons' experience of and aspiration for taking up residence in the Mainland in February and March 2011; and
- (b) babies born in Hong Kong to Mainland women in March and April 2011.

The Central Policy Unit (CPU) has commissioned the Sun Yat-sen University to conduct a qualitative study on Mainland families giving birth in Hong Kong. The detailed results and/or findings are reported in the relevant parts of this Progress Report.

1.7 The results of these studies have been reported in paragraphs 53 to 61 and 80 to 81 of the 2011-12 Policy Address (extract at Annex B) announced in October 2011. They will also be discussed in further detail in this Progress Report. At the same time, in the course of their

deliberations on the two subjects, the SCPP has identified several key aspects of Hong Kong's latest population profile which impact on Hong Kong's long-term development as a knowledge-based economy and world class city in the Asia Pacific Region. The discussion in this Progress Report has, therefore, been extended to cover other important population-related subjects which are of concern to the Hong Kong community, including manpower projections; nurturing of local talents; admission of overseas talents; and support for the elderly living in Hong Kong. The resulting broad directions identified in this Progress Report will hopefully provide a useful basis for further consideration by the next-term Government.

## CHAPTER II

### HONG KONG'S POPULATION PROFILE

#### Population Size

2.1 According to the *Hong Kong Population Projections 2010–2039* published by the Census and Statistics Department (C&SD) in July 2010, Hong Kong's population is projected to increase steadily from 7 million in mid-2009 to 8.89 million in mid-2039 at an average growth rate of 0.8%. The average annual growth rate during the period of 1961-2006 was 1.8%<sup>2</sup>. Hong Kong's population growth started to slow down after 1981.

Table 2.1: Actual and Projected Growth of Hong Kong Population

Mid-year	Total number of persons	Average annual growth rate over a 5-year period
1961 *	3 129 648	N.A.
1971 *	3 936 630	2.3% <sup>3</sup>
1976 *	4 402 990	2.1%
1981 *	5 109 812	3.3%
1986 *	5 495 488	1.5%
1991 *	5 674 114	0.6%
1996 *	6 412 937	1.8%
2001 *	6 708 389	0.9%
2006 *	6 864 346	0.4%
2011*	7 071 576	0.6%
2014 <sup>#</sup>	7 306 400	0.8%
2019 <sup>#</sup>	7 659 100	0.9%
2024 <sup>#</sup>	8 015 500	0.9%
2029 <sup>#</sup>	8 339 400	0.8%

<sup>2</sup> Based on the results of past population censuses/by-censuses, the average annual growth rate from 1961 to 1971 was 2.3%, and the average annual growth rates over the previous 5 years were 2.1% in 1976, 3.3% in 1981, 1.5% in 1986, 0.6% in 1991, 1.8% in 1996, 0.9% in 2001, 0.4% in 2006 and 0.6% in 2011.

<sup>3</sup> The figure refers to average annual growth rate over the previous 10 years.

Mid-year	Total number of persons	Average annual growth rate over a 5-year period
2034 <sup>#</sup>	8 634 600	0.7%
2039 <sup>#</sup>	8 892 800	0.6%

\* The figures are based on the results of the past population censuses/by-censuses

# The figures are based on Hong Kong Population Projections 2010-2039

Source: *The 2006 Population By-census Main Report: Volume I, Chart 3.1; Hong Kong Population Projections 2010-2039, Table 1, Mid-year Population for 2010 and 2011 Population Census, Census and Statistics Department*

## Fertility and Mortality

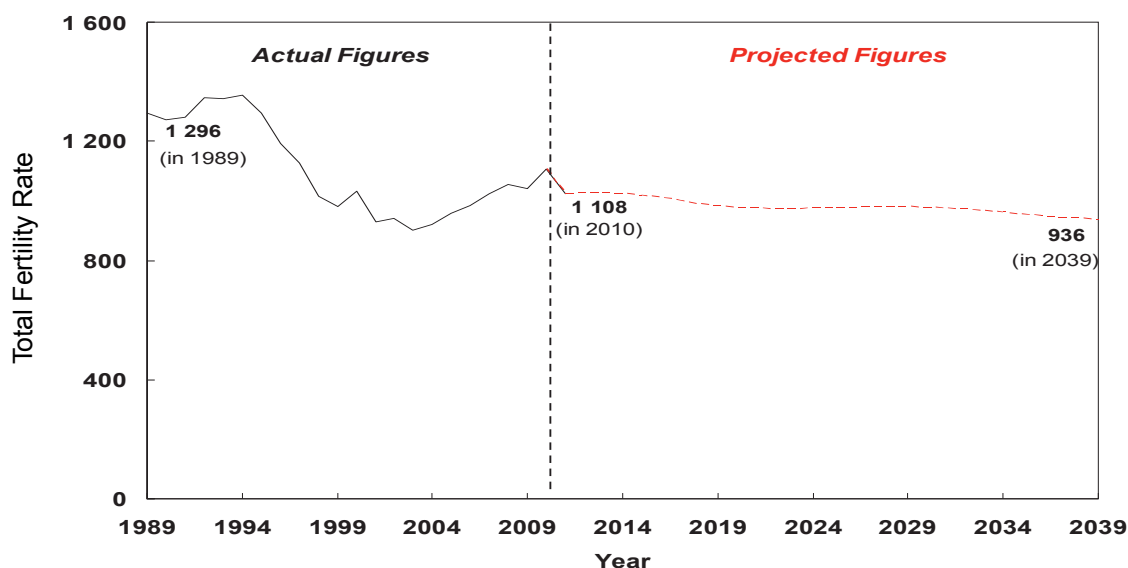
2.2 The total fertility rate (TFR)<sup>4</sup> in Hong Kong has persistently been at a low level over the last two decades. According to the *Hong Kong Population Projections 2010–2039*, the TFR is projected to decrease gradually from 1 108 live births per 1 000 women in 2010 to 936 in 2039, which is well below the replacement level<sup>5</sup> of 2 100 per 1 000 women. Factors accounting for low fertility rate include marriage postponement which shortens the childbearing exposure period, increased prevalence of spinsterhood, postponement of the giving of first birth after marriage, curtailment of the number of births per woman and increased divorce rates. Indeed, Hong Kong has one of the lowest fertility rates in the world<sup>6</sup>.

<sup>4</sup> The total fertility rate (TFR) refers to the average number of children that would be born alive to 1 000 women (excluding foreign domestic helpers) during their lifetime based on the age-specific fertility rates prevailing in a given year. The live births used in the calculation of fertility rates include those: (i) born in Hong Kong to women who are Hong Kong residents; (ii) born in Hong Kong to women residing in the Mainland whose spouses are Hong Kong residents; and (iii) born outside Hong Kong to women who are Hong Kong residents.

<sup>5</sup> For a population to replace itself, each woman would have to produce on average a sufficient number of children. A total fertility rate of 2 100 children per 1 000 women is considered to correspond to the replacement level, allowing for factors such as sex differential at birth, mortality of infants/children and mortality of women before reaching their reproductive years.

<sup>6</sup> In 2009, among the 216 countries/economies in the world, Hong Kong topped the list (with the total fertility rate being 1 042). Source: Data from World Bank <<http://data.worldbank.org/indicator>>

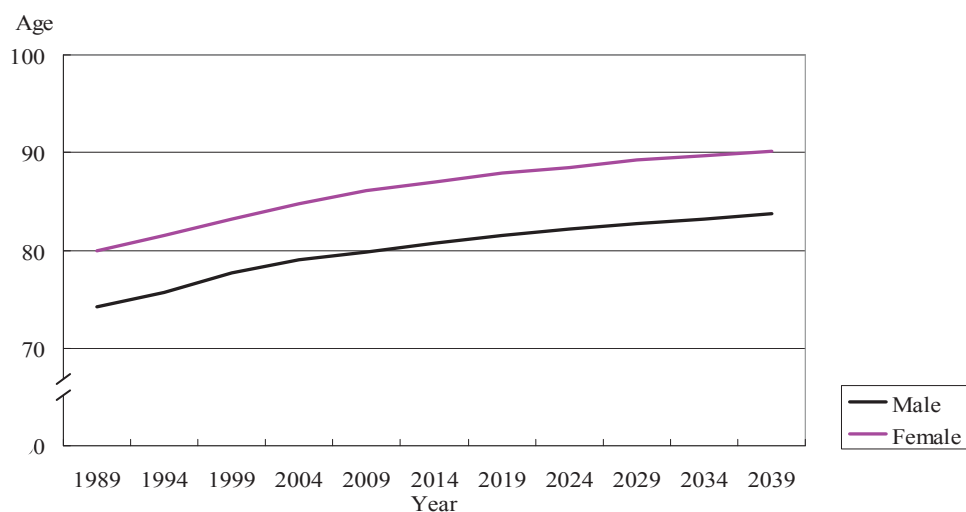
Chart 2.1: The Trend of the Total Fertility Rates from 1989 to 2039



Source: *Hong Kong Population Projections 2010-2039, Census and Statistics Department*

2.3 Over the past two decades, Hong Kong has been experiencing a continuous decline in mortality. Today, the life expectancy at birth for Hong Kong still remains one of the longest in the world. In 2010, the life expectancy at birth was 80.0 years for male and 85.9 years for female, and is projected to increase to 83.7 years and 90.1 years in 2039 respectively.

Chart 2.2: Life Expectancy from 1989 to 2039



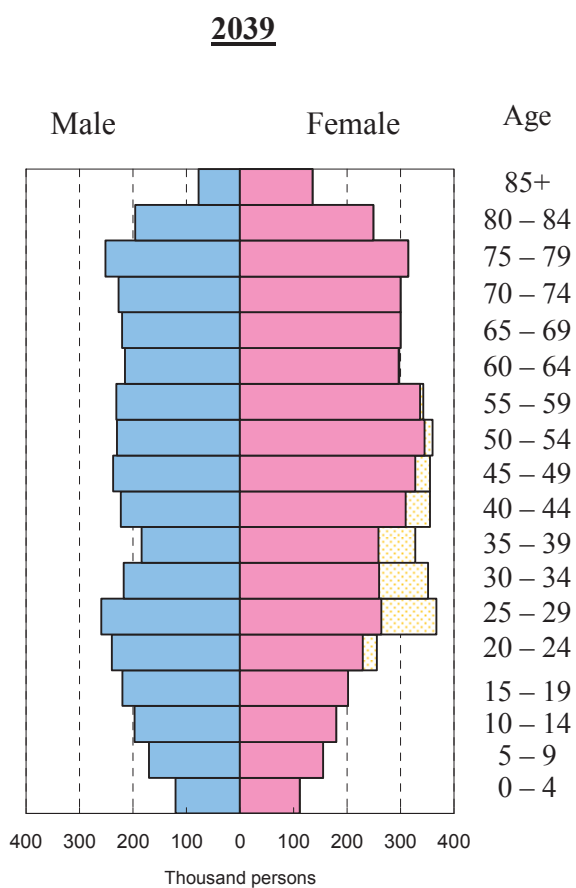
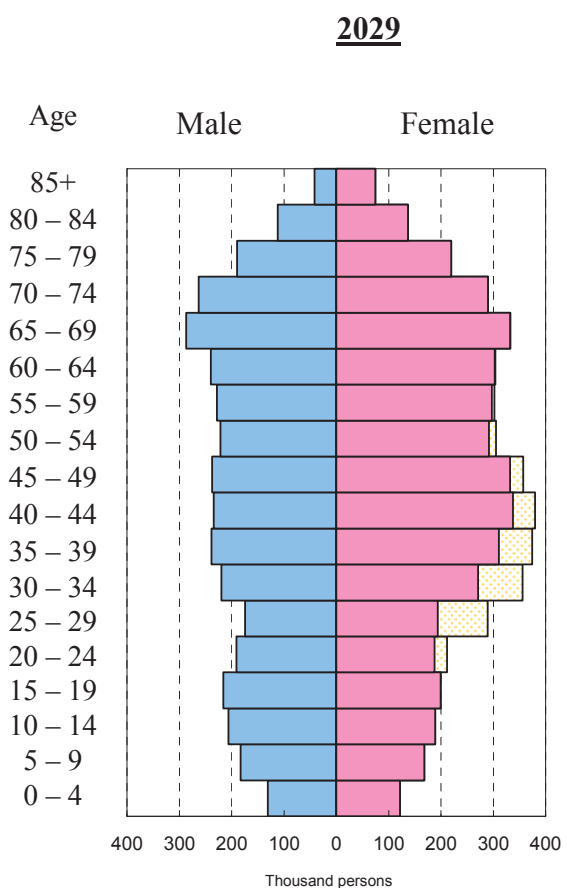
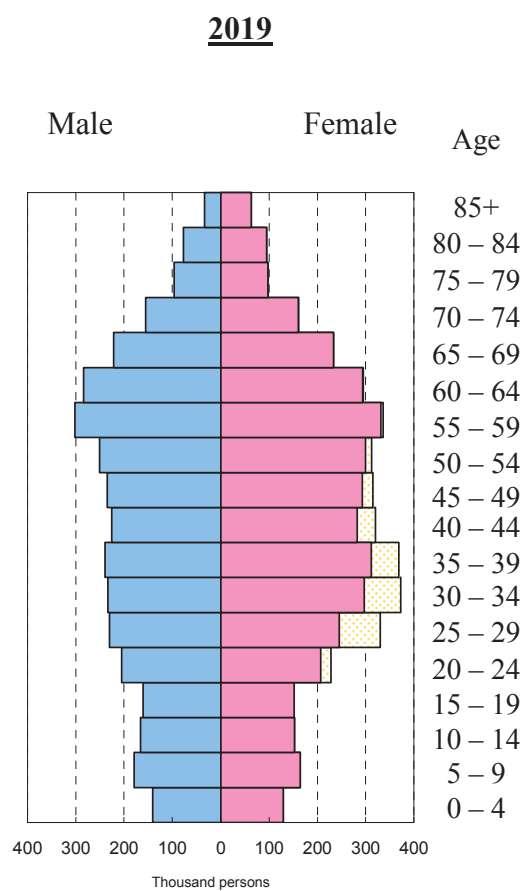
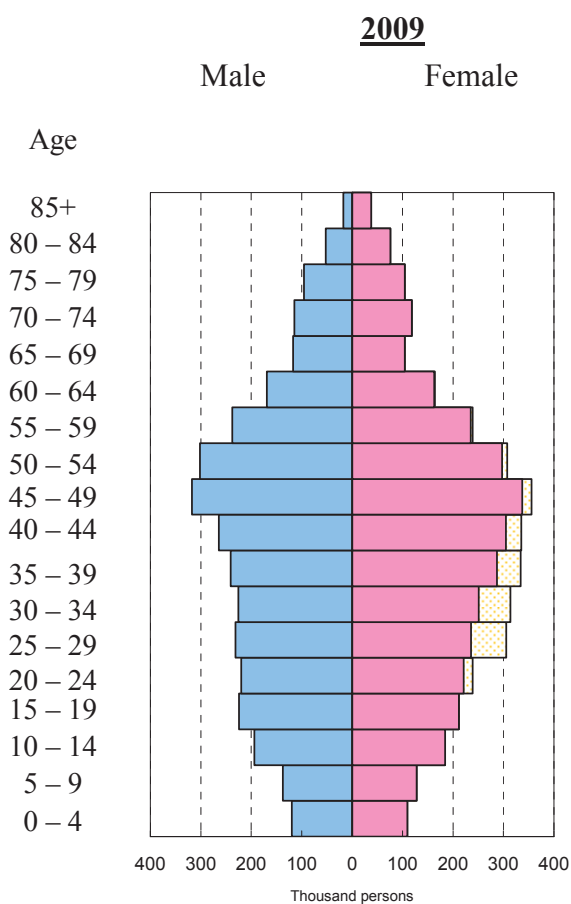
Source: *Hong Kong Population Projections 2010-2039, Census and Statistics Department*

## **Population by Age Group and Sex**

2.4 The increasing life expectancy coupled with the persistent low level of fertility leads to a shift from younger to older age groups in the Hong Kong population, resulting in 25% of the population would be above the age of 65 in 2029 and 28% in 2039. The median age will gradually rise from 41.1 in 2010 to 45.7 in 2029 and 47.6 in 2039. Chart 2.3 shows the gender and age distribution in 2009, 2019, 2029 and 2039. For the sex ratios of the age group 25-44, there would be more female because they are dominant amongst the One-Way Permit holders and foreign domestic helpers.



Chart 2.3: Population Pyramids for Selected Years



Foreign domestic helpers

2.5 The changing age structure of our projected population can also be seen from variations in the dependency ratio. Dependency ratio measures the number of persons aged under 15 and those aged 65 and over per 1 000 persons aged 15-64. Under the ageing trend, Hong Kong will have a sharp increase in the elderly dependency ratio<sup>7</sup>, from 172 in 2010 to 454 in 2039<sup>8</sup>. During the same period, the child dependency ratio<sup>9</sup> will be quite stable, rising slightly from 162 to 171<sup>10</sup>. In 2010, the overall dependency ratio<sup>11</sup> was 334 and is projected to rise to 625 in 2039, which is almost twice of that in 2010<sup>12</sup>. It must be noted that “dependency ratio” reflects only the age structure. Not everyone between 15 and 64 participate in the labour market. On the other hand, people aged over 65 can still be active in labour market. Therefore, the economic dependency ratio, as described in the ensuing paragraphs, would be a better indicator of how many persons in the labour force are supporting those not in the labour force (including the children under the age of 15 and retirees).

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<sup>7</sup> Elderly Dependency Ratio refers to the number of persons aged 65 and over per 1 000 persons aged between 15 and 64.

<sup>8</sup> According to the World Development Indicator of World Bank, in 2010, the elderly dependency ratio of Hong Kong was 168. Countries with the highest elderly dependency ratio are Japan, Italy, Germany, Sweden and Greece, which have a ratio ranging from 354 to 277.

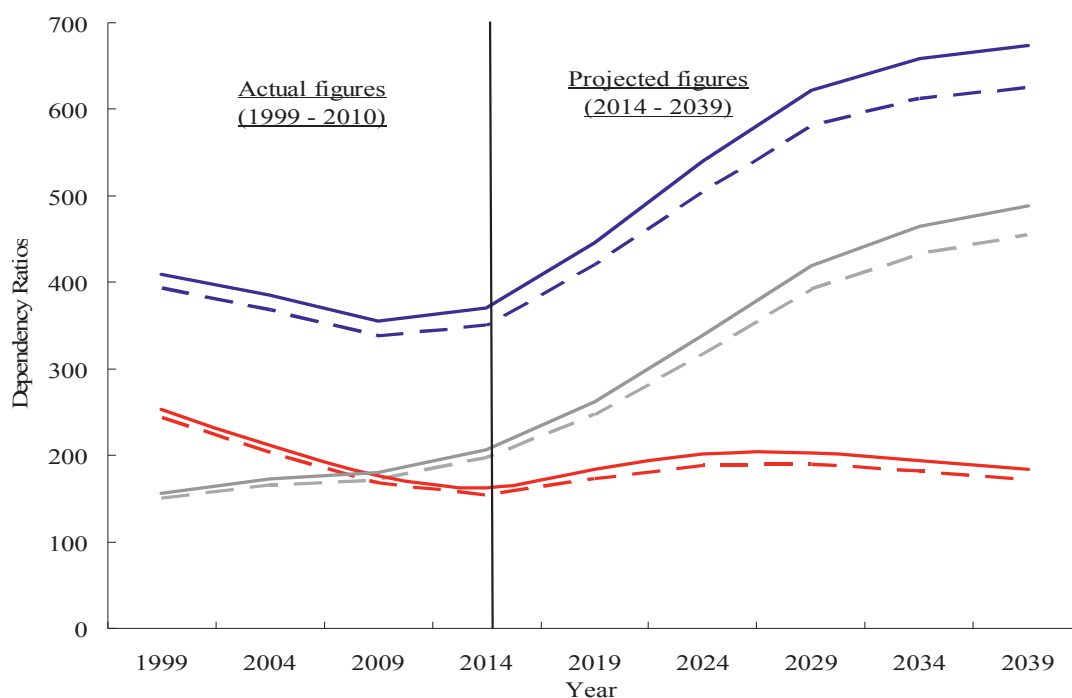
<sup>9</sup> Child Dependency Ratio refers to the number of persons aged under 15 per 1 000 persons aged between 15 and 64.

<sup>10</sup> According to the World Development Indicator of World Bank, in 2010, the child dependency ratio of Hong Kong was 152, the lowest among 216 countries/economies.

<sup>11</sup> Overall Dependency Ratio refers to the number of persons aged under 15 and those aged 65 and over per 1 000 persons aged between 15 and 64. It is the sum of the Child Dependency Ratio and the Elderly Dependency Ratio.

<sup>12</sup> The figures include foreign domestic helpers (FDHs). By excluding FDHs, the elderly dependency ratio was 182 in 2010 and will increase to 489 in 2039; the overall dependency ratio will rise from 353 in 2010 to 673 in 2039.

**Chart 2.4: Dependency Ratios**



— Overall dependency ratio (including FDH*)	— Overall dependency ratio (excluding FDH)
— Elderly dependency ratio (including FDH)	— Elderly dependency ratio (excluding FDH)
— Child dependency ratio (including FDH)	— Child dependency ratio (excluding FDH)

\* Foreign Domestic Helpers (FDH)

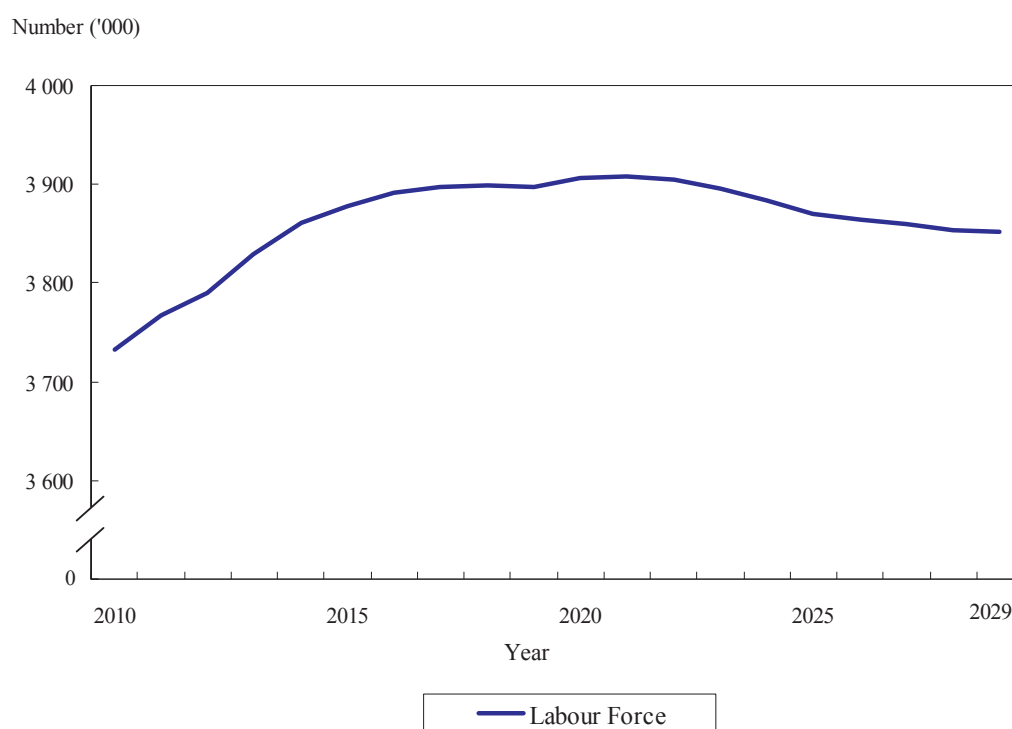
Source: *Hong Kong Population Projections 2010-2039*, Census and Statistics Department

## Labour Force and Economic Dependency Ratios

2.6 Labour force, synonymous with the economically active population, comprises the employed population and the unemployed population. The Labour Force Participation Rate (LFPR) refers to the proportion of labour force in the population aged 15 and over. It is a measure of the propensity of the persons of working age to be in the labour force. According to the *Hong Kong Labour Force Projections for 2010 to 2029*, the total labour force is projected to increase from 3.73 million in 2010 to 3.91 million in 2021 but will gradually fall to 3.85 million in 2029, as a combined effect of the changing demographic

structure and LFPRs for different age-sex groups over time<sup>13</sup>. LFPR is the highest in the age group of 25-29, around 92% in the coming years. Due to higher participation of females in the labour market, the LFPRs for age groups of 30-39 and 40-49 are projected to increase. Comparing with the age group of 50-59 which has a participation rate of 66.7% in 2010, the age group of 60-64 has only a participation rate of 35.1% in the same year. LFPR for the age group of 65 and above was even lower at a single digit of around 5%. In sum, the overall LFPR will decline from 60.9% in 2010 to 53.2% in 2029 because of ageing population and decline in the proportion of persons of prime working age (aged 25-59) in the population aged 15 and over.

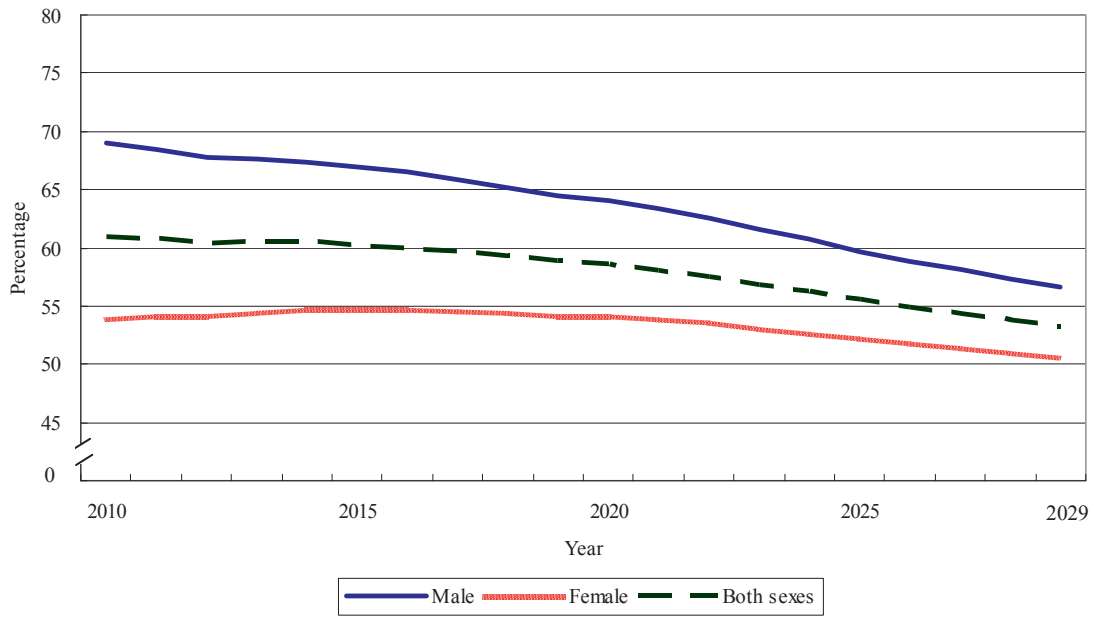
Chart 2.5: Projected Labour Force, 2010 to 2029



*Source: Hong Kong Labour Force Projections for 2010 to 2029, Census and Statistics Department*

<sup>13</sup> The figures include FDHs.

Chart 2.6: Projected Labour Force Participation Rates, 2010 to 2029



*Source: Hong Kong Labour Force Projections for 2010 to 2029, Census and Statistics Department*

Table 2.2: Projected Labour Force Participation Rates by Sex and Age Group, 2010 to 2029

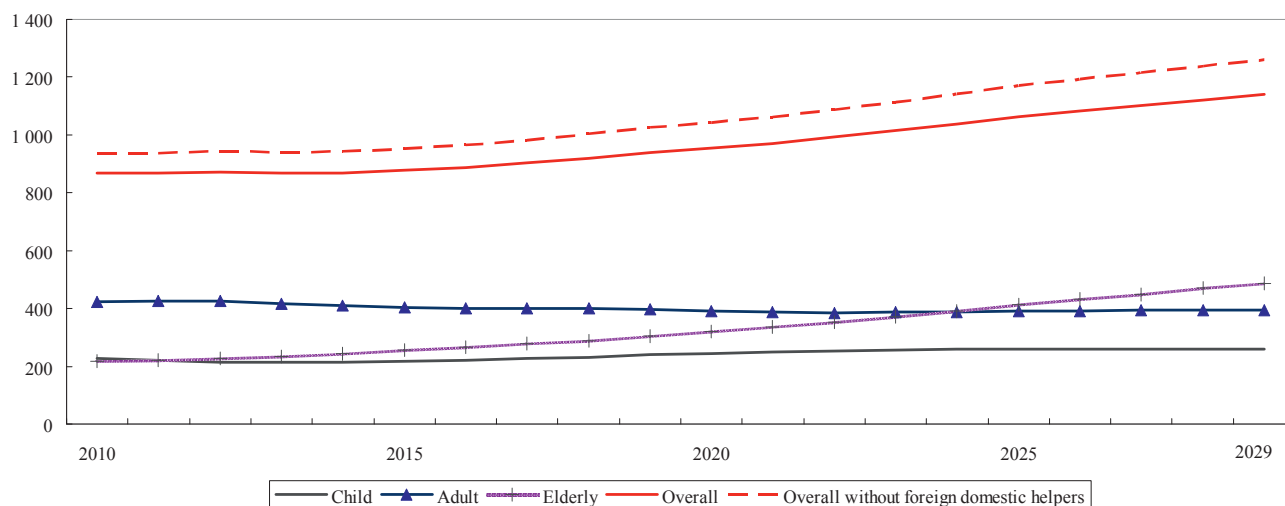
	2010	2015	2020	2025	2029
<b>Male</b>					
15-19	13.6	11.4	9.4	8.5	8.0
20-24	64.8	62.8	58.4	58.4	58.4
25-29	94.7	94.0	93.5	93.0	92.6
30-39	96.4	96.0	95.5	95.2	94.9
40-49	94.9	94.6	94.4	94.2	94.1
50-59	83.8	83.0	82.3	82.9	82.9
60-64	50.4	57.7	57.7	57.7	57.7
65+	8.7	9.6	9.9	9.8	9.2
<b>Female</b>					
15-19	11.0	11.4	9.5	8.6	8.1
20-24	66.1	65.9	63.5	64.5	64.2
25-29	88.5	90.0	90.5	90.6	91.0
30-39	79.6	82.2	83.0	83.6	83.9
40-49	69.5	74.2	77.7	79.3	79.5
50-59	50.1	53.6	56.6	60.5	62.9
60-64	19.6	21.5	23.6	25.8	27.6
65+	1.9	2.0	2.1	2.3	2.4

*Source: Hong Kong Labour Force Projections for 2010 to 2029, Census and Statistics Department*

2.7 Economic dependency ratio can measure the burden on the labour force to take care of the population. It is computed as the ratio of the economically inactive population to 1 000 economically active persons. Table 2.3 shows the increasing trend of the economic dependency ratios for child and elderly. The overall economic dependency ratio is projected to increase by 31.2% from 869 in 2010 to 1 140 in 2029. This is mainly attributable to ageing population. The ratio will further increase by 10.4% to 1 258 in 2029 if foreign domestic helpers are excluded, representing more burden on the economically active group, particularly in caring for the aged population of which the majority should be economically inactive. To slow down the rise in

economic dependency ratio, we should increase the proportion of the economically active population by increasing the size of working age population as well as the labour force participation rate. This will be discussed in further details in Chapter IV.

Chart 2.7: Projected Economic Dependency Ratios, 2010 to 2029



*Source: Hong Kong Labour Force Projections for 2010 to 2029, Census and Statistics Department*

Table 2.3: Projected Economic Dependency Ratios, 2010 to 2029

	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2029</b>
Child <sup>1</sup>	228	218	245	260	259
Adult <sup>2</sup>	424	405	391	392	393
Elderly <sup>3</sup>	217	255	319	412	488
Overall <sup>4</sup>	869	878	955	1 063	1 140
Overall (excluding foreign domestic helpers)	937	952	1 042	1 168	1 258

Notes

1. Child economic dependency ratio is the ratio of the economically inactive persons aged below 15 to 1 000 economically active persons.
2. Adult economic dependency ratio is the ratio of the economically inactive persons aged 15-64 to 1 000 economically active persons.
3. Elderly economic dependency is the ratio of the economically inactive persons aged 65 and over to 1 000 economically active persons
4. Overall economic dependency ratio is the ratio of the economically inactive population to 1 000 economically active persons.

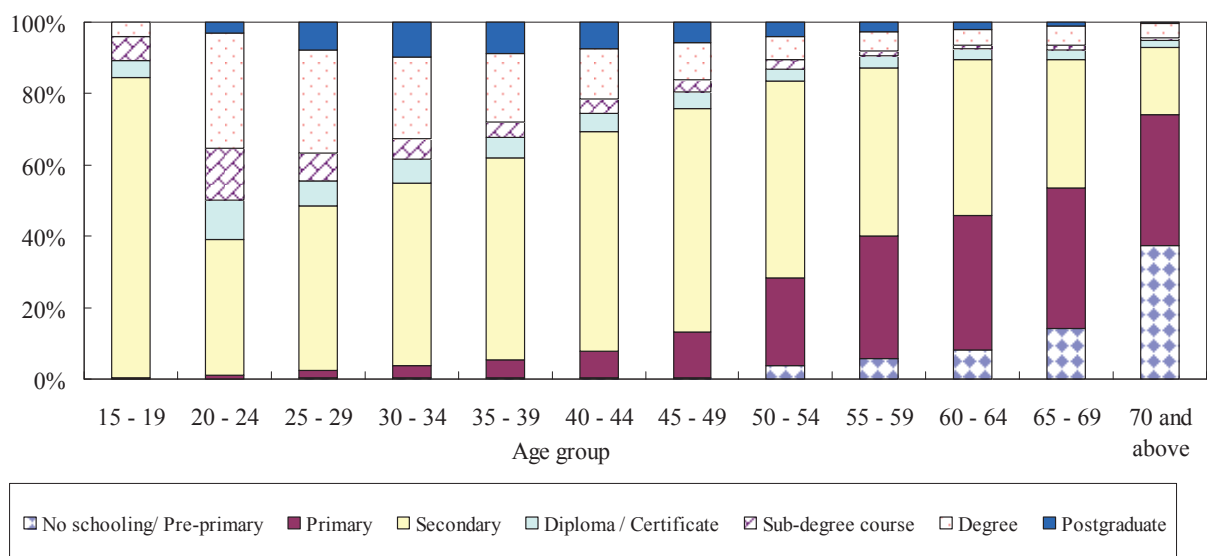
*Source: Hong Kong Labour Force Projections for 2010 to 2029, Census and Statistics Department*



## Educational Attainment of Population

2.8 Educational attainment of the population has been improving over the years. Chart 2.8 shows that the younger the generation, the higher the education level they attained.

Chart 2.8: Population Aged 15 and Above by Educational Attainment (Highest Level Attended) by Age Group, 2011



*Source: 2011 Population Census, Census and Statistics Department*

## Population Movements

### *New Arrivals from the Mainland*

2.9 Since the early 1980s, Mainland spouse and accompanying children of Hong Kong residents may apply for settling in Hong Kong for family reunion through the One-Way Permit (OWP) Scheme. The OWP Scheme is administered by the Mainland authorities and the current daily quota is 150. With effect from 1 April 2011, eligible Mainland “overage children” of Hong Kong residents, i.e. those Mainland persons who were under the age of 14 at the time their natural fathers or mothers obtained their first Hong Kong identity card on or before 1 November 2001, may apply for OWP to come to Hong Kong for reunion with their natural parents, as long as their natural fathers or mothers still reside in Hong Kong on 1 April 2011. OWP holders are the major source of population growth in Hong Kong, second to growth contributed by birth.

2.10 In 2011, the number of new arrivals coming to Hong Kong via OWP numbered to 43 379. Their brief profile<sup>14</sup> is as follows –

- (a) age: 17% aged below 15 and 45.9% were female aged from 25 to 44;
- (b) educational attachment: 88.5% aged 15 and over had attained secondary education or above with 15.1% attained post-secondary education;
- (c) province of origin: the majority came from Guangdong (51.7%);
- (d) occupation: of the 38% OWP holders who had worked in the Mainland, about 16% among them were clerical and sales staff; and about 11% were professional, administrative and executive workers. Those who had not worked were mainly homemakers and students; and

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<sup>14</sup> Source: Statistics on New Arrivals from the Mainland, Home Affairs Department and Immigration Department

- (e) work, living environment and family finance were the top three aspects which the OWP holders found difficulties in adapting to the life in Hong Kong.

### *Quality Immigrants*

2.11 The Quality Migrant Admission Scheme (QMAS) was launched in June 2006 to attract highly skilled or talented persons globally to settle in Hong Kong in order to enhance our economic competitiveness. It has an annual quota of 1 000. Applicants are not required to secure an offer of local employment before entry to Hong Kong and they may bring their spouse and unmarried dependent children under the age of 18 to Hong Kong. Of the 2 094 quotas allotted up to 2011, nearly 80% of successful applicants came from the Mainland, over 70% aged 25 to 39; and over 80% were university graduates with the majority having a Master degree or two Bachelor degrees. Table 2.4 shows the distribution of employment sectors with quota allotted. The “financial and accounting services” sector had always been the most popular employment sector (over 20% throughout the years). The sectors of “information technology and telecommunications” and “arts and culture” show a growing importance with a share of respectively 13.3% and 4.8% in 2006 and 18.2% and 10.8% in 2011.

Table 2.4: Number of Quota Allotted Cases in Different Employment Sectors from 2006 to 2011

<b>Employment sector</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>
Financial and Accounting Services	20 (24.1%)	61 (25.5%)	153 (27.1%)	127 (21.4%)	90 (27.4%)	62 (21.7%)	513 (24.5%)
Information Technology and Telecommunications	11 (13.3%)	37 (15.5%)	95 (16.8%)	105 (17.7%)	50 (15.2%)	52 (18.2%)	350 (16.7%)
Commerce and Trade	11 (13.3%)	20 (8.4%)	64 (11.3%)	58 (9.8%)	44 (13.4%)	15 (5.2%)	212 (10.1%)
Architecture, Surveying, Engineering and Construction	6 (7.2%)	13 (5.4%)	33 (5.9%)	59 (9.9%)	28 (8.5%)	28 (9.8%)	167 (8.0%)

<b>Employment sector</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>
Manufacturing Industries	7 (8.4%)	16 (6.7%)	29 (5.1%)	46 (7.8%)	26 (7.9%)	22 (7.7%)	146 (7.0%)
Arts and Culture	4 (4.8%)	14 (5.9%)	27 (4.8%)	41 (6.9%)	28 (8.5%)	31 (10.8%)	145 (6.9%)
Academic Research and Education	5 (6.0%)	21 8.8%)	32 (5.7%)	32 (5.4%)	7 (2.1%)	16 (5.6%)	113 (5.4%)
Others*	19 (22.9%)	57 (23.8%)	131 (23.2%)	125 (21.1%)	56 (17.0%)	60 (21%)	448 (21.4%)
<b>Total</b>	<b>83</b>	<b>239</b>	<b>564</b>	<b>593</b>	<b>329</b>	<b>286</b>	<b>2 094</b>

\* Other employment sectors refer to eight sectors with a relatively small percentage of aggregated quotas allotted up to 2011: Sports (3.9%); Business Support and Human Resources (3.7%); Legal Services (3.5%); Logistics and Transportation (3.2%); Human Health and Veterinary Services (2.7%); Broadcasting and Entertainment (2.2%); Catering and Tourism (0.8%); and Others (1.3%).

2.12 The Admission Scheme for Mainland Talents and Professionals (ASMTP) was introduced in July 2003 to attract qualified Mainland talents and professionals who possess skills, knowledge or experience of value to and not readily available or in shortage locally to work in Hong Kong in order to meet local manpower needs. Applicants should have a confirmed offer of employment and are employed in a job relevant to their academic qualifications or working experience that cannot be readily taken up by the local work force. In addition, the remuneration package is broadly commensurate with the prevailing market level for local professionals. ASMTP is a quota-free employment-based scheme. Since its implementation in July 2003, there have been increasing number of approved cases, amounting to 49 021 up to 2011. Table 2.6 shows the distribution of approved cases in different employment sectors since 2003. Table 2.7 shows the academic qualification of all the approved cases up to 2011 in which about 80% were university graduates.

Table 2.5: Number of Admission Scheme for Mainland Talents and Professionals Approved Cases from 2003 to 2011

Year	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
No. of approved cases	1 350	3 745	4 029	5 031	6 075	6 744	6 514	7 445	8 088

Table 2.6: Number of Approved Cases in Different Employment Sectors from 2003 to 2011

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>
Academic research and education	1 005 (74.4%)	2 384 (63.7%)	2 398 (59.5%)	2 462 (48.9%)	2 809 (46.2%)	2 908 (43.1%)	2 852 (43.8%)	2 548 (34.2%)	2 475 (30.6%)	21 841 (44.6%)
Arts/culture	40 (3.0%)	250 (6.7%)	271 (6.7%)	428 (8.5%)	475 (7.8%)	475 (7.0%)	1 041 (16.0%)	1 607 (21.6%)	2 058 (25.4%)	6 645 (13.6%)
Commerce and trade	75 (5.6%)	245 (6.5%)	422 (10.5%)	698 (13.9%)	995 (16.4%)	1 620 (24.0%)	725 (11.1%)	747 (10.0%)	743 (9.2%)	6 270 (12.8%)
Financial services	41 (3.0%)	193 (5.2%)	285 (7.1%)	498 (9.9%)	827 (13.6%)	770 (11.4%)	534 (8.2%)	1 039 (14.0%)	1 167 (14.4%)	5 354 (10.9%)
Others <sup>^</sup>	189 (14.0%)	673 (18.0%)	653 (16.2%)	945 (18.8%)	969 (16.0%)	971 (14.4%)	1 362 (20.9%)	1 504 (20.2%)	1 645 (20.3%)	8 911 (18.2%)
<b>Total</b>	<b>1 350</b>	<b>3 745</b>	<b>4 029</b>	<b>5 031</b>	<b>6 075</b>	<b>6 744</b>	<b>6 514</b>	<b>7 445</b>	<b>8 088</b>	<b>49 021</b>

<sup>^</sup> Others refer to 13 different sectors which accounted for 18.2% of all approved cases up to 2011. They are, namely, Engineering and Construction (3.1%), Recreation and sports (2.9%); Information technology (2.8%); Legal services (1.5%); Manufacturing industries (1.5%); Catering industry (1.2%); Telecommunications (0.9%); Medical and health services (0.7%); Architecture/surveying (0.6%); Biotechnology (0.4%); Traditional Chinese Medicine (0.4%); Tourism (0.4%); and Others (1.7%).

Table 2.7: Academic Qualification of Approved Cases from 2003 to 2011

	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Bachelor degree or equivalent	349 (25.9%)	1 154 (30.8%)	1 033 (25.6%)	1 374 (27.3%)	2 048 (33.7%)	3 450 (51.2%)	2 709 (41.6%)	3 067 (41.2%)	3 193 (39.5%)	18 377 (37.5%)
Master degree	360 (26.7%)	928 (24.8%)	1 030 (25.6%)	1 345 (26.7%)	1 658 (27.3%)	1 111 (16.5%)	1 316 (20.2%)	1 675 (22.5%)	1 564 (19.3%)	10 987 (22.4%)
Doctoral degree	500 (37.0%)	1 108 (29.6%)	1 261 (31.3%)	1 263 (25.1%)	1 348 (22.2%)	1 057 (15.7%)	1 140 (17.5%)	1 087 (14.6%)	1 107 (13.7%)	9 871 (20.1%)
Other qualifications	141 (10.4%)	555 (14.8%)	705 (17.5%)	1 049 (20.9%)	1 021 (16.8%)	1 126 (16.7%)	1 349 (20.7%)	1 616 (21.7%)	2 224 (27.5%)	9 786 (20.0%)
<b>Total</b>	<b>1 350</b>	<b>3 745</b>	<b>4 029</b>	<b>5 031</b>	<b>6 075</b>	<b>6 744</b>	<b>6 514</b>	<b>7 445</b>	<b>8 088</b>	<b>49 021</b>

2.13 Similar to ASMTP, the General Employment Policy also serves as a quota-free employment-based scheme for attracting overseas professionals possessing skills and knowledge not readily available in local market to work in Hong Kong. Applicants should have a confirmed offer of employment and are employed in a job relevant to their academic qualifications or working experience that cannot be readily taken up by the local work force. The remuneration package is broadly commensurate with the prevailing market level for professionals in Hong Kong. From 2007 to 2011, there were some 131 300 approved cases. “Administrators, Managers and Executives”, “Other Professionals and Technicians”, and “Sportsman and Entertainers” had always been the top three professions for intakes in the past five years. The majority of applicants came from United States of America, United Kingdom and Japan.

Table 2.8: No. of Approved Cases in Different Professions under the General Employment Policy from 2007 to 2011

	2007	2008	2009	2010	2011	Total
Administrators, Managers and Executives	10 586 (40.1%)	9 219 (34.8%)	6 568 (31.3%)	9 978 (37.1%)	10 273 (33.6%)	46 624 (35.5%)
Other Professionals and Technicians	6 315 (23.9%)	7 027 (26.6%)	4 885 (23.3%)	5 794 (21.6%)	7 616 (24.9%)	31 637 (24.1%)
Sportsmen and Entertainers	4 839 (18.3%)	5 556 (21.0%)	4 102 (19.5%)	3 566 (13.3%)	4 312 (14.1%)	22 375 (17.0%)
Teachers / Professors	2 360 (8.9%)	2 366 (8.9%)	2 239 (10.7%)	2 226 (8.3%)	2 366 (7.7%)	11 557 (8.8%)
Lawyers	373 (1.4%)	436 (1.6%)	208 (1.0%)	441 (1.6%)	453 (1.5%)	1 911 (1.5%)
Investors	177 (0.7%)	269 (1.0%)	329 (1.6%)	422 (1.6%)	493 (1.6%)	1 690 (1.3%)
Chef and Professionals in Food & Beverage	191 (0.7%)	171 (0.6%)	181 (0.9%)	304 (1.1%)	342 (1.1%)	1 189 (0.9%)
Medical & Dental Professionals	73 (0.3%)	47 (0.2%)	55 (0.3%)	67 (0.2%)	66 (0.2%)	308 (0.2%)
Others	1 470 (5.6%)	1 375 (5.2%)	2 421 (11.5%)	4 083 (15.2%)	4 636 (15.2%)	13 985 (10.7%)
<b>Total</b>	<b>26 384</b>	<b>26 466</b>	<b>20 988</b>	<b>26 881</b>	<b>30 557</b>	<b>131 276</b>

Note

The figures exclude persons admitted to take up employment under schemes or arrangements catering for Mainland residents, foreign domestic helpers, imported workers admitted under the Supplementary Labour Scheme as well as those admitted under the Immigration Arrangements for Non-local Graduates.

***Cross-boundary Population Movements***

2.14 The socio-economic ties between Hong Kong and the Mainland are growing stronger, leading to tremendous growth in cross-boundary travel over the years. The Planning Department has since 1999

conducted regular surveys on cross-boundary travel and on Hong Kong people living and working in the Pearl River Delta (PRD) region. During the survey period in 2009, on average some 434 300 cross-boundary passenger trips (including both arrivals and departures) were made by HK residents and those living in the Mainland, representing an increase of about 68% since 1999. While leisure trips for people living in Hong Kong still dominate among northbound trips (about 56.8%), it was found that 17.8% and 15.6% of the northbound trips were made for visiting friends and relatives and for business respectively. Amongst the PRD regions, Shenzhen's popularity had been increasing from 59% in 1999 to 73% in 2009. It is worth noting that the number of frequent trip makers (who travelled at least once a week between the Mainland and Hong Kong) had increased by 92% from 368 500 in 1999 to 708 800 in 2009. Among these frequent trip makers, there were 44 600 who travelled across the boundary to go to work on a daily basis (of these, 54% of them were living in the Mainland; they were predominantly male; 35% were aged between 35 and 44) and about 7 600 were cross-boundary students (almost all of them lived in Shenzhen). Of these cross-boundary students, 47% were aged between 6 and 11 and about 32% were 5 or below. Lo Wu, Lok Ma Chau Spur Line and Shenzhen Bay were the major control points used by these students.

## **Babies Born in Hong Kong to Mainland Women**

2.15 There has been an increasing number of births born in Hong Kong to Mainland women in the past few years. At the time of the publication of the *Report of the Task Force on Population Policy* in 2003, the number of births born to Mainland women was around 10 000<sup>15</sup> a year and constituted about 21.6% of the total births in Hong Kong. The vast majority of these mothers are wives of Hong Kong residents. Distinct changes have occurred over the past few years. Births to Mainland women in Hong Kong now involve predominantly Mainland couples who are not Hong Kong residents. The ratio of Type I<sup>16</sup> to Type

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<sup>15</sup> The figure is 10 128 in 2003.

<sup>16</sup> "Type I babies" refer to babies born by Mainland women in Hong Kong and whose fathers are Hong Kong permanent residents.



II<sup>17</sup> births has changed over the years from 1 : 0.3 in 2003 to 1 : 5.8 in 2011. In 2011, of the 95 418 live births in Hong Kong, Type II babies made up 37.5% of the total births in Hong Kong, while Type I made up of 6.4%. As the mothers of Type II babies are not expected to live in Hong Kong permanently, their births are not included in the calculation of Hong Kong's fertility rate.

Table 2.9: Number of Births Born in Hong Kong to Mainland women, 2001-2011

Reference period	Number of live births <sup>(1)</sup>	Of which number of live births born in Hong Kong to Mainland women			
		Whose spouses are Hong Kong Permanent Residents (i.e. Type I babies)	Whose spouses are not Hong Kong Permanent Residents <sup>(2)</sup> (i.e. Type II babies)	Others <sup>(3)</sup>	Sub-total
2001	48 219	7 190	620	Not available	7 810
2002	48 209	7 256	1 250	Not available	8 506
2003	46 965	7 962	2 070	96	10 128
2004	49 796	8 896	4 102	211	13 209
2005	57 098	9 879	9 273	386	19 538
2006	65 626	9 438	16 044	650	26 132
2007	70 875	7 989	18 816	769	27 574
2008	78 822	7 228	25 269	1 068	33 565
2009	82 095	6 213	29 766	1 274	37 253
2010	88 584	6 169	32 653	1 826	40 648
2011 <sup>(4)</sup>	95 418	6 110	35 736	2 136	43 982

#### Notes

1. Figures refer to the total number of live births born in Hong Kong in the reference period counted by the occurrence time of the events (i.e. births actually taking

<sup>17</sup> "Type II babies" refer to babies born by Mainland women in Hong Kong and whose fathers are not Hong Kong permanent residents.

place in that reference period).

2. Include Hong Kong Non-permanent Residents (persons from the Mainland having resided in Hong Kong for less than 7 years being grouped in this category) and non-Hong Kong residents.
3. Mainland mothers chose not to provide the father's residential status during birth registration.
4. Provisional figures.

*Source: The Fertility Trend in Hong Kong, 1981 to 2009, Table 2, Year-end Population for 2010 and 2011 Population Census, Census and Statistics Department*

2.16 The total number of babies born in Hong Kong by Mainland women was 40 648 and 43 982 respectively in 2010 and 2011. In 2011, 14% of them were Type I babies while some 81% were Type II. Table 2.9 shows the detailed breakdown of live births in Hong Kong from 2001 to 2011 and the trend of an increasing number of Type II babies being born.

2.17 According to the *Hong Kong Population Projections 2010-2039*, which uses the mid-2009 population estimate as the population base, the number of babies born to Mainland women are projected to be around 40 500 to 49 500 per annum in the three years from 2010 to 2012. However, it must be noted that this projection does not reflect the latest situation. The Government announced in 2011 to limit the number of non-local pregnant women giving birth in Hong Kong in 2012 to 35 000 (with 3 400 in public hospitals and about 31 000 in private hospitals). Since population projections will be prepared at intervals of two to three years, the impact of the cap and other recent measures, together with other latest updates on assumptions and/or policies, if any, will be taken into account in working out the next round of population projections.

2.18 According to Article 24 of the Basic Law, Chinese citizens born in the Hong Kong Special Administrative Region (HKSAR) are Hong Kong permanent residents, and they have the right of abode in Hong Kong. In 2001, the Court of Final Appeal ruled that Chinese citizens born in the HKSAR have the right of abode in Hong Kong regardless of the residential status of their parents. Babies born in Hong Kong by Mainland women being also Hong Kong permanent residents will enjoy

same social benefits as babies born in Hong Kong by local women. However, most Mainland parents, after obtaining the birth certificates, will bring their babies back to the Mainland. Yet they may return to and settle in Hong Kong anytime if they so wish.

2.19 In order to obtain the key parameters concerning these babies for the purpose of population projections and service planning, several rounds of “Survey on babies born in Hong Kong to Mainland women” were carried out by the C&SD in 2007 to 2011. With reference to the first three rounds of survey results and the preliminary analytical results based on cross-boundary movement data, it is projected in the *Hong Kong Population Projections 2010-2039* that 48% of Type I babies will leave Hong Kong immediately after birth but 84% of them will return to Hong Kong before the age of 21. For Type II babies, it was projected that about 95% will leave Hong Kong within the first year of their birth and 50% of them will return to Hong Kong before the age of 21. In other words, it is currently projected that 92% and 52% of Type I and II children will eventually settle in Hong Kong respectively.

### ***A Scenario of No Type II Babies Starting from 2013***

2.20 The next round of population projections will use mid-2011 as the base year and cover a 30-year period from 2012 to 2041, using updated projection assumptions which are referenced to the results of the 2011 Population Census and the latest developments of the relevant policy measures. While the projections are still under preparation by C&SD, opportunity is taken to generate preliminary findings on the impact on Hong Kong’s demography if there are no Type II babies starting from 2013. It must however be noted that comparison cannot be made directly to the *Hong Kong Population Projections 2010-2039* (i.e. the 2009-based projection) due to the differences in the projection assumptions used. Apart from the Type I/Type II births, some of the key assumptions in respect of population growth, including fertility rate of local women, return rates of children born to Mainland women, and the number of immigrants, would differ from the 2009-based projection assumptions.

2.21 In the scenario of no Type II babies being born in Hong Kong starting from 2013 (“Scenario A”), the population of Hong Kong is

projected to increase at a slower rate. Nevertheless, it should be noted that the Type II babies already born in the past few years (i.e. nearly 160 000 during 2006 to 2011) and those born in 2012 (i.e. with quota set at 35 000 for Type I and II babies) will still be a source of population growth in coming 10 years upon their return to settle in Hong Kong over time (paragraph 2.19). By 2021, the projected population under the Scenario A is less than that under the scenario in which Type I and Type II babies are born at a reduced number (around 30 000 per year) starting from 2013 (“Scenario B”) by some 45 000. The difference is widened to some 168 000 by 2031. By 2041, Scenario A projects that the size of Hong Kong’s population would be around 8.3 million, which is about 300 000 less than Scenario B. The Type II births have direct and immediate impact on the Child Dependency Ratio. In mid-2011, the Child Dependency Ratio was 155. Without the Type II births, it is projected that the Child Dependency Ratio would remain relatively stable and in general on a declining trend. By 2041, the projected figures would be 130 and 149 in Scenario A and B respectively. On the other hand, it would take a long while for the impacts to be seen on the Elderly Dependency Ratio, i.e. after the Type II children turn age 15. Comparing the two scenarios, the Elderly Dependency Ratios are projected to be more or less the same until 2028. By then Scenario A would have a higher Elderly Dependency Ratio. The Overall Dependency Ratio is the sum of the Child Dependency Ratio and the Elderly Dependency Ratio. With the two effects cancelling out each other, the differences between Scenario A and B are small. In comparison, the projected Overall Dependency Ratio in 2041 would be 636 and 637 in Scenario A and B respectively. The projected median age in 2041 would be 50.8 and 49.4 in the Scenario A and B respectively.

2.22 It must be noted that C&SD is still working on the *Hong Kong Population Projection 2011-2041* and hence the results of the final set of 2011-based population projections may differ from those quoted above.

Table 2.10: Comparison of key demographic indicators in Scenarios A and B

	Mid-2011(actual)	Mid-2041
Resident Population		
• Scenario A	7.1 million	8.3 million
• Scenario B		8.6 million
Child Dependency Ratio		
• Scenario A	155	130
• Scenario B		149
Elderly Dependency Ratio		
• Scenario A	177	506
• Scenario B		488
Overall dependency ratio		
• Scenario A	333	636
• Scenario B		637
Median age		
• Scenario A	41.7	50.8
• Scenario B		49.4

# CHAPTER III

## DEMOGRAPHIC CONCERNS AND CHALLENGES

### **Impacts of Population Ageing**

3.1 The latest population projections suggest that Hong Kong would remain on an ageing trend with a rising elderly dependency ratio, mainly due to a persistently low fertility rate of local women and longer life expectancy. An ageing population will lead to a shrinking labour force and present serious challenges to the productive capacity and sustainable development of Hong Kong economy. In addition, it will put immense pressure on public finance. On the revenue side, the tax base from salaries tax will narrow over time because of the shrinking working age population. At the same time, expenditure related to the elderly, such as healthcare, long-term care expenses and social security payments, will increase substantially.

### *An Ageing and Shrinking Labour Force*

3.2 With the working age population and their labour force participation rates falling along with population ageing, our labour force will also shrink in tandem. According to the latest Labour Force Projections released by the Census and Statistics Department (C&SD)<sup>18</sup>, total labour force, excluding foreign domestic helpers, is projected to decrease after 2020 from 3 579 900 to 3 490 300 in 2029. Unless there is a substantial increase in productivity, this will then reduce the standard of living, weaken competitiveness and undermine the economic vitality of Hong Kong society. With a significant proportion of our future population being elderly persons aged above 65 (many of whom are economically inactive) and children aged under 15, the burden on our

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<sup>18</sup> Hong Kong Labour Force Projections are compiled by the Census and Statistics Department based on its latest round of population projections results. The latest set of projections which cover a period of 20 years from 2010 to 2029 was published on 20 December 2010.

labour force will also be increasingly larger, as reflected by the rising projected overall economic dependency ratio from 937 in 2010 to 1 258 in 2029<sup>19</sup>.

3.3 It is important to highlight the point that the above projections have already included the contribution of population growth from the settlement of Type I and II babies in Hong Kong based on the current projection that 92% and 52% of them would eventually settle in Hong Kong respectively. Even with this assumed population replenishment, Hong Kong's working age population would still face a persistent downward trend in the 2020s due to the very low fertility rate in Hong Kong. With a shrinkage in the working age population (hence subsequently a shrinkage in the labour force), the potential Gross Domestic Product (GDP) growth is likely to be severely constrained if the ageing and shrinking labour force cannot be compensated by a new generation of youth or other sources of new entrants. Thus, there is a need to replenish our working age population as far as quantity is concerned and to optimize our demographic structure to achieve a quality population at the same time.

### ***Increasing Demand for Public Services***

#### **(i) Healthcare Services**

3.4 It is generally considered that under a normal course, older people, as compared with other age groups, have a higher demand for medical and healthcare services. For example, based on the utilization data of public hospital services in 2005-06, it is estimated that a person aged 65 or above occupies on average six times more hospital bed days than a person aged below 65.

3.5 In 2011-12, recurrent government expenditure in providing healthcare services for elderly people aged 65 or above is estimated to be \$17.3 billion, accounting for 7.1% of total recurrent government expenditure and 43% of recurrent government expenditure on health. This represents an increase of about 28% over that of ten years ago (\$13.5 billion in 2001-02). It is projected that the average growth rate of public

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<sup>19</sup> The figures of 937 and 1258 exclude foreign domestic helpers.

health expenditure due to the increase in utilization of healthcare services as a result of population ageing will be 1.2% per year during the period 2004 to 2033. While we can project the impact of population ageing on healthcare expenditure, the impact on health expenditure driven by medical advances and the need to improve the quality of services are difficult to estimate.

## **(ii) Social Welfare**

3.6 An ageing population carries serious financial implications on the demand for various social security payments, mainly Comprehensive Social Security Assistance (CSSA)<sup>20</sup> and Old Age Allowance (OAA)<sup>21</sup>. As at end-2011, about 10% (41 000), 45% (111 000) and 87% (626 000) of the elderly persons aged 60-64, aged 65-69 and aged 70 or above were receiving some form of social security payments. These include OAA, Disability Allowance (DA)<sup>22</sup> and CSSA respectively (Chart 3.1). Among the different social security payments, OAA accounted for most of the cases. As at end-2011, 30% (74 000) and 62% (444 000) of persons aged 65-69 and aged 70 or above were receiving OAA respectively.

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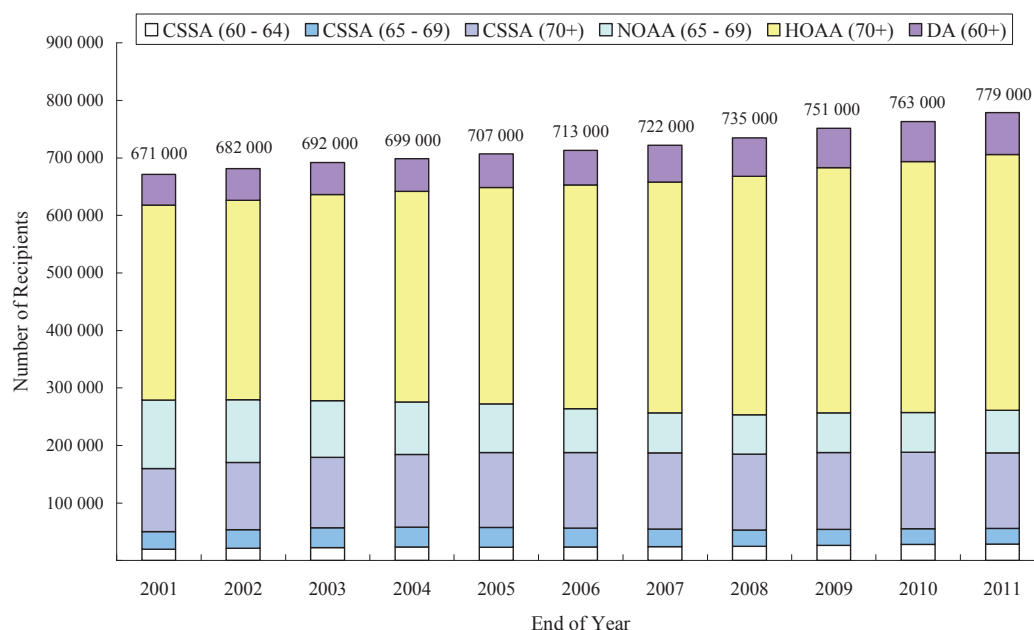
<sup>20</sup> The CSSA Scheme provides a safety net of last resort to help families in financial hardship meet their basic needs. It is non-contributory and wholly funded by the General Revenue. To be eligible for assistance, CSSA applicants must pass the financial tests. Except for Hong Kong residents who are aged below 18 or who have become Hong Kong residents before 1 January 2004, or in exceptional circumstances at the discretion of the Director of Social Welfare, the applicant must have been a Hong Kong resident for at least seven years. Persons whose presence in Hong Kong is unlawful or persons who are permitted to stay in Hong Kong for a purpose other than residence (for example, imported workers or visitors) are excluded from the Scheme.

<sup>21</sup> Elderly persons who are aged between 65-69 having an income and assets below the prescribed limits and meeting the specific residence requirements and other eligibility criteria can apply for Normal Old Age Allowance (NOAA). Elderly persons who are aged 70 or above meeting the specific residence requirements and other eligibility criteria can apply for Higher OAA (HOAA) and there is no limit on their income and assets. Both NOAA and HOAA are non-contributory, and their monthly rates are both \$1,090 at present.

<sup>22</sup> Disability Allowance (DA) is a non-contributory and non-means tested monthly allowance which aims to help Hong Kong residents who are severely disabled meet special needs arising from that disability condition. A person is eligible for Normal DA (the monthly rate of which is \$1,395 at present) if he/she is considered to be "severely disabled" within the meaning of the Social Security Allowance Scheme, and this disabling condition will persist for at least 6 months. The applicant is required to be certified by a medical practitioner of the Department of Health or the Hospital Authority (HA) as being in a position broadly equivalent to a person with a 100 per cent loss of earning capacity. To qualify for Higher DA (the monthly rate of which is \$2,790 at present), a severely disabled person must be in need of constant attendance from others in his/her daily life but is not receiving such care in a government or subvented institution or a medical institution under HA, or boarding in a special school under the Education Bureau.



**Chart 3.1: Number of CSSA and Social Security Allowance (SSA) Recipients Aged 60 or above, 2001-2011**



**Note**

For OAA and DA, the figures refer to the number of recipients in active cases, including cases applied but pending processing/payment, cases with payment, cases pending closure or cases that are subject to recovery of over-payment.

3.7 Furthermore, 7% (29 000), 11% (27 000) and 18% (131 000) of the elderly persons aged 60-64, aged 65-69 and aged 70 or above were receiving CSSA as at end-2011 respectively while 3% (13 000), 4% (9 000) and 7% (51 000) of those elderly persons were receiving DA as at end 2011 respectively. Total government recurrent expenditure on social security payments for the elderly is estimated to be \$17.1 billion in 2011-12, accounting for 6.61% of recurrent public expenditure. It is foreseen that with the increasing number of elderly persons, the corresponding expenditures will increase, in particular for Higher OAA which is non-means tested. The resultant tax burden on our working population is likely to be heavier.

3.8 Apart from social security payments, demand for elderly care services will also grow. According to the records of the Social Welfare Department (SWD), around 61 000 elderly persons aged 60 or above (or 5% of total elderly persons) were residing in residential care institutions at end December 2011. Another 26 000 elderly persons were using subsidized community care services. In the coming 10 years (i.e. up to

2022), the number of elderly persons aged 60 and above will increase to 2 148 600 (including around 1 015 300 elderly aged 70 and above). This will inevitably exacerbate the demand for subsidized long-term care services and as a result cause an increase in related government expenditure.

3.9 The increasing social welfare and healthcare demand and the corresponding rising expenditure associated with an ageing population as discussed in the above paragraphs will bring significant challenges to the long-term fiscal sustainability of Hong Kong.

## **Population Movements**

### ***Family Reunion and Social Integration: New Arrivals from the Mainland***

3.10 To facilitate family reunion, improvement measures have been implemented by the Mainland authorities in recent years. For example, the waiting time of the One-Way Permit (OWP) Scheme<sup>23</sup> for separated spouses has been gradually shortened to four years for all provinces since 2009. Other measures, such as the “one-year multiple exit endorsement” under the Two-Way Permit Scheme<sup>24</sup>, have also been introduced in recent years to facilitate applicants visiting families in Hong Kong. With effect from 1 April 2011, eligible Mainland “overage children” of Hong Kong residents<sup>25</sup> may apply for OWP to come to Hong Kong for reunion with their natural parents. From 2001 to 2010, a total

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<sup>23</sup> Pursuant to Article 22 of the Basic Law, for entry into the Hong Kong Special Administrative Region (HKSAR), people from other parts of China must apply for approval. Mainland residents who wish to settle in Hong Kong must apply for OWP from the Exit and Entry Administration Offices of the Public Security Bureau (PSB) of the Mainland at the places of their household registration. The application, approval and issue of OWP fall within the remit of the Mainland authorities.

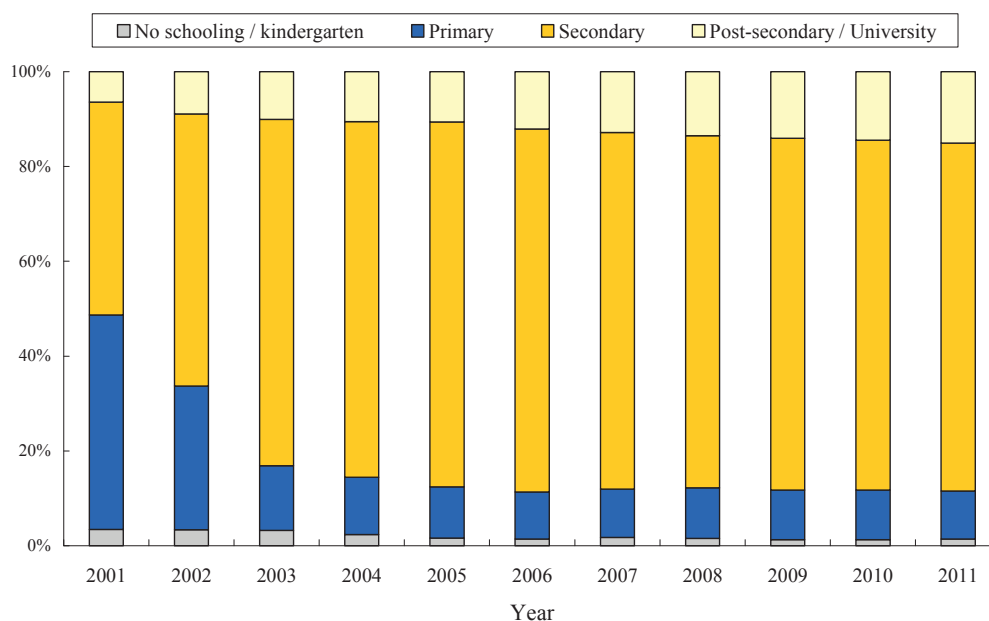
<sup>24</sup> Mainland residents may, depending on their purposes of visiting Hong Kong, such as visiting relatives or visits, apply for an Exit-Entry Permit (commonly known as “Two Way Permit” (TWP)) and relevant exit endorsement from the Mainland authorities.

<sup>25</sup> “Overage children” refer to those Mainland persons who were under the age of 14 at the time their natural fathers or mothers obtained their first Hong Kong identity card on or before 1 November 2001, as long as their natural fathers or mothers still reside in Hong Kong on 1 April 2011.

of 466 430 new arrivals from the Mainland have settled in Hong Kong for family reunion through the OWP Scheme and its ratio to the overall population increase of the period was 119.4%<sup>26</sup>. As pointed out in Chapter II, it is a major source of population replenishment for Hong Kong in terms of quantity, second to births. In 2011, the inflow of OWP holders amounted to 43 379, representing a daily average of 119.

3.11 It is worth noting that the education profile of the new arrivals under the OWP scheme has improved over the years (Chart 3.2). In 2011, the majority of OWP holders aged 15 and over had attained secondary education or above. The proportion of OWP holders at this age group who have attained secondary education has increased from 44.9% in 2001 to 73.4% in 2011. The proportion of OWP holders at this age group who have attained post-secondary education or above has also increased from 6.4% in 2001 to 15.1% in 2011.

Chart 3.2: New Arrivals Aged 15 and Above by Education Attainment (Highest Level Attended)



*Source: Statistics on New Arrivals from the Mainland, Home Affairs Department and Immigration Department*

<sup>26</sup> At end of 2000 and end of 2010, the total population of Hong Kong were 6 711 500 and 7 102 300 respectively, representing an increase of 390 800 during the period.

3.12 The profile of OWP holders, particularly with respect to their age and educational attainment, will have a profound impact on the labour force in our population. We have to monitor closely the latest profile changes among OWP holders and to support them in settling and integrating into the mainstream society, so that they can become active members of Hong Kong's community/labour force. A survey conducted by the Home Affairs Department (HAD) and Immigration Department (ImmD) in 2011 showed that 65.6% of new arrivals indicated that they had difficulty in adapting to Hong Kong's life. The four major areas that these new arrivals had found difficulty are "work" (52.4%) followed by "living environment" (38.9%), "family finance" (26.9%) and "language" (25.6%). Furthermore, with more adult "overage children" coming to Hong Kong for settlement under the OWP scheme in coming years, we need to keep in view if the training, employment service and other related support services needed to be suitably adjusted to meet their specific needs.

3.13 At present, various service needs of new arrivals are met by the relevant policy bureaux/departments and their major services are set out below –

- (a) social welfare services: new arrivals in Hong Kong have access to the extensive network of 61 Integrated Family Service Centres (IFSCs) and two Integrated Services Centres (ISCs) which provide a continuum of preventive, supportive and remedial services, such as counseling service, outreaching service, referral service, family life education, parent-child activities, mutual help groups, volunteer training and enquiry service, etc.;
- (b) educational support: EDB provides services for newly arrived children, including the six-month full-time Initiation Programme, the Induction Programme and the School-based Support Scheme Grant, so as to help them better integrate into the local community and overcome learning difficulties. Placement service and information on study pathways are also provided to newly arrived children/teenagers as appropriate;

- (c) employment assistance: the Labour Department offers a wide range of employment services through a network of 11 job centres, an one-stop employment and training centre named as “Employment in One-stop”, two industry-based recruitment centres, telephone employment service and interactive employment service website to all job seekers, including new arrivals. All job centres have set up special counters and resource corners for new arrivals job seekers. Employment briefings tailor-made for new arrivals job seekers are also held at job centres from time to time;
- (d) housing services: it is estimated that about half of the new arrivals live in public rental housing (PRH). New arrivals with the right to land in Hong Kong without any conditions of stay (except a limit of stay) may apply, on the ground of family reunion, for inclusion into PRH tenancy if they are specified family members<sup>27</sup> of the tenant. They may also apply for PRH flats under the Waiting List by themselves, subject to the requirements such as income and asset limits being met; and
- (e) support services for integration of new arrivals into the community: HAD provides support services to help new arrivals to integrate into the community as early as possible, such as financing adaptation courses and community activities organised by local organisations, publishing and updating the “Service Handbook for New Arrivals” on a regular basis, and conducting quarterly surveys on the service needs of new arrivals. They also set up a dedicated team to strengthen their support services in 2011-12. Details of the major initiatives are set out in paragraphs 4.17 and 4.18 of Chapter IV.

3.14 There have been concerns on whether the Government should have greater control by implementing some sort of selection criteria in the OWP Scheme. In view of our low fertility rate, it is in Hong Kong’s interest for the community to realize the value and contributions of the new immigrants, including OWP holders, in mitigating the problems of

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<sup>27</sup> They should be either the spouse, or children aged under 18, or dependent family members of the tenants; or the spouse and children of one of the tenant’s married children, or the adult children (and his/her family members) of an elderly tenant.

an ageing population and their contribution to the sustainability of our economic growth. Thus, our challenge will be to promote close integration of new arrivals into society, so that Hong Kong will thrive not just as an economically vibrant, but also a socially harmonious community. We will also continue to exchange views with the Mainland authorities on the operation of the OWP Scheme, with a view to adjusting and improving the Scheme as necessary for better facilitation of family reunion. The arrangements for admitting “overage children” under OWP Scheme is an example of our work in this respect.

### ***Hong Kong People Living and Working in the Mainland***

3.15 Historically, there have been strong social and economic ties between Hong Kong and the Pearl River Delta (PRD) region. This socio-economic interaction has continued to grow over the years as a result of a number of developments, including enhanced economic co-operation brought along by the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA); and availability of convenient cross-boundary transportation links such as the Hong Kong-Shenzhen Western Corridor and the Lok Ma Chau Spur Line. With travelling time further reduced after the integration of local transportation network of Hong Kong with that of the Mainland, Hong Kong people may benefit from the employment opportunities in the Mainland, the lower cost of living in PRD region while at the same time maintaining close connection with Hong Kong.

3.16 Thus, increasingly more Hong Kong people now travel to or reside in the Mainland for multiple purposes including work, family reunion, education or retirement. Their profiles are very diverse. Many Type I and Type II children, being Hong Kong permanent residents, are also residing in the Mainland. With the impending completion of large scale transport links with the PRD region, commuting time between Hong Kong and the nearby PRD cities will continue to shorten. This will have impact on the choices of Hong Kong residents with regard to their work and living locations. For instance, there may be more and more Hong Kong people who live in PRD region benefiting from the lower cost of living, while commuting regularly to Hong Kong to work or study.

## **Trend of Mainland Women Giving Birth in Hong Kong**

3.17 As mentioned in paragraph 2.15 in Chapter II, there has been an increasing number of births born in Hong Kong to Mainland women and the majority of these births now involve predominantly Mainland mothers whose spouses are not Hong Kong permanent residents, i.e. mothers of Type II babies. According to a qualitative case study commissioned by the Central Policy Unit (CPU) to the Sun Yat Sen University, the upsurge of such Mainland women giving birth in Hong Kong is driven by a number of factors. The most important reason cited by the interviewed mothers is to circumvent China's birth control policy (commonly known as the "One-child Policy"). Most of these Mainland women come to Hong Kong to give birth to their second or third child. As the number of Mainland women giving birth in Hong Kong increases and many share their experiences in their social circles and on internet platforms, information about obtaining obstetric services and other related services in Hong Kong becomes more accessible and widely available to Mainland pregnant women. Meanwhile, the number of births of Type I babies has been decreasing slowly since 2005. There are some indications that the number of Mainland-Hong Kong marriage has been decreasing since 2006.

3.18 This latest trend of Mainland couples giving birth in Hong Kong has raised considerable concerns in the community. Apart from the obvious impact it has on Hong Kong's obstetric services and other healthcare services, many people are concerned about the possible burden these babies, in particular Type II ones, may bring to the education and healthcare services as well as the welfare system of Hong Kong in the medium to long-term. Unlike Type I babies, Type II babies have a weak connection with Hong Kong. Parents of Type II babies do not have the right to reside in Hong Kong. Nearly all of these babies return to the Mainland after birth. It is highly uncertain as to whether, and if so, when, these babies would return to Hong Kong for education and/or settlement.

## *Obstetric Services*

3.19 Since February 2007, the Hospital Authority (HA) has implemented revised arrangements for obstetric service for non-local women (including Mainland women), all being Non-eligible Persons (NEPs)<sup>28</sup>. Under these arrangements, HA would reserve sufficient delivery places in public hospitals for local pregnant women and would only accept booking from NEPs when spare service capacity is available. Depending on the booking situation and anticipated delivery numbers by local pregnant women, HA would stop accepting bookings from NEPs to ensure sufficient capacity is reserved to meet local demand. All NEPs who wish to seek obstetric service in public hospitals are required to make prior booking and would then be issued with booking confirmation certificates. They are required to pay a package charge of \$39,000<sup>29</sup>. For deliveries by emergency admission through the Accident and Emergency Departments (A&EDs) without having attended any antenatal check-up at a HA specialist outpatient clinic during the concerned pregnancy, the charge would be \$48,000<sup>30</sup>.

3.20 Non-local women may also seek obstetric services at private hospitals and be issued with booking confirmation certificates by the hospitals concerned.

3.21 In the past few years, the demand for obstetric service from non-local women (mainly from the Mainland) has continued to increase rapidly. Specifically, the number of live births born to Mainland women has increased from 27 600 in 2007 to about 44 000 in 2011. This has created immense pressure on Hong Kong's obstetric services. Furthermore, as most of the private hospitals are not providing neonatal intensive care service, newborns requiring intensive care in private hospitals will be transferred to public hospitals for treatment. The average bed occupancy rate of neonatal intensive care units of public

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<sup>28</sup> Our public healthcare services are available to our local residents (as "Eligible Persons") at highly subsidized rates. Non-local people (as "Non-eligible Persons") should pay the specified charges applicable to them for access to our public healthcare services.

<sup>29</sup> The package covers one antenatal check in specialist out-patient clinic, the delivery and the first three days and two nights stay for the delivery.

<sup>30</sup> NEPs with bookings will be charged \$48,000 if they have not attended any antenatal check-ups under the obstetric package. HA has just raised the fee level. Please see Chapter IV for further details.



hospitals has increased from 94% in 2010 to about 108% in 2011.

3.22 In April 2011, following a review of the anticipated number of local women giving birth at public hospitals and the capacity of the obstetric services in its hospitals, HA suspended booking for obstetric services by non-local women up to the end of 2011<sup>31</sup>. Towards the end of 2011, there was an increased number of Mainland pregnant women attempting to enter into Hong Kong without a confirmed antenatal and delivery booking. The number of refusal for entry by the ImmD at boundary control points has increased from 1 634 in 2010 to 1 931 in 2011. The number of non-local mothers making emergency deliveries at A&ED of HA's hospitals also increased from 796 cases in 2010 to 1 657 cases in 2011, representing an increase of 108%. This causes danger to the pregnant mothers and their babies and creates additional pressure on the hospitals' resources, adversely affecting the operation of A&ED services for other patients requiring emergency treatment.

### ***Medical Care and Child Health Services for Babies Born to Mainland Mothers***

3.23 As far as healthcare services are concerned, both Type I and II babies born in Hong Kong to Mainland mothers are Eligible Persons who can enjoy public healthcare services at heavily subsidized rate. While most of the Type II babies will return to the Mainland with their parents after birth, some of them may choose to come to Hong Kong to seek medical services and may thus further increase demand for our public hospital services.

3.24 Maternal and Child Health Centres (MCHCs) operated by the Department of Health (DH) offer an integrated child health and development programme for babies and young children from birth to five years of age. Services include a comprehensive immunisation programme, parenting programme and health and developmental surveillance, the latter includes a physical examination of the newborn child, periodic monitoring of the child's growth parameters, and formal

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<sup>31</sup> HA has done so on two previous occasions. On 5 August 2008, HA suspended bookings for obstetric services in 2008 by NEPs; and on 8 October 2009, HA suspended bookings for obstetric services in 2009 by NEPs. There was no booking suspension of obstetric service for NEPs in 2010.

hearing and vision screening tests at specific ages. Use of child health services by babies born in Hong Kong to Mainland women as “Eligible Persons” is free of charge.

3.25 For children living outside Hong Kong, our child health services are not completely without cost to their parents. Accessibility to these services is naturally restricted by the geographic distance from their parents’ place of residence. Travelling to Hong Kong incurs both time and transportation cost. In 2011, the child health services participation rate of babies born to non-local residents (including mothers of Type I and Type II babies) was 52.9%. On the other hand, participation rates of babies born to Hong Kong residents have been consistently high at 90-91% in the past few years. Although the participation rates of babies born to non-local residents are lower, the service demand by such babies is substantial given the significant growth of the number of such babies. Among the 72 200 new registrations in MCHCs in 2011, about 69% were babies born to local women while 31% were babies born from non-local women. There are concerns over the heavy workload of MCHCs due to the increasing service demand from Type II babies, particularly among certain MCHCs which are more popular among Type II babies due to their proximity to or easy accessibility from the border.

### ***Education Services***

#### **(i) Assessment of the Return of Type I and II Babies to Study in Hong Kong**

3.26 To gather information about the parents’ intention to have their babies returning to live in Hong Kong, C&SD has conducted five rounds of “Survey on Babies Born in Hong Kong to Mainland Women”<sup>32</sup> at the birth registries since 2007. As reported in paragraph 2.19 above, it is currently projected that 92% and 52% of Type I and Type II children will eventually settle in Hong Kong respectively. The projections have been taken into account in the planning processes for school places provision and school building projects in the long run.

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<sup>32</sup> The five rounds of survey were conducted from (i) late January to March 2007; (ii) January to February 2009; (iii) October to December 2009; (iv) January to June 2010; and (v) March to April 2011.

3.27 However, it must be cautioned that parents' intention may change as individual or family factors and socio-economic developments in Hong Kong and the Mainland change. For instance, with the Mainland's fast growing economy and hence income growth, the gap in terms of the standard of living between the two places would narrow over time. As such, it is possible that these families may choose to stay in the Mainland due to better job opportunities, earnings growth etc., instead of bringing their children to live in Hong Kong. Besides, the profile of Mainland couples coming to give birth in Hong Kong may also change over time and this is likely to have a direct bearing on the babies' future education plan. In this connection, the subsequent fourth and fifth rounds of surveys of the C&SD revealed that there had been continuous improvement of the profile of the Type II parents with respect to their monthly household income and education attainment. For example, in the fifth survey, 41% of them had monthly household income of \$40,000 and above, with 60% and 59% of fathers and mother had tertiary education respectively. We shall continue to monitor the trend and take into account the latest circumstances in the coming population projections<sup>33</sup>.

3.28 The study commissioned by CPU as mentioned in paragraph 3.17 above also shed light on these parents' education plan for their children and the relevant considerations. It must be noted that the study is an in-depth case study instead of a quantitative study. The cases selected are not meant to be representative samples of all the Type II families and any quantitative generalization from it would be inappropriate. Key observations are as follows –

- (a) all of the cases involved Mainland women who gave birth after 2005 and their children were still at tender age. Most of them only have a vague idea about the education plan for their children. This could mean that any early indication of their intention was highly likely to be subject to change;

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<sup>33</sup> Population projections of Hong Kong are compiled by the Census and Statistics Department at intervals of two to three years. The latest set of population projections, using the mid-2009 population estimates as the base, was published in 2010 covering the 30-year period from 2010 to 2039. The coming set of population projections, using the results of the 2011 Population Census as the base, will be published later.

(b) the ordinary place of residence and household income level were key factors influencing their plans –

- primary level: given its proximity to Hong Kong, families in Shenzhen were more likely to send their children cross-boundary to study in Hong Kong at an earlier stage. That said, many Shenzhen families still had safety concerns over their young children to commute cross-boundary on a daily basis. Families in other cities had no plan to send their children to study cross-boundary;
- secondary level: more families planned to send their children back to Hong Kong for secondary education, either by means of studying in boarding schools or studying cross-boundary;
- tertiary level: most only had a vague idea at this stage. In overall terms, there were a few options including sending them overseas, going to secondary school in Hong Kong to prepare for admission into university in Hong Kong, moving to Shenzhen to support their children to study cross-boundary, or hoping that there would be policy changes which would allow their children to obtain a Mainland household registration<sup>34</sup>; and

(c) families of lower income were also more likely to send their children back to Hong Kong for education. Families of higher income considered the living conditions and education in Hong Kong no better than those in the Mainland. They preferred to have their children either stay in the Mainland or go overseas.

3.29 An interesting observation is that, while the study indicates that Mainland parents were more likely to send their children to Hong Kong for secondary education, surveys by C&SD show that, among those who planned to send their children back to Hong Kong, most planned to do so at primary school age.

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<sup>34</sup> Most of the interviewed families were not aware of the presence of a separate examination for residents of Hong Kong and Macau for admission into universities within the Mainland.

## **(ii) Challenges**

3.30 The challenges brought by Type II children to our education services are multi-faceted –

- (a) uncertainty over whether and when the newborns will come to Hong Kong to live and study. Given the large number of Type II children, if they do come to Hong Kong at the projected rate of 52%, they would form a substantial proportion of our school age population in the near future. If, however, the actual number varied substantially, there could be a risk of over-provision/under-provision of school places;
- (b) increasing cross-boundary students (CBS). Based on annual district surveys on number of CBS enrolled in schools in the New Territories region, the number of CBS has been rising rapidly by 120% from 5 860 in the 2007/08 school year to 12 865 in the 2011/12 school year, with a marked increase at the kindergarten and primary levels. Given the physical constraints of land boundary control points, parents should carefully consider whether and how to arrange their children to study cross-boundary. There are security and safety concerns of young children having to commute across the boundary to schools on a daily basis. It also imposes security and management risk to our boundary. From the perspective of student learning and school teaching, cross-boundary schooling is also undesirable in that it reduces the time available for students' afterschool and other learning activities. Moreover, the rapid growth of CBS, coupled with the demand from local students, has led to upsurge in the demand of primary school places in the North District, which is relatively easy to access by the Mass Transit East Rail, in the coming school years;
- (c) specific difficulties faced by Type II children staying in Hong Kong. A big portion of the Mainland mothers of Type II babies indicated in surveys that they might/planned to bring their children back to Hong Kong at primary school age. However, these parents do not have right of abode and may only apply to reside in Hong Kong via schemes such as the

Admission Scheme for Mainland Talents and Professionals and Quality Migrant Admission Scheme if they satisfy the respective eligibility requirements. The alternative is to leave their children to be cared for by their relatives/friends in Hong Kong. CPU has conducted a small scale study on the situation of the latter type of families and found that many experienced difficulties in coping with the expenses for their children to live and study in Hong Kong. Besides, these parents could only come to Hong Kong as “visitors” to visit their children from time to time. The lack of long-term parental support has implications on the upbringing and education of these children, as well as the financial support they may require of the Government, and therefore warrants attention; and

- (d) adaptation needs of these children in integrating into Hong Kong’s education system, especially for those who join the study in Hong Kong at an older age.

## **Manpower Demand and Supply**

3.31 Ageing population will have an impact on the local manpower supply in Hong Kong. As mentioned in paragraph 3.2 above, the total labour force<sup>35</sup> is projected to decrease after 2020 from 3 579 900 to 3 490 300 in 2029.

3.32 At the same time, Hong Kong will have an older work force. The Government launched manpower projections from time to time to assess the broad trends in future manpower supply and requirement at the macro level. According to the Manpower Projection to 2018 (MP2018), as our post-war baby boomers are approaching old age, the local manpower supply aged 55 and above is projected to increase significantly at an average annual rate of 5.1% from 452 800 in 2010 to 672 800 in 2018. The portion of this labour segment to overall local manpower supply is expected to grow from 13.2% to 18.8%. During the same period, the local manpower supply aged below 55 is expected to shrink

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<sup>35</sup> It does not include foreign domestic helpers.

from 2.97 million to 2.91 million, with its share of the local manpower supply decreasing from 86.8% to 81.2%. Overall speaking, the total manpower supply<sup>36</sup> is projected to grow at an average annual rate of 0.6% from 3.42 million in 2010 to 3.58 million in 2018.

3.33 As mentioned in paragraph 2.6, the Labour Force Participation Rate (LFPR) drops significantly among the older age groups. The overall LFPR<sup>37</sup> of the population is expected to decline steadily from 60.9% in 2010 to 59.2% in 2018, and 53.2% in 2029, owing in part to the ageing of population. This explains why the local manpower supply is projected to grow at a slower rate than the population during the projection period.

3.34 On the other hand, the total manpower requirements<sup>38</sup> were 3.28 million in 2010 and are projected to increase at an average annual rate of 1.1% to 3.60 million in 2018. The three economic sectors anticipated to grow the fastest in terms of manpower requirements during the period from 2010 to 2018 are “financial services” (at an average annual rate of 2.5%), “construction” (1.9%) and “information and communications” (1.9%). The sectors projected to diminish in employment size during the same period include “manufacturing” (at an average annual rate of -3.1%) and “agriculture, fishing and quarrying” (-2.6%). The manpower requirements by economic sector are set out in Table 3.1 below.

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<sup>36</sup> It does not include foreign domestic helpers.

<sup>37</sup> It includes foreign domestic helpers.

<sup>38</sup> It does not include foreign domestic helpers.

Table 3.1: Manpower Requirements by Economic Sector in 2010 and 2018

Economic sector	Actual manpower requirement in 2010		Projected manpower requirement in 2018		Projected change from 2010 to 2018	Projected average annual change (2010-2018)
	Number	% share	Number	% share	Number	%
Agriculture, fishing and quarrying	3 700	0.1	3 000	0.1	- 700	- 2.6
Manufacturing	121 000	3.7	94 100	2.6	- 27 000	- 3.1
Electricity, gas, water and waste management	15 200	0.5	17 100	0.5	+ 1 900	+ 1.5
Construction	271 100	8.3	315 200	8.8	+ 44 100	+ 1.9
Import, export, wholesale and retail trades	874 000	26.6	921 800	25.6	+ 47 700	+ 0.7
Accommodation and food services	265 400	8.1	295 300	8.2	+ 29 900	+ 1.3
Transportation, storage, postal and courier services	321 300	9.8	345 800	9.6	+ 24 500	+ 0.9
Information and communications	92 900	2.8	108 100	3.0	+ 15 200	+ 1.9
Financial services	207 000	6.3	253 100	7.0	+ 46 200	+ 2.5
Real estate	119 000	3.6	135 100	3.8	+ 16 100	+ 1.6
Professional and business services	329 000	10.0	370 100	10.3	+ 41 200	+ 1.5
Social and personal services	665 000	20.2	737 600	20.5	+ 72 700	+ 1.3
<b>Total</b>	<b>3 284 600</b>	<b>100.0</b>	<b>3 596 400</b>	<b>100.0</b>	<b>+ 311 800</b>	<b>+ 1.1</b>

3.35 The overall manpower requirements of the four “pillar industries”<sup>39</sup> are projected to increase at an average annual rate of 1.4% during the projection period from 2010 to 2018. Within the “four pillar industries”, the “tourism” industry and the “financial services” industry have the highest projected average annual growth rates of 2.9% and 2.5% respectively as shown in Table 3.2 below.

<sup>39</sup> The “four pillar industries” are “financial services”, “trading and logistics”, “professional services” and “tourism”.



Table 3.2: Manpower Requirements of the Four Pillar Industries in 2010 and 2018

Industry <sup>40</sup>	Actual manpower requirement in 2010	Projected manpower requirement in 2018	Projected change from 2010 to 2018	Projected average annual change (2010-2018)
	Number	Number	Number	%
Financial services	207 000	253 100	+ 46 200	+ 2.5
Trading and logistics	760 600	781 700	+ 21 100	+ 0.3
Professional services <sup>41</sup>	288 700	347 400	+ 58 700	+ 2.3
Tourism	197 500	247 400	+ 49 900	+ 2.9
<b>Total</b>	<b>1 453 800</b>	<b>1 629 600</b>	<b>+ 175 900</b>	<b>+ 1.4</b>

3.36 As regards the “six industries”<sup>42</sup>, during the period from 2009 to 2015<sup>43</sup>, the overall manpower requirements are expected to grow at an average annual rate of 2.8%. The growth will be higher than that of the economy as a whole (the average annual growth rate for the whole economy from 2010 to 2018 is projected to be 1.1%).

<sup>40</sup> The manpower requirements of the “four pillar industries” form part of the manpower requirements of the conventional economic sectors as set out in Table 3.1. For instance, “trading and logistics” comprises some of the sub-sectors under “import, export, wholesale and retail trades”, as well as “transportation, storage postal and courier services”, in Table 3.1.

<sup>41</sup> The “professional services” sector in MP2018 covers a wide spectrum of business activities (such as legal services, as well as accounting, auditing, architectural and engineering activities) and human health activities, but exclude other producer services.

<sup>42</sup> The “six industries” are “education services”, “medical services”, “testing and certification”, “environmental industries”, “innovation and technology”, and “cultural and creative industries”.

<sup>43</sup> The Government has adopted 2009 as the base year for the projections in respect of the “six industries” in MP2018 as the actual manpower figures for 2010 were not available when the projections were compiled. Owing to the short historical manpower data series for the six industries, statistically reliable projections can only be made up to 2015.

Table 3.3: Manpower Requirements of the Six Industries in 2009 and 2015

Industry <sup>44</sup>	Actual manpower requirement in 2009	Projected manpower requirement in 2015	Projected change from 2009 to 2015	Projected average annual change (2009-2015)
	Number	Number	Number	%
Education services	62 200	80 600	+ 18 400	+ 4.4
Medical services	72 000	86 000	+ 14 000	+ 3.0
Testing and certification services	12 600	14 500	+ 1 800	+ 2.3
Environmental industries	32 400	41 700	+ 9 300	+ 4.3
Innovation and technology	27 500	35 800	+ 8 300	+ 4.5
Cultural and creative industries	188 300	207 100	+ 18 800	+ 1.6
Total*	395 000 (407 800) <sup>#</sup>	465 600	+ 70 600	+ 2.8

\* The total manpower requirements of the six industries are only a simple summation of the manpower figures for individual industries. It should be noted that there is some overlapping of manpower requirements between these industries. Figures are rounded to the nearest 100 and may not add up to total.

<sup>#</sup> The actual manpower figure in 2010.

3.37 It is also projected that there will be a shifting of manpower requirements towards higher-skilled, more-educated and service-oriented workers. As regards education attainment, it is projected that the manpower requirements of workers with higher education attainment will increase and those at lower education levels will shrink.

<sup>44</sup> The manpower requirements of the “six industries” form part of the manpower requirements of the conventional economic sectors as set out in Table 3.1.

Table 3.4: Projected Manpower Resource Balance by Broad Education Level in 2018

Education level	(I) Projected manpower supply in 2018	(II) Projected manpower requirement in 2018	(III) = (I) – (II) Projected manpower resource balance in 2018 (surplus (+)/ shortfall (-))
Lower secondary and below	795 200	786 700	+ 8 500
Upper secondary, Craft, Technician and Sub-degree	1 732 700	1 754 600	- 22 000
First degree and above	1 054 600	1 055 000	- 500
Total	3 582 400	3 596 400	- 14 000

3.38 The challenges we face are how to keep up the growth of our labour supply with the growth in demand, against the backdrop of an ageing population, and to match the labour supply and demand at different education levels and industries.

### ***Youth Employment***

3.39 A manpower-related issue which requires special attention is youth employment. At present, our economy is close to full employment. According to the Quarterly Report on General Household Survey, the seasonally adjusted unemployment rate in the fourth quarter of 2011 was 3.3%. The unemployment rates among the age groups of 15-19 (11.2%) and 20-24 (7.4%) in Hong Kong are significantly higher than the overall figure of 3.1% as shown in Table 3.5. Besides, the underemployment rate of young persons aged 15-19 (3.1%) is also higher than other age groups and the overall average rate (1.4%). It must be noted that the unemployment rate of young people aged 15-24 in Hong Kong is persistently higher than the overall unemployment rate. However, this phenomenon is not peculiar to Hong Kong and is quite common among economies at various stages of economic development. On average, the youth unemployment rate is more than two or three times of the overall unemployment rate. Youth employment is very much affected by changes in economic performances that in turn impact on the employment market. The provision of education opportunities,

especially at the tertiary level, is another important factor affecting youth employment.

Table 3.5: Unemployed and underemployed persons by age

Age group	Unemployment		Underemployment	
	Number	Rate (%)	Number	Rate (%)
15-19	4 400	11.2	1 200	3.1
20-24	20 400	7.4	4 400	1.6
25-29	14 900	3.1	3 200	0.7
30-34	8 900	1.9	3 100	0.6
35-39	12 900	2.7	4 000	0.8
40-44	12 100	2.6	6 900	1.5
45-49	11 300	2.2	9 700	1.9
50-54	15 900	3.4	9 700	2.0
55-59	11 400	3.6	7 200	2.2
60 and above	3 900	1.9	3 100	1.5
Overall	116 000	3.1*	52 400	1.4

\* The estimated number of unemployed persons are not seasonally adjusted. Hence the rate is different from the figure in paragraph 3.39 above.

*Source: Quarterly Report on General Household Survey, October to December 2011, Census and Statistics Department*

3.40 As regards income, young persons of the age group from 15 to 19 have the lowest median monthly employment earnings, i.e. \$7,000, as compared to the overall average of \$12,000. It must however be noted that most of the employed persons in the 15-19 age group are engaged in part-time jobs and hence the much lower employment earnings as compared to other age groups given their shorter working hours.

3.41 The youth population is a valuable source of labour force especially when the total labour force is ageing and shrinking. They will become our core labour force in future. Prolonged youth unemployment, inactivity and underemployment not only represent a major waste of human resources, but also harm our future productivity and economic growth. Therefore, youth employment should be one of our priority policy areas to be pursued for optimising Hong Kong's

human resources.

### ***Elderly Employment***

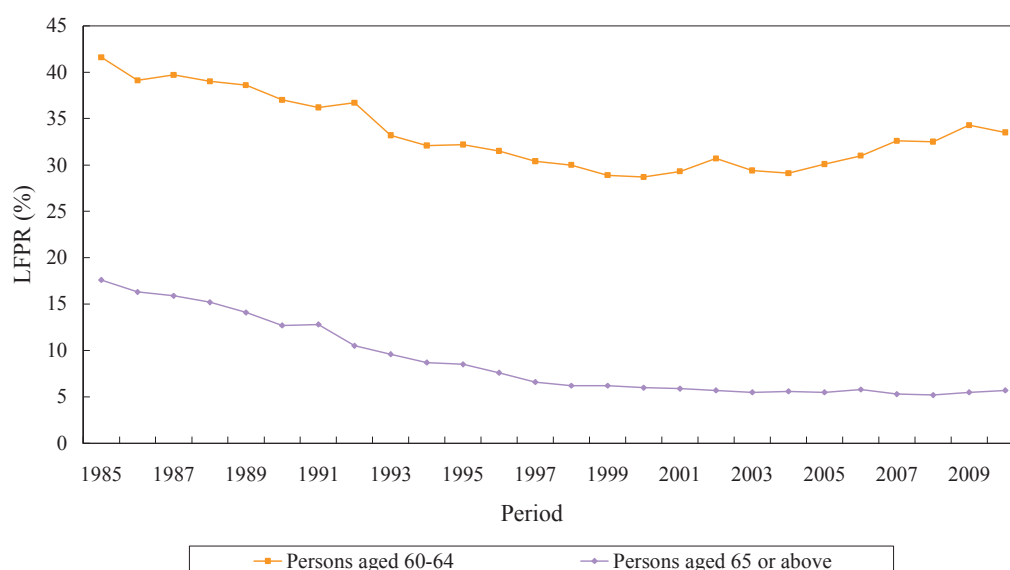
3.42 Under the ageing trend, another manpower-related issue which requires special attention is elderly employment. The details of unemployed and underemployed persons by age are shown in Table 3.5 above. There were some 202 600 persons aged 60 and above participating in the labour market in the fourth quarter of 2011. Their unemployment rate of 1.9% was lower than the overall average unemployment rate of 3.1%. The underemployment rates of the workforce at older age, namely, those aged 55 – 59, and those aged 60 and above were 2.2% and 1.5% respectively, which were higher than the overall average rate of 1.4%. However, it must be noted that people who have not sought work during the 30 days before enumeration are not classified as “unemployed” in the General Household Survey. Hence, retirees who do not seek employment would not affect the unemployment figures. As regards income, the median monthly employment earnings for elderly persons aged 60 and above is only \$9,000 which is lower than the overall average of \$12,000. Similar to the case of youth employment, elderly persons are more likely to be engaged in part-time jobs and hence have a lower earnings.

3.43 As mentioned in paragraph 2.6, LFPR drops significantly among the older age groups. It is interesting to note that in the last decade the LFPR of persons aged 65 or over stabilised at around 5 to 6% after a declining trend in the period 1985 to 1999. The Quarterly Report on General Household Survey - October to December 2011 shows that the common reasons for the economic inactivity of older persons aged 60 and above are: retirement/old age (87.1%), engagement in household duties (10.2%), and permanent sickness or disablement (2.2%)<sup>45</sup>.

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<sup>45</sup> It is noted that the LFPRs for the age groups of 60-64 and 65+ increased visibly from 33.5% and 5.7% respectively in 2010 to 35.7% and 6.2% in 2011, and further to 37.1% and 6.9% (for the period from December 2011 to February 2012). The implementation of statutory minimum wage in May 2011 might have attracted older aged persons, particularly females, to re-enter the labour market.

**Chart 3.3: Labour Force Participation Rates (LFPRs) of Persons Aged 60 and Over, 1985-2010**



Note: The labour force participation rates were compiled based on data collected in the General Household Surveys, which refer to the proportion of labour force in the total land-based non-institutional population aged 15 and over.

3.44 Nowadays, many jobs require knowledge rather than physical strength. We envisage that, with improved health, many elderly persons aged 60 or above are able to contribute to the economy by taking up paid employment on a part-time or full-time basis. As our population ages, Hong Kong should make better use of our available manpower, including those who have reached the age of 60. This would improve the well-being of elderly people and reduce or delay their need to rely on social security at old age.

### *Admission of Talents*

3.45 Human resource has always been Hong Kong’s most valuable asset. Indeed, the primary objective of the Government’s population policy is to secure and nurture a population which will sustain our development as a knowledge-based economy. With our persistently low fertility and ageing population, the admission of talents from outside Hong Kong is crucial in replenishing our labour force and to ensure our competitiveness as a world-class city. The global competition for talents is intense. With the rapid economic development of China, Hong Kong also faces keen competition from other parts of the Mainland. Many

young talents may choose to establish their career in major Mainland cities such as Shanghai, Beijing and Shenzhen.

3.46 Paragraphs 2.11 to 2.13 have explained the immigration arrangements and specific schemes for admission of talents. On close examination of the intakes through various schemes, it is noted that talents from the Mainland comprise a substantial proportion under the Quality Migrant Admission Scheme. Under the Admission Scheme for Mainland Talents and Professionals, 44.6% of the intakes worked in the “academic research and education” sector. Under the General Employment Policy, a substantial proportion of the intakes were “administrators, managers and executives” (35.5%) and “other professionals and technicians” (24.1%).

3.47 Overall speaking, in the respect of labour demand and supply, our major challenge concern how to increase the size of our workforce and thereby keeping the increase in economic dependency ratio in check. It is projected that by 2020, the economic dependency ratio of Hong Kong would reach 1 042 (per 1 000 economically active persons), meaning that the economically inactive persons would out-number those that are active. We must therefore make our best endeavour to slow down the rise in economic dependency ratio. While Government policies can only have limited impact on the natural growth of our population, we can strive to increase the working age population via admission of talents outside Hong Kong, and to increase the proportion of economically active population by raising youth and elderly employment.

## **CHAPTER IV**

### **RECOMMENDATIONS AND WAY FORWARD**

4.1 As pointed out in Chapter I of the Progress Report, the Report of the Task Force on Population Policy published in 2003 has set out a long-term population policy with clear population goals for Hong Kong. These include measures to tackle population ageing, enhancing the quality of our workforce by implementing new talent admission scheme; upgrading the education attainment of our local workforce with the overall objective of securing a population which will sustain our development as a knowledge-based economy. The Steering Committee on Population Policy (SCPP) set up in 2007 coordinates efforts among relevant policy bureaux and departments in reviewing policy measures, taking into account the latest demographic data and forecasts.

4.2 In recent years, Hong Kong's continuing integration with the Mainland has brought about new demographic trends and challenges which require the attention of the Hong Kong Special Administrative Region (HKSAR) Government. In the past 18 months, as directed by the Chief Executive (CE) in the 2010-11 Policy Address, the SCPP has focused its work on the ramifications of children born in Hong Kong to Mainland women returning to Hong Kong to live and study, and facilitating our elderly population to reside in the Mainland. In the 2011-12 Policy Address, and in more detail in this chapter, the SCPP sets out the key policy directions which should be pursued for the future having regard to the overall objective of our population policy.

4.3 In addition, in the course of its study on the above two specific subjects, the SCPP has examined several key aspects of Hong Kong's population profile, including our fertility rate, age structure, dependency ratio, etc. and identified a number of demographic concerns, including population ageing, growing economic dependency ratio and decline in labour force (as outlined in Chapter II of this Progress Report) which will impact on the long-term sustainability of our development as a knowledge-based economy. The SCPP is aware of the fact that facilitation of our elderly to live in the Mainland and children born to Mainland women in Hong Kong only constitute a part of our overall



population policy. The demographic concerns highlighted in Chapters II and III represent a much wider area. For example, the latest forecast on population ageing and its impact on our labour force have to be addressed as a matter of priority. Related to this, policies on nurturing of local talents and admission of talents from outside Hong Kong to strengthen our work force have to be evaluated and reviewed. At the same time, more efforts could be made to promote active ageing. All these are major policy areas which require further in-depth deliberations. Accordingly, the intention of this Chapter is not to propose immediate changes to these policy areas but rather to highlight a set of policy pointers for the Government to consider and to take forward in the years ahead.

## **Type I and Type II Babies**

4.4 We fully understand the community's concern over the impact on services to local pregnant women and their children currently created by the wave of Mainland mothers giving birth in Hong Kong, particularly in the respect of obstetric services and the use of Maternal and Child Health Centres (MCHCs). We are also well aware that their ramifications on educational services should not be under-estimated.

4.5 It must be emphasized that it was not our original policy intention to attract or encourage Mainland women to give birth in Hong Kong for replenishing our population. Amongst other factors, the Court of Final Appeal judgment in the case of *Director of Immigration v. Chong Fung Yuen* in 2001 has provided incentive for non-local residents to give birth in Hong Kong as it has affirmed the conferment of Hong Kong Permanent Resident status to Type II babies.

4.6 As a responsible and forward-looking Government, we need to address the long-term interest of our community by tackling the immediate service demand and by ensuring local residents are provided with adequate and priority services. At the same time, to the extent possible, we also need to address how these Mainland births can be turned into an asset for our community. While it is acknowledged the schooling and support for these children will carry a public cost, we must

also bear in mind that education is a long-term investment for Hong Kong's future.

4.7 Against the above considerations, the following policy responses are formulated on the basis of an important fundamental principle: that Hong Kong residents should have unequivocal priority to access medical and other social services. To meet this principle, non-local women giving birth in Hong Kong has to be contained within a number which our medical services could handle. For their Hong Kong born children, should they choose to return to Hong Kong at some stage to live and study, their return have to be managed in an orderly manner and that suitable planning of the concerned public services should be in place to meet their needs.

### ***Obstetric Services***

4.8 In accordance with the above principle, the delivery quota for non-local women has been capped at 35 000 in 2012. Pending further consideration by the next-term Government on the longer term implication of Type II babies on education, social and other related services, the booking of delivery places at public and private hospitals by non-local women (whose spouses are not Hong Kong permanent residents) to give birth in Hong Kong will be suspended for 2013. In the meantime, having regard to the status of Type I babies who are entitled to right of abode in Hong Kong irrespective of where they are born and the general consensus reached in the community that facilitation should be provided to women who are married to Hong Kong permanent residents to give birth in Hong Kong if they wish to do so, special arrangement has been made for them to deliver in Hong Kong outside the 2012 delivery quota system.

### ***Emergency Deliveries at Accident and Emergency Departments***

4.9 As mentioned in paragraph 3.22, the Hospital Authority (HA) announced in April 2011 the suspension of booking of obstetric services from non-local women until the end of 2011. Towards the end of 2011, there was an upsurge of deliveries at the Accident and Emergency Departments (A&EDs) of HA's hospitals by Mainland pregnant women, many of whom without certificates on confirmed antenatal and delivery

booking.

### **Recommendation 1**

4.10 **The HKSAR Government is determined to tackle these improper acts. Measures being implemented include –**

- (a) stepping up the surveillance and screening on pregnant visitors by the Immigration Department (ImmD) frontline officers at boundary control points (BCPs), with regard to the prevailing trend of their mode of entry. Additional Health Surveillance Assistants and medical personnel were being assigned to different BCPs to strengthen surveillances and medical support including assessment of the visitors' gestational age and dealing with claims of illness or labour onset on the spot;**
- (b) working with the relevant Mainland authorities to step up the crackdown on unscrupulous intermediaries which help pregnant Mainlanders without booking certificates to cross the boundary. Where appropriate, the Police will prosecute offenders in Hong Kong for carrying passengers for hire or reward without a hire car permit under the Road Traffic Ordinance;**
- (c) referring “refused entry” cases involving Mainland pregnant women to the Mainland authorities to deter their dangerous behaviour of seeking emergency hospital admissions shortly before labour, and stepping up the investigation and prosecution for the offence of overstaying in Hong Kong;**
- (d) stepping up the crackdown on unlicensed guesthouses which help accommodate Mainland pregnant women for staying in Hong Kong awaiting for baby delivery; and**
- (e) raising the fee level charged for obstetric services at public hospitals for non-booked cases of Non-Eligible Persons to deter non-local pregnant women from “gate-crashing” at**

## **A&EDs.**

The above measures have succeeded in producing the desirable deterrent effect. Emergency deliveries at the beginning of the year have significantly reduced in number compared with the last three months in 2011. For example, the weekly figure has dropped from the peak of some 50 in October/November last year to around 20 to 30 in March 2012. Prosecution against illegal activities of intermediaries has also been successful. **The SCPP recommends that the relevant bureaux and departments should continue to take forward the above measures.**

### **Recommendation 2**

#### *MCHC Services*

4.11 **To address growing concern about the strain being put on the MCHCs, especially those located within easy access from the boundary, the Department of Health (DH) should continue to take measures to cope with surge in demand for services at MCHCs. The Fanling MCHC was expanded in March 2012 and Hunghom MCHC will be re-provisioned and expanded in mid-2013. DH will monitor the demand for the services of MCHCs and ensure that proper and adequate child health services are provided to babies born in Hong Kong.**

### **Recommendations 3 and 4**

#### *Education and Related Services*

4.12 The community has expressed considerable concern on the demand for education services from Type II children<sup>46</sup>. As highlighted in Chapter III, on the front of education, there are two main issues, namely the supply of school places and cross-boundary schooling. **We recommend adhering to the following principles –**

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<sup>46</sup> Type I children is less of a concern because they have family ties in Hong Kong and a vast majority of them will stay in Hong Kong after birth or return to Hong Kong for settlement soon after birth.

- (a) on the question of school places, we will ensure adequate provision of school places to cater for the demand from local children while increasing the supply of school places to cater for the educational needs of the children born in Hong Kong to Mainland women, including Cross Boundary Students (CBS), in a more flexible manner. Recognising that the demand for school places will very likely increase in future, partly driven by the demand from Type II children, care should be taken to ensure that the provision of education services for local children will in no way be substantially affected;**
- (b) we are mindful of the fact that young children should best be cared for by their parents and it is in the children's interest to attend schools locating near their home. In accordance with this principle and for security and safety concerns, cross-boundary schooling at pre-primary and primary levels should not be encouraged. However, we recognise that some parents, including Hong Kong residents who have resided in Shenzhen for work, may wish to arrange cross-boundary schooling for their children to facilitate early adaptation to the Hong Kong education system. Therefore, our policy is to manage the number of CBS having regard to the capacity of the land boundary control points, in order not to compromise the security and safety of these children. Accordingly, as part of our continuous efforts in facilitating transport arrangements for these children, we will put in place various measures with a view to enhancing the flow and transport safety of CBS as far as practicable by taking into consideration the capacity of the border facilities; and**
- (c) a more embracing attitude to the return of Type II children for secondary education in Hong Kong should be adopted, in order to nurture these children into useful human resources of Hong Kong in future. Therefore, we should get prepared, both in terms of school places and in supporting them to integrate into the schooling system of Hong Kong. Measures to facilitate their adaptation may**

be necessary, particularly if they have completed their primary education in the Mainland.

4.13 To put the above principles into practice, we recommend that –

- (a) in the immediate term, to address specifically the estimated demand of CBS in districts easily accessible to BCPs, the Education Bureau (EDB) has taken on board plans of recycling suitable school premises for school use while extension/conversion work projects in six existing schools have commenced with a view to providing additional classrooms in the North District and Yuen Long for operation in 2013/14 school year. In tandem, EDB will continue with the prevailing measures to address any projected increase in demand for school places in local schools such as utilising school places in neighbouring districts, providing additional classrooms within the existing school premises and temporarily allocating additional students per class. EDB will also search for additional school sites and plan for new school building programme as necessary to meet local demand;
- (b) in the longer-term, we should strengthen the mechanism for projection of demand for education services for these children, so as to facilitate the planning of school places. At present, the regular surveys by the Census and Statistics Department (C&SD) and cross-boundary movement data together give a projection on the return of Type II children. While the projection would serve the purpose of planning for the number of school places required, we will need to gather more information at the district level. To strengthen the mechanism for projection of demand, we recommend collecting data in MCHCs, at the kindergarten level (as some Mainland parents apply for the Pre-primary Education Voucher Scheme) and upon the children's first entry to the local education system. We also recommend surveys be conducted to track the intention of Mainland parents after they have brought

**their babies to the Mainland and making use of information on the profiles of Mainland couples for enhancing the projection of return rate of Type II babies. We will also consider enhancing dissemination of information to families with children born in Hong Kong to Mainland parents to facilitate their informed decision of whether and, if so, when to send their children to Hong Kong for studying purpose;**

- (c) to adopt multiple measures in order to facilitate transportation of CBS as far as practicable having regard to the capacity of the border facilities. These measures include increasing pick-up/drop-off bays at Lok Ma Chau Spur Line Public Transport Interchange, and putting in place on-board clearance arrangement at Lok Mak Chau (Huanggang). We will also seek to divert CBS to other control points such as Shenzhen Bay and Lok Ma Chau (Huanggang) and to enhance our overall capacity to cater for the flow of students as well as to enable the students to have more school choices in other districts. We will closely monitor the growth in CBS number and review if additional administrative measures should be called for should it exceed the capacity of our land boundary control points<sup>47</sup>; and**
- (d) for Type I/II children who have completed their primary education in the Mainland and have come to Hong Kong for secondary education, to keep in view their enrolment number and distribution, as well as their learning and adaptation to Hong Kong's life. Additional support, for example, support via schools, provision of adaptation courses, setting up of support networks etc, could be considered in due course.**

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<sup>47</sup> Subject to timely completion of building works, it is estimated that by the 2012/13 school year, the total capacity for handling CBS at BCPs on a daily basis would be around 13 000 students.

### ***Financial Assistance***

4.14 As regards the living expense of Type II children in Hong Kong, this is primarily the responsibility of the parents of these children. If the parents leave the children to the care of their relatives in Hong Kong, they should make sure that the relative is able to take care of their child and assume the relevant responsibilities. If the family of the relative applies for Comprehensive Social Security Assistance (CSSA), the Social Welfare Department (SWD) will process the CSSA application in accordance with established policies and requirements. If the application is approved, the CSSA payments will cover the recognised needs of the child.

### **Support for and Integration of New Arrivals**

4.15 Chapter III has highlighted the service need from new arrivals in adapting to the new environment in Hong Kong. The relevant bureaux and departments of the HKSAR Government have been keeping a close eye on them and have put in place a package of support services to meet their service needs such as social welfare services, educational support, employment assistance, housing services and support services for integration into the community.

4.16 Amongst others, the SCPP has taken note that the Home Affairs Department (HAD) provides adaptation courses and subsidises community activities organised by local organisations to assist new arrivals to know more about Hong Kong and to integrate into local life as soon as possible. HAD also publishes the “Service Handbook for New Arrivals” on a regular basis, and conduct quarterly surveys to update information on the characteristics and service needs of new arrivals, the results of which are shared amongst the relevant bureaux, departments and non-governmental organisations (NGOs) for reference.

4.17 To further strengthen their support service for new arrivals, HAD set up a dedicated team in 2011-12. Major initiatives of the dedicated team include –



- (a) launching district-based integration programmes for new arrivals from the Mainland and ethnic minorities which comprise adaption courses, mutual help network for families and women, and home visits, etc.;
- (b) implementing an “expectation management” programme to organise activities for prospective settlers from the Mainland to help them better understand the local environment before they come to live in Hong Kong; and
- (c) putting in place an “ambassador scheme” to introduce services to new arrivals from the Mainland and ethnic minorities by arranging those with similar background and experience to reach out to them, and to make referrals to government departments where necessary.

The Government also fosters media partnership to promote mutual understanding and support of different cultures.

4.18 Apart from the above, HAD has implemented two pilot schemes under the Community Care Fund –

- (a) providing financial assistance for non-school-attending ethnic minorities and new arrivals from the Mainland to take international public examinations for language proficiency; and
- (b) providing a subsidy for non-school-attending ethnic minorities and new arrivals from the Mainland for participating in language courses to help them strengthen their language skills required in employment.

### **Recommendation 5**

4.19 **The SCPP recommends that the Government should continue to strengthen services and support for new arrivals through the use of district partnership and media partnership, and to keep track of the characteristics and service needs of new arrivals.**

## **Nurturing and Admission of Talents**

4.20 One of the key objectives of our population policy is to secure and nurture a population which sustains our development as a knowledge-based economy. We need to assess whether Hong Kong has the required human capital both in quantity as well as quality to meet our developmental needs. Chapter III has highlighted the imminent challenges Hong Kong is facing with regard to our labour force. To attain the long-term objectives of our population policy, it is essential that we should give priority attention to our manpower supply and requirement and take urgent steps to tackle any manpower shortfalls that may affect Hong Kong's strategic position as a leading international trading and financial centre in the Asia Pacific Region.

4.21 To this end, the SCPP noted that the HKSAR Government conducts manpower projection (MP) exercises from time to time to assess the broad trends in the future manpower supply and requirement at the macro level, as well as potential manpower imbalance at different education levels. Although MP cannot analyse if there will be any manpower deficit or surplus in specific industries, the findings provide the bureaux and departments concerned and other stakeholders with a useful overview as a reference for conducting policy reviews and further studies for the respective industries.

### ***Manpower Projection to 2018***

4.22 As mentioned in paragraph 3.32, the Government has just completed the Manpower Projection to 2018 (MP2018) which adopts 2010 as the base year and a projection period up to 2018. The following findings deserve special attention from the population policy perspective –

- (a) the local manpower supply<sup>48</sup> is projected to increase at an average annual rate of 0.6% vis-a-vis the 1.1% growth rate for manpower requirements<sup>49</sup>. The slow growth in manpower

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<sup>48</sup> It does not include foreign domestic helpers.

<sup>49</sup> It does not include foreign domestic helpers.

supply is mainly attributable to an ageing population. The older age groups have a lower labour force participation rate. As the portion of older age groups in the population increases and retirees drop out of the labour force, the growth in manpower supply will be constrained;

- (b) the manpower requirements with higher education attainment will increase and those at lower education levels will shrink. In particular, the manpower requirements for workers with postgraduate, first degree or sub-degree qualifications are expected to have notable average annual growth rates ranging from 3.7% to 5.5% while those with education at lower secondary and below are anticipated to decline considerably at an average annual rate of -2.7%. Analysed by broad education level, it is projected that there will be a small manpower surplus of about 8 500 at lower secondary and below, a manpower shortfall of 22 000 at levels between lower secondary and first degree, and a more or less balanced manpower at first degree and above with a shortfall of only about 500; and
- (c) the manpower requirements of the “four pillar industries” taken together are projected to increase at an average annual rate of 1.4%. The manpower requirements of the “six industries” are expected to grow at an average annual rate of 2.8% during the period from 2009 to 2015.

### ***Manpower Situation for Specific Industries***

4.23 To further assess the effectiveness of the current policies with regard to nurturing and admission of talents for the key economic sectors, the SCPP has conducted a stock-taking exercise of the manpower demand and supply situation in respect of certain key or developing industries, namely financial services, healthcare services, innovation and technology industry, cultural and creative industries, testing and certification industry, environmental industry, education service sector and the tourism industry. The findings are detailed below.

## **(i) Financial Services**

4.24 As a leading international financial centre, the financial services sector is a major industry and its importance in Hong Kong's economy is growing. Workers in the sector are generally of higher skill. In terms of occupation, managers, administrators and professionals together made up 36.7% of the employment in the financial services sector in the second quarter of 2011, versus 17.6% for the economy as a whole. Manpower balance in the financial services sector, as proxied by vacancy rates<sup>50</sup>, is largely in line with the overall economy and services sectors such as professional and business services, information and communications, and real estate.

4.25 Regarding manpower training for the financial sector, the SPPP noted that with the expansion of tertiary education, it is expected that over one-third of our young people in the relevant cohort will have access to degree-level education by 2015. Professional organisations and trade bodies in the financial sector are also providing a wealth of specialised training and professional qualification programmes covering such segments as accounting, banking, financial analysis, financial planning, insurance, investment and securities and treasury market. At the same time, our open immigration regime towards the admission of talents and professionals and specific talent admission schemes have also helped satisfy local demand for talents in the field. According to industry contacts, financial services companies generally considered that the existing immigration arrangements sufficient for attracting Mainland and overseas talents and professionals.

## **(ii) Healthcare Services**

4.26 The ageing of population often comes with an increase in the demand for healthcare services, and hence healthcare manpower requirement. According to MP2018, the manpower requirement of "human health activities" has been assessed at the macro level, which is projected to rise at an average annual rate of 2.3% from 110 000 in 2010

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<sup>50</sup> Vacancy rate is defined as the ratio (in the form of percentage) of the number of vacancies to the number of "job opportunities" (i.e. the sum of the number of persons engaged and the number of vacancies). According to C&SD's "Quarterly Report of Employment and Vacancies Statistics", the vacancy rate of Finance and Insurance industry was 2.3% while that for all industries was 2.1% in June 2011.

to 132 000 in 2018. This growth rate is higher than the average rate of 1.1% for the economy as a whole. Of the various occupation groups in the sector, those requiring higher qualifications, for instance, “managers and administrators, professionals”, as well as “associate professionals”, are projected to see higher growth. A high-level steering committee has been set up under the Food and Health Bureau to conduct a strategic review on healthcare manpower planning and professional development. Chaired by the Secretary for Food and Health, the steering committee will assess manpower needs in the various healthcare professions and put forward recommendations on how to cope with the anticipated demand for healthcare manpower, strengthen professional training, and facilitate professional development, with a view to ensuring the healthy and sustainable development of Hong Kong’s healthcare system. The review is expected to be completed in the first half of 2013.

### **(iii) Innovation and Technology Industry**

4.27 The manpower requirement of the Innovation and Technology (I&T) industry is expected to grow at an average annual rate of 4.5% between 2009 and 2015. Given the unique nature of the sector, a relatively large proportion of its workers are more highly educated, with over 40% of them possessing qualifications at postgraduate level. While the local universities are providing a steady and large pool of graduates in science, engineering and technology disciplines, the major challenges are how to attract and retain talents in the I&T industry and to recruit experienced and top-notch researchers. The Government has launched various initiatives to nurture and attract talents to the I&T sector<sup>51</sup> and to promote public awareness and interest in I&T<sup>52</sup>. According to the local universities and multi-national technology companies, the established

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<sup>51</sup> These initiatives include the Incubation Programme by Hong Kong Science Park; Internship Programme funded by the Innovation and Technology Fund (ITF) with a monthly allowance for interns recently increased by nearly 20% with a view to inspiring more young people to pursue a career in R&D; Innovation and Technology Scholarship Award Scheme launched by the Innovation and Technology Commission; and the PhD Fellowship Scheme by the Research Grants Council. The R&D funding provided under ITF has enabled the research community to provide more opportunities for retaining and training talents.

<sup>52</sup> These initiatives include the funding support for various science and technology awards and competitions at the secondary and tertiary education levels and other educational activities. The annual flagship project, InnoTech Month, aims to foster an I&T culture in the community through technology showcase, industry exchanges and educational workshops, etc.. It attracted over 230 000 participants in 2011.

talent admission scheme has been operating well in tackling shortage of experienced researchers or specialists from certain research areas. We expect that the overall manpower situation for this sector is manageable.

4.28 Since 1983, the Committee on Information Technology Training and Development of the Vocational Training Council has been conducting regular surveys on manpower in Information Technology (IT) sector. With reference to the survey results in 2010, the Committee considered that the local education system and professional training programmes could largely meet the manpower requirements for IT sector. However, the Committee did observe that tertiary education institutions in recent years found it more difficult to recruit students to study IT or computing-related courses and there was a lack of suitable jobs/posts in Hong Kong to attract local IT graduates of high calibre (such as Doctorate graduates) to join the IT workforce upon completion of their studies. Although the average annual supply of local full-time graduates from IT or computing programmes fall short of the forecast annual additional manpower demand for IT employees with such qualification, the shortfall could be met in general by IT or computing graduates returning from overseas and non-IT/computing graduates who have received in-depth conversion IT training.

#### **(iv) Cultural and Creative Industries**

4.29 There is great heterogeneity in the nature of individual segments of the cultural and creative industries<sup>53</sup>. In terms of education level, it is projected that about 36.4% of the manpower requirements by 2015 would be at first degree or postgraduate level. Except for architecture, the creative sectors do not require professional entry qualification and the manpower supply concentrates more at sub-degree and degree levels. Hence, there could be cross-disciplinary flow of manpower among creative sectors and between creative and non-creative sectors. According to industry feedback, currently there is no indication of a lack of manpower for the creative industries. Looking ahead, the manpower requirements for workers with postgraduate qualifications are projected to

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<sup>53</sup> Cultural and creative industries comprise advertising; amusement services; architecture; art, antiques and crafts; cultural education and library, archive and museum services; design; film, video and music; performing arts; publishing; software, computer games and interactive media; and television and radio.

have the highest growth rate (5.4%) compared with those at other education levels from 2009 to 2015. Hence, an increased supply of postgraduates would benefit the sectors. Continuous education for practitioners in the field of design and more internship programmes for undergraduates should also be encouraged to help nurture local talent for the creative sectors.

#### **(v) Testing and Certification Industry**

4.30 According to MP2018, overall speaking, about 42.6% of the projected manpower requirement of the testing and certification industry will be at first degree or postgraduate level by 2015. The Hong Kong Council for Testing and Certification (HKCTC) estimated in 2010 that the relevant disciplines were science, applied science, engineering, fashion and textiles. Manpower is supplied from the relevant Higher Diploma courses of the Vocational Training Council, as well as degree and postgraduate programmes in the relevant disciplines of local universities. Given the relatively small size of the industry and the large number of local graduates from related courses, HKCTC considered that the local manpower supply for professionals and associate professionals should be sufficient.

#### **(vi) Environmental Industry**

4.31 Based on the 2010 data of C&SD<sup>54</sup>, the environmental industry employed about 36 000 workers. This industry is skewed more towards non-skilled and semi-skilled jobs, with a direct economic contribution of \$5.6 billion. The industry recorded a strong growth of 11.3% (in terms of employment) and 19.3% (in terms of value-added) over 2009. This underlined the potential of the industry as a whole. According to MP2018, the manpower requirement of the environmental industry is projected to increase at an annual rate of around 4.3% by 2015, which is above the overall increase of 1.1%. By education level, the projected increase in demand for sub-degree holders, first-degree holders and postgraduate holders is 9.7%, 7.4% and 10.2% respectively during the

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<sup>54</sup> The scope of “environmental industry” is currently narrowly defined in the official statistics with reference to international practice. The scope is limited to industries directly related to pollution treatment and environmental hygiene. In reality, the “Green DNA” exists in many conventional trades and industries.

period from 2009 to 2015. On the supply side, information provided by the relevant educational authorities indicates that the current environmental industry-related courses and programmes should be able to meet the projected manpower requirements at the various levels up to 2015. It is noted that the entry criteria for environmental and environmental-related industry as a profession cover a wide spectrum of disciplines such as energy, climate change, sustainable development, environmental science and management, applied science, geography, biology, chemistry, engineering, etc. Hence, there is a degree of flexibility over manpower deployment.

4.32 Meanwhile, while the industry has undergone strong growth, there has not been any particular concern from the trade over the lack of relevant professional support. On the whole, the existing arrangements under the talent admission schemes have been operating well to allow the environmental industry to bring in talents as may be required from time to time.

#### **(vii) Education Service Sector**

4.33 In the context of developing education service, self-financing education sector is an important focus. It is envisaged that the growth in the education sector is likely to focus on the post-secondary education sector in the near future for a number of reasons, including the increasing aspiration of students to pursue higher education, expansion of self-financing post-secondary education sector since 2000 under the Government's policy objective of promoting multiple pathways for school leavers, the increasing popularity of lifelong learning as underpinned by the Qualifications Framework, and the increased enrolment of non-local students in Hong Kong tertiary institutes. As a result of the above development, the workforce in the public and self-financing post-secondary education sector is expanding.

4.34 Education service covers a wide range of disciplines, and hence teaching staff and administrative staff do not come from specific disciplines. To enable the education service sector to have the requisite human resources to meet rising demand, we have been adopting a two-pronged approach, i.e. encouraging international recruitment and nurturing local talent. Historically, the academic faculty in the higher



education sector in Hong Kong has been characteristically international. Noting that the international market for academics is highly competitive, institutions are exercising their autonomy to adjust the remuneration package, which has been delinked from those of the civil service in 2003, to ensure their competitiveness in attracting and retaining talents. As regards local academic and research staff, the number of graduates in recent years has increased significantly with the parallel development of publicly-funded and self-financing post-secondary sector. These graduates provide a steady source of local supply of talent for the education service sector.

### **(viii) Tourism Industry**

4.35 The tourism industry is one of Hong Kong's pillar industries. A healthy tourism sector will be able to provide a large number of low-skilled jobs. The tourism sector covers a wide range of industries including retail, accommodation services, food and beverage services, cross-boundary passenger transport services, travel agency, reservation services etc. Workers in the sector are generally of lower skill and lower value-added. In terms of occupation profile, lower-skilled workers made up 84.5% of the employment in the retail, accommodation services and food and beverage services sectors in 2011, versus 62.6% for the economy as a whole. Demand and supply balance of the tourism-consumption related sectors, as proxied by vacancy rates, are largely in line with the overall economy. However, the higher unemployment rates in retail and food and beverage services sectors indicate that the manpower in these sectors have not been fully utilised.

4.36 Quite a number of tourism-related education and training opportunities are available. For example, local educational and training institutions such as the Hong Kong Polytechnic University, the Chinese University of Hong Kong and the Vocational Training Council offer publicly-funded tourism training courses, or subsidise eligible employers in the tourism industry to provide on-the-job training. Other non-publicly-funded institutions (such as The University of Hong Kong's School of Professional and Continuing Education (HKU SPACE) and Caritas-Hong Kong) also provide relevant courses. As regards training programme, the Employees Retraining Board as well as the "Youth Pre-employment and Training Programme and Youth Work Experience

and Training Scheme” and the “Employment Programme for the Middle-aged” provide tourism-related training courses.

### ***Policy Implications***

4.37 Based on MP2018, there will be a shifting of manpower requirements towards higher-skilled, more educated workers in relation to, inter alia, the “four pillar industries” and the “six industries”, along with Hong Kong’s transformation into a knowledge-based economy. The Government’s continuous effort in providing wider access to tertiary education is in the right direction and is bearing fruit. The stock-taking exercise on the manpower situation of the key economic sectors has revealed that the Government’s current policy with regard to manpower training has, in the main, been able to meet the growth in these sectors. Nonetheless, as shown in Chapter II, the labour force is affected both by the size of the working population and the labour force participation rate (LFPR). In the face of slow growth in the size of working population (which will start to decline in about ten years’ time), apart from increasing local births, it is important to make fuller use of the working population. Relating to this, it is worth noting that local fertility rate has experienced slight increase in the past few years from 1 042 in 2009 to 1 189 in 2011. The Government will continue to explore measures to encourage local women to give birth<sup>55</sup>.

### **Recommendations 6 and 7**

4.38 **There are three potential areas where more labour force may be further liberated: the older population, youth, and women.**

#### **(i) Elderly**

4.39 As revealed in MP2018, the local manpower supply aged 55 and above is projected to increase significantly at an average annual rate of 5.1% from 453 000 in 2010 to 673 000 in 2018. The proportion of

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<sup>55</sup> To lessen the burden of parents, the Government proposed in the 2012-13 Budget to raise the child allowance from the current level \$60,000 to \$63,000 for each child and to increase the additional one-off child allowance in the year of birth from \$60,000 to \$63,000 for each child under the salaries tax regime. The Government also takes the lead in promoting family-friendly policy. Starting from 1 April 2012, eligible government employees will enjoy five working days of paternity leave on full pay on each occasion of childbirth.

this labour segment to the overall local manpower supply is expected to grow from 13.2% to 18.8%. At the same time, it is noted that in 2010, the Labour Force Participation Rate (LFPR)<sup>56</sup> dropped significantly from 80.9% for the age group 40-49 to 66.7% for the age group 50-59. It further dropped sharply to 35.1% and 5.1% for the age group 60-64 and 65+ respectively. The post-war “baby-boomers”, which form a substantial portion of our population, are approaching retirement age. At the same time, the soon-to-retain cohorts are of better education qualification (and hence can take up jobs which are not or less physically demanding) and in better health, they have the capacity to participate actively in the labour market. There is hence a case for examining the existing labour market settings, including –

- (a) whether there are structural barriers or factors that contribute to the lower LFPR among the older age groups (and if so, what are these);
- (b) whether there are market barriers that further discourage them from participating in the labour market (and if so, what are these);
- (c) whether incentives can be given to employers to hire older people, or for the retirees to actively seek for jobs; and
- (d) in what areas/industries would the employers’ requirement match particularly well with the labour characteristics of older people and whether facilitating measures can be introduced for “match-making”.

**In response to the challenges brought about by an ageing population, though there is no statutory retirement age in Hong Kong at present, consideration should also be given for the Government to examine the merits and implications of encouraging the adoption of a higher retirement age, including initiating public discussion on the subject. However, any such change should not affect the existing conditions and arrangements for withdrawal of benefits under the various**

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<sup>56</sup> Source: “Hong Kong Labour Force Projections for 2010 to 2029”, Dec 2010, Hong Kong Monthly Digest of Statistics, Census and Statistics Department.

## **retirement benefits schemes.**

### **(ii) Women**

4.40 MP2018 projects that the local female manpower supply will grow at an average annual rate of 1.5% from 1.48 million in 2010 to 1.67 million in 2018. Its share in the overall local manpower supply is expected to grow from 43.3% to 46.7% during the same period. On the other hand, the local male manpower supply is projected to decrease slightly at an average annual rate of -0.2% from 1.94 million in 2010 to 1.91 million in 2018. The projected increase in local female manpower supply is mainly due to –

- (a) improved educational attainment for the female population in general;
- (b) marriage postponement and prevalence of spinsterhood;
- (c) the trend of having first childbirth at older ages for married females; and
- (d) the tendency of shifting the family burden to foreign domestic helpers.

4.41 To raise the female LFPR, the following issues may be considered –

- (a) how to create/enhance a family-friendly environment which would enable or facilitate women with dependents to perform the “dual roles”; and
- (b) how to enable and encourage the Mainland new arrivals coming to Hong Kong via OWP, many of whom are homemakers before arrival, to take part in the labour market.

It is also worth studying factors affecting women’s decision in taking part in or withdrawing from the labour market, which can help inform policy formulation in future.

### **(iii) Youth**

4.42 As regards our younger population, it is not surprising that LFPRs among the youth (age groups 15-19 and 20-24) are lower. Some of them are still in education, while others encounter difficulties in securing employment for a variety of reasons, including their relatively low academic attainments, limited work experience, absence of clear career goals, weak personal networks and lack of work motivation. It is a misconception to assume that the youth's employability would get better automatically as they get older. They need to possess the skills required by the labour market. At present, a wide range of youth pre-employment training programmes and retraining programmes are already in place. It is also expected that the implementation of the "3+3+4" new academic structure would help equip graduates at the upper secondary level with greater learning ability and stronger transferable skills (e.g. critical thinking, creative thinking, self-learning, inter-personal skills).

4.43 Looking into the future, policy directions should look beyond merely raising youth employment rate. It should also be geared towards raising the quality of youth employment – by enabling the youth, particularly those with lower education attainment level, to improve their employability and developing an upward ladder, they would have a better chance of engaging in jobs that offer stability, training and career progression. In this connection, the SCPP has taken note that MP2018 projects a manpower surplus for workers with education at the level of lower secondary and below. In a knowledge-based economy, people without knowledge/skills are at higher risk of unemployment and marginalisation, especially during times of economic downturn and labour market adjustment. The Government has been implementing a range of initiatives in, inter alia, enhancing the progression pathways and increasing the access to post-secondary education for the youths. The Qualifications Framework was launched in 2008 to provide the infrastructure for helping workers improve their qualifications through lifelong learning. The Employees Retraining Board has also been providing training and retraining courses to our elementary workers with a view to raising their competitiveness and employability. The SCPP considers that continued efforts should be devoted to devising strategies and suitable programmes to equip them with skills in demand by the

changing labour market. **We should work with NGOs and social enterprises to create and facilitate youth employment and consider providing resources to these organisations to undertake such projects.** We should also stay watchful of the possible manpower surplus at sub-degree level and continue to work closely with the education sector and the employers for improving the academic and employment prospects of sub-degree graduates.

4.44 Policies and measures for nurturing local talents and making fuller use of working population should not be viewed in isolation as policies in the education, training or employment fields. They are also connected to a wide range of social policies (e.g. childcare, social security) and economic policies (e.g. development of local economy and new industries). Above all, sustained economic growth is the key to employment. Hence, the wider policy should focus on promoting stronger, sustainable economic growth that will create more and better job opportunities for people at all ages.

#### **(iv) Admission of Talents**

4.45 As regards admission of talents from outside Hong Kong, Hong Kong has adopted an open regime in accepting overseas and Mainland talents to work and live in Hong Kong. A number of admission schemes are also in place and improvement measures on these schemes and immigration arrangements have been undertaken from time to time. Against the background of intense global competition for talents, the bringing-in of overseas and Mainland talents not only contribute directly to the companies/industries that engage them, but also bring along with them expertise, contacts and connections that can be shared with local workforce. One of the best examples is academic exchanges between local and overseas/Mainland scholars.

4.46 Chapter II has discussed in detail the operation of our various talent admission schemes. Overall speaking, as evidenced in the above stock-taking exercise and also from community feedback, in particular from employers, the design of the schemes is able to meet our needs. Nonetheless, we should bear in mind that immigration arrangements are merely the control knob for the entry of non-locals to work in Hong Kong.

## **Recommendation 8**

4.47 The attractiveness of working in Hong Kong, on the other hand, is affected by a host of pull factors such as remuneration package, tax policies, career development opportunities and living environment. Equally, push factors such as availability of suitable education services/facilities for families, living environment, cost of housing, absence of social networks and support, etc., are also important. **The Government should conduct in-depth reviews of these factors to gain a better understanding of the whole picture and to consider relevant facilitation measures, for example, those for the development of the international school sector. This would be helpful in refining our strategies for attracting and retaining talents. It would also be worthwhile to examine the various aspects of the talents admitted under the General Employment Policy, for example, the distribution of income level and industries/sectors and the average length of their stay in Hong Kong and family/household status, in order to provide a holistic picture.**

4.48 **Based on the outcome, review on the operation of the various talent admission schemes (including the Quality Migrant Admission Scheme) should be considered to assess if any adjustment to the assessing criteria, their operation or additional promotional efforts are called for, in order to enhance our position in the global competition for talents and attract more talents coming into Hong Kong via these schemes. In addition, expanding the admission of non-local students at graduate and postgraduate levels would also be an effective way to take in overseas and Mainland talents at an early stage<sup>57</sup>.**

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<sup>57</sup> In order to further internationalise our higher education sector and broaden the horizons of our local students, the Education Bureau is planning to widen the net of non-local students. It is also exploring complementary measures to relax certain immigration and employment restrictions for non-local students.

## **Supporting our Elderly**

4.49 When considering our support for our elderly population and planning for the needs of the soon-to-be old, we should be aware that the elderly is a very diverse group who only shares the identity of “elder people” due to their age. While some of them may share certain characteristics, such as declining health and economic inactivity and hence some needs for support, not all of them do. It would be mistaken to assume that all (or most) elderly people are frail, ill-health, poor and lonely. Likewise, we cannot assume that family support is there for the elders if needed, nor that they should have accumulated enough personal savings for their old age. There are hence multiple perspectives on supporting the well-being of the older generation.

4.50 Generally, for societies which face a growing ageing population, the main focus of concern is healthcare and financial support for the elderly. As far as Hong Kong is concerned, the projected implications of population ageing on these two aspects have been discussed in Chapter III. The SCPP has taken note of a number of initiatives which are being pursued to meet the long-term healthcare and welfare needs of the elderly. The SCPP also proposes some policy pointers on the financial needs of the growing ageing population for consideration.

### ***Healthcare***

4.51 When compared with other age groups, elderly people tend to have lower medical insurance coverage and few have entitlements to medical benefits provided by employers. The majority of the elder people rely on the public healthcare system and personal savings in meeting healthcare needs.

4.52 While a growing number of elderly people in our population will increase demand for and expenditure on public healthcare, it is generally expected that the health situation of the future elderly population will be better than those in the current generation. According to a study on the projection of Hong Kong’s healthcare expenditure by



The University of Hong Kong in 2007<sup>58</sup>, aside from population ageing, advances in medical technologies and medical inflation<sup>59</sup> also contribute substantially to rising health expenditure.

### **Recommendations 9 and 10**

4.53 To ensure the long-term sustainability of our public healthcare system against the setting of an ageing population, the Government sees the need to keep its public expenditure on healthcare services under control, while maintaining our commitment to provide adequate and quality public healthcare for our wider population, of which the elder population is a heavy user. **As a prudent way forward, we should diversify sources of funding in meeting rising medical and healthcare cost, so that those who are more able to afford private healthcare may turn to the private sector and spare more capacity in the public sector for the needy.**

4.54 The Government has embarked on two rounds of public consultation on healthcare reform. There is broad public support for the introduction of a voluntary, government-regulated health insurance system, the Health Protection Scheme (HPS), to complement public healthcare services which will remain the cornerstone of our healthcare system and continue to provide essential healthcare services for those in need and serve as a safety net for the whole population. HPS seeks to address the current public-private imbalance in the provision of healthcare services, enhance the regulation of the private health insurance market, and provide consumers with more value-for-money choices. **The Government is already taking steps to take forward healthcare reform initiatives –**

- (a) formulating detailed proposals for HPS, including supervisory and institutional framework, and how best to make use of the \$50 billion earmarked for supporting healthcare reform. The objectives of HPS, among others,**

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<sup>58</sup> The study was commissioned by the Food and Health Bureau to the Department of Community Medicine and School of Public Health, Li Ka Shing Faculty of Medicine, The University of Hong Kong.

<sup>59</sup> Rising medical costs due to advances in medical technology and public expectations for healthcare to keep up with such advances is known as medical inflation.

**include better enabling people with health insurance to stay insured and make premium payment at older age and meet their healthcare needs through private services;**

- (b) as pointed out in paragraph 4.26 above, setting up a high-level steering committee to conduct a strategic review on healthcare manpower planning and professional development; and**
- (c) facilitating the development of healthcare services and infrastructure, such as reserving land for private hospitals development and enhancing the transparency of healthcare services and promoting packaged charging for common procedures in the private sector.**

**4.55 The Government is also taking specific measures and initiatives to address the healthcare needs of elderly persons –**

- (a) at present, public healthcare services for elderly patients are mainly provided by HA. Apart from hospital-based care, other services provided by HA ranges from consultation and treatment through its specialist out-patient clinics and general out-patient clinics, outreach services for patients in the community, as well as palliative care services to terminally ill patients and their families. To meet the challenges of rising demand for healthcare services and enhance quality of care from an increasingly ageing population, HA is formulating a Strategic Service Framework for Elderly Patients to guide the development and provision of elderly services over the next five years;**
- (b) DH has established 18 Elderly Health Centres (EHCs) in Hong Kong to provide comprehensive primary health care services, including health assessment, physical check-up and curative treatment, to persons aged 65 or above. The focus of the services is on provision of individual counselling and health education to elders with such health risks as propensity to fall, overweight, insufficient physical activities or unhealthy diet; and**

- (c) **the ageing population has led to an ever increasing demand for primary health care services for elders. In collaboration with healthcare professions, the Government has mapped out a long-term development strategy for primary care, which is being implemented step by step. The Government will continue to refine our strategy and enhance primary care services through the implementation of various measures including the Elderly Health Care Voucher Pilot Scheme, as well as opening a community health centre in Tin Shui Wai, which is the first of its kind developed based on the primary care development strategy. We also plan to implement pilot projects with non-governmental organisations in 2013 to provide health assessment services for the elderly to enhance preventive care for them.**

The foundation is laid for the Government to pursue and appropriately implement the above initiatives.

### ***Financial Support***

4.56 The retirement protection system in Hong Kong consists of three pillars, namely the non-contributory social security system (comprising Comprehensive Social Security Assistance, OAA and Disability Allowance), the Mandatory Provident Fund (MPF) system, and voluntary private savings. In recent years, there has been more and more discussion about retirement protection. One of the focuses is on the strength of the MPF system. Some have questioned if the MPF system would be able to provide sufficient financial support to elderly people after they retire and requested for the introduction of universal retirement benefits.

4.57 One can easily lose sight of the whole picture if one focuses only on one of the three pillars. For society as a whole, any single pillar by itself would be inadequate for providing financial support for old age. Where accrued benefits in MPF account and personal savings become inadequate for individual, our social security system serves as the safety net for the people in need. **It is more constructive, pragmatic and easier to achieve results by consolidating and strengthening the**

**existing system with a view to maximising the complementary effects of the various pillars, taking into account changing socio-economic circumstances.** For example, with the closer integration of Hong Kong and the Pearl River Delta (PRD) over the years, many elderly people choose to settle in the Mainland for their retirement. Following the recommendation of the SCPP, the CE announced the “Guangdong (GD) Scheme” in the 2011-12 Policy Address which would enable eligible Hong Kong elderly people to receive a full-year payment of OAA in Guangdong without the need to come back to Hong Kong. The Government is taking forward at full steam the preparatory work, with a view to launching the GD Scheme as early as possible in the second half of 2013. This is an example of how appropriate policy responses should be made to cater for changing demographic circumstances. It is possible that future generations of Hong Kong elders will have different preferences regarding their retirement plans, given their different lifestyles, social networks and expectations. The Government should be sensitive to these changes and their implications for the GD Scheme.

4.58 On the other hand, it is impractical to introduce fundamental changes to the existing system and adopt a resource reallocation approach to deal with retirement protection. It is also not easy for the community to reach a consensus in this respect. Against the backdrop of an ageing population, a growing proportion of elder population, and a stagnant if not shrinking workforce, we need to be all the more prudent in considering the sustainability issues that are associated with any “pay-as-you-go” public pension systems.

4.59 **It is insufficient to view financial support as the only support that the Government provides to the elderly people or that it is their sole need. As a matter of fact, the HKSAR Government has devoted substantial financial resources in providing and enhancing a whole range of services to meet the healthcare, welfare, housing and other needs of the elderly.** Indeed, the welfare of elderly has been high on the Government’s agenda and there have been a number of new initiatives or improvement measures dedicated to improving the livelihood of the elderly in the past few years. For example, a pilot scheme on healthcare vouchers has been introduced as a partial subsidy to the elderly for using healthcare services and another pilot scheme on community care service voucher is being planned for introduction in

2013-14. The Government has also continued to allocate additional resources in the 2012-13 Budget to increase subsidised residential and community care places for the elderly. We also note that the Chief Executive-elect has, in his manifesto for election, proposed to build on the existing OAA and introduce a means-tested special allowance for needy elders as well as to increase voucher amount under the Elderly Health Care Voucher Pilot Scheme.

### *Active Ageing*

4.60 As mentioned above, elderly people are highly diverse. Many are healthy, active, able to and eager to contribute to their families and the wider community. They should not be viewed as a section of the population which only demands support and resources and hence a burden to the society. **It is, therefore, the Government's policy to encourage the elderly to participate actively in community life. In recent years, the Government has organised a variety of programmes to this end. For instance, with Government's funding support, more than 110 elder academies have been established throughout the territory to promote lifelong learning among elders and inter-generational harmony.** The Neighbourhood Active Ageing Project, which facilitates the development of neighbourhood support networks for elderly people, has been implemented since 2008. In addition, the Government initiated and sponsored the development of a dedicated internet portal for the elderly, "eElderly", which commenced service in 2010. The portal contains information of interest to the elderly, such as health and care, elder learning, social and recreational activities, as well as products and services relevant to their needs. It also provides a discussion forum for the elderly, thereby encouraging them to enjoy an active social life and bridging the inter-generational digital divide.

4.61 With the coming generation of the elderly who possess better education and know-hows, and even better health, **the Government and the rest of the community should encourage the elderly to play an even more active part in society, whether through employment or volunteer work. The recent initiative to enable elderly people to travel at any time on general Mass Transit Railway (MTR) lines, franchised buses and ferries anytime at a concessionary fare of \$2**

**under the “Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities” announced in the 2011-12 Policy Address is a good example of measures which can encourage the elderly to participate in more community activities, thereby enriching social capital and developing a spirit of care and inclusiveness.**

### ***Inter-generational Support***

4.62 The family is the building block of society. Supporting the family has all along been a priority policy area for the HKSAR Government. The Family Council<sup>60</sup>, set up in 2007, has been promoting core family values and harmonious relationships among family members. As an advisory body to the Government, the Family Council provides a platform for examining family-related policies and promoting a culture of loving families in the community by creating pro-family environment through various publicity campaigns as well as promotion of family education.

4.63 In 2012, the Family Council joined hands with the Commission on Youth<sup>61</sup>, the Elderly Commission<sup>62</sup> and the Women’s Commission<sup>63</sup>

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<sup>60</sup> The Family Council, set up in 2007, is an advisory body to the Government on the formulation of policies and strategies for supporting and strengthening the family and on development of related programmes/activities. The Council is chaired by the Chief Secretary for Administration and comprised Government representatives and non-official members from different sectors of the community.

<sup>61</sup> The Commission on Youth was set up in February 1990. It is an advisory body with members appointed by the Secretary of Home Affairs, which includes non-official members from a wide spectrum of society and representatives from Government bureaux/departments. It advises the Government on matters pertaining to youth and strikes to consolidate community efforts, assist in formulating and implementing youth development programmes and activities and nurture young people as future leaders with vision, creativity, leadership and commitment.

<sup>62</sup> The Elderly Commission was established in 1997, with members of professionals, academics and community leaders. Its task is to advise the Government on the formulation of a comprehensive policy for the elderly (including matters relating to the care, housing, financial security, health and medical, psychological, employment and recreational needs of the elderly), monitor the implementation of policies and programmes affecting the elderly, and co-ordinate the planning and development of various programmes and services for the elderly.

<sup>63</sup> The Women’s Commission was established by the Government in January 2001 and is tasked to promote the well-being and interests of women in Hong Kong by taking a strategic overview over women's issues, developing a long-term vision and strategy for the development and advancement of women, and advising the Government on policies and initiatives which are of concern to women.

to launch the “Love and Respect Thy Elders” Campaign to encourage and mobilise every member of the family to respect the elders by putting “Love”, “Concern”, “Respect” and “Care” into practice. Besides, the Family Council has also conducted researches and surveys to gather updated information and to understand the situation of families in Hong Kong, the challenges they face and the kind of support required for working out targeted recommendations. **The SCPP considers that these initiatives will in return help enhance inter-generational support amongst family members, including care for the elderly members in a family and that the Government should continue its efforts in the area.**

4.64 Indeed, filial piety is an important core value of our society. Family members are still widely preferred as carers for the frail elders to institutions. According to the preliminary findings of the Family Survey 2011<sup>64</sup> conducted by the Family Council, majority of the respondents are willing to live with their parents (69%) and support their living (85%). However, nearly half of the respondents at work reported stress in balancing work and family (44%) in the same survey. At the same time, the past few decades has witnessed a decline in the average household size and inter-generational co-residence arrangements. We must also acknowledge that caregiving by family members, while free to the recipients in many cases, is not without cost to the carers. In formulating future policies in relevant areas (e.g. housing, transport, tax, etc.), SCPP considers that the Government must also take into account the practical difficulties faced by the carers and the need to strengthen support for them. The Government should also continue to provide a safety net and alternatives where family support is in non-existent, inadequate or undesired.

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<sup>64</sup> The fieldwork survey was conducted from May to September 2011, with a sample size of some 2 000 respondents.

## Concluding Remarks

4.65 The demography of Hong Kong evolves over a long period of time and has been affected by factors more than just births and deaths. Immigration and emigration has all along been playing significant role in affecting the size and composition of our population in the past decades. The total fertility rate of Hong Kong has been below the replacement level of 2 100 per 1 000 women since 1980 and is projected to remain so. Nevertheless, because of the continual inflow of persons from outside Hong Kong, the population still maintains a positive growth.

4.66 As pointed out in Chapter II, there is no strong reason to foresee that local fertility rate will ever rise back to the replacement level in the next one or two decades. Over the decades, Hong Kong has thrived on being a centre for attracting new arrivals and talents from different parts of the world. We have been able to provide an environment for people of different ethnic origins to succeed and to contribute to our community's advancement. We should ensure that we continue to do so. Population ageing, while may possibly be slowed down by increased births and immigration, is nonetheless inevitable. Therefore, looking ahead, population policies should focus on investing to raise the quality and productivity of our population, liberating more labour force from the existing population, and providing effectively for the older population by making the best use of public and private resources. Lastly, Hong Kong has and will continue to be integrated with the Mainland, in particular the PRD Region. This process of integration has brought about significant changes to our demographic structure in the last few decades and will continue to do so. More and more Hong Kong people may choose to live and work across the boundary to take advantage of the improved transport networks. Regular and timely reviews supported by research studies should be conducted to ensure that the overall policy objectives of our population policy, i.e. that Hong Kong has the required population to sustain its development as a knowledge-based economy, and our aspiration to continue to maintain our position as Asia's world city is met.

4.67 This Progress Report outlines the broad policy directions on various important issues for the next-term Government to consider. The SCPP hopes that within the limited time available, this Progress Report



can provide a broader and more comprehensive discussion on the key demographic concerns and challenges which Hong Kong is facing and that it can form the basis for further deliberation by the community on appropriate measures which should be adopted for the future.

**Consultation exercises conducted by the Steering Committee on  
Population Policy as per the 2010-11 Policy Address**

In the 2010-11 Policy Address, the Chief Executive tasked the Steering Committee on Population Policy (SCPP), chaired by the Chief Secretary for Administration (CS), to focus its study on two topics, namely -

- (a) examine ways to facilitate and support our elderly people to settle in the Mainland after retirement if they so wish; and
- (b) study in detail the ramifications of children born in Hong Kong to Mainland women returning to Hong Kong to study and live.

2. To understand the views of the community and, in particular, stakeholders on the two study topics, the SCPP has conducted several public engagement exercises. As an onset, the Chief Secretary for Administration (CS) attended the Special House Committee of the Legislative Council (LegCo) on 10 December 2010 to listen to the views of the LegCo members on these two topics.

3. In December 2010, Central Policy Unit (CPU) also assisted the SCPP to arrange four focus group meetings for this purpose. Some 40 academics, professionals, representatives of non-governmental organisations (NGOs) and concerned groups attended the focus group meetings. In addition, on 17 March 2011, the SCPP consulted the Commission on Strategic Development<sup>65</sup> on the two subjects.

4. To collect the views of the wider community, CS attended two consultation forums held in February and March 2011. District personalities and community leaders including District Council (DC) members, DC co-opted members, Area Committee members and school principals were invited to share their opinions with CS. Representatives

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<sup>65</sup> The Commission on Strategic Development was established in 1998 to advise the Chief Executive on Hong Kong's long-term development needs and goals; and to conduct reviews and studies of Hong Kong's economy, human resources, education, housing, land supply, environmental protection and relations with the Mainland.

of relevant bureaux also attended the forums to listen to the public views firsthand.

## **Facilitating Our Elderly to Settle on the Mainland**

5. Over the years, many in the community have asked the Government to examine ways to facilitate and support our elderly people to settle in the Mainland, in particular in Guangdong province, if they so wish. On various occasions of the consultation exercise, CS remarked that the Government considered this suggestion worth examining from the perspective of regional integration. While new measures may be introduced to provide further support to our elderly who choose to reside on the Mainland, such measures should not seek to encourage or compel them to do so. After all, the choice of one's place of living is entirely one's personal decision. The Government's responsibility was to examine demographic changes and trends, forecast long-term demands for public services and adjust Government policies accordingly to better meet the needs of our elderly. Many participants at the consultation forums echoed this view. They considered that for those elderly who chose to reside on the Mainland, the Government should introduce appropriate measures to facilitate their move. Suggestions raised included -

### ***Financial Support***

- to relax or abolish altogether the 60-day minimum residential requirement for receiving full-year Old Age Allowance (OAA) payment.
- to take into account the exchange rate changes of Renminbi in adjusting the OAA and Portable Comprehensive Social Security Allowance payment rates.
- to introduce new allowances such as a "maintenance allowance" specifically to support Hong Kong elderly who choose to retire in the Mainland.

### ***Healthcare Support***

- to explore possible assistance for Hong Kong residents in the Mainland, such as facilitating the establishment of affordable medical facilities and services meeting Hong Kong standards in the Mainland
- to consider giving out healthcare vouchers to our elderly settling in the Mainland, and exploring with Guangdong Province, with the help of the Central People's Government, the possibility of offering national treatment to these elderly people in using Mainland medical services.
- to consider facilitating the transportation of elderly patients from the Mainland back to Hong Kong for medical treatment.

### ***Housing and Other Services***

- to accord priority in allocating public housing flats whenever they decided to move back to Hong Kong for various reasons in future.
- to allow a “trial” period for elderly tenants to try out if they could adapt to retirement life in the Mainland before surrendering their public rental units.

### ***Proper Use of Public Resources***

- to safeguard the proper use of public resources by adopting suitable means test when introducing new allowances for those elderly people who wish to retire in the Mainland.
- elderly people retiring on the Mainland should not be entitled to any publicly funded retirement and medical benefits if they chose to continue to stay outside Hong Kong after retirement as they had practically made no contribution to Hong Kong.

## **Children Born in Hong Kong to Mainland Women Returning to Hong Kong to Study and Live**

6. Our interlocutors acknowledged the challenges presented by an ageing population to Hong Kong's long-term development. As such, they considered that once arrived and settled in Hong Kong, Type I and II babies will, to a certain extent, supplement our workforce and mitigate the negative repercussions of our ageing population. For better integration into local community, the Government should encourage an orderly inflow of Type II babies as early as possible by taking relevant measures and providing them support facilities. Suggestions raised included –

### ***Obstetric Services***

- to impose a control over the number of Mainland mothers coming to Hong Kong to give birth.
- to accord a certain degree of priority to Mainland mothers whose spouses are Hong Kong residents over those whose spouses are non-Hong Kong residents.

### ***Education needs***

- to review the overall supply of school places, increase the number of boarding places of Direct Subsidy Scheme schools, establish more boarding schools, and help Type II children (particularly the older ones) to adapt to life in Hong Kong. That said, these children should be encouraged to stay with their families at tender age and return to Hong Kong for studying and settlement when they were older.
- to discuss with the Shenzhen Municipal Government the possibility of allowing Hong Kong sponsoring bodies to operate schools which would provide courses adopting Hong Kong standards and curriculum for admission of children born in Hong Kong to Mainland mothers in order to relieve the keen demand of school places in the North District by cross-boundary students

### ***Enhancement of Existing Data Collection and Projection Mechanism***

- to consider the feasibility of compiling a central database by collecting the contact details of parents of Type I/II children, and to engage NGOs to visit these families regularly to understand their family situation, brief them on the living conditions in Hong Kong and conduct tracking surveys to update their intention of bringing their children to study or live in Hong Kong.
- to set a time limit for such children to return to Hong Kong for settlement in order to be eligible for education, medical and other benefits.

## **Extracts from the 2011-12 Policy Address**

### **Ageing Population**

#### **Present Situation**

##### ***Extent of Population Ageing***

53. Our population is rapidly ageing. As post-war “baby-boomers” approach retirement age, our population aged 65 or above is expected to surge from about 900 000 at present to 2.1 million by 2030 to account for a quarter of our population. The rapidly ageing population will bring tremendous challenges to our elderly and public healthcare services. We must get prepared.

##### ***Low Fertility Rate***

54. Hong Kong's fertility rate has remained low in the past two decades. It dropped to an historic low of 0.9 in 2003. Despite a moderate rebound to 1.1 in 2010, it is still far below the replacement level of 2.1 children per woman.

#### **Existing Policy and Challenges**

55. Our population policy is to attract and nurture talent and improve the quality of our people to promote our development as a knowledge-based economy. It also seeks to achieve a balanced demographic structure to sustain Hong Kong's development. Given our ageing population and persistently low fertility rate, we can foresee that our workforce will shrink in just 10 years' time, which may threaten our sustainable development.

56. To encourage parenthood, this year's Budget increased the child allowance to alleviate the parents' burden in raising children.

57. To bring in talent, the Government has all along adopted an open immigration policy. In recent years, we put in place three talent

admission schemes and streamlined the application procedures for employment visas. We also introduced relaxed measures to attract non-local students to work in Hong Kong after graduation. We will continue to enhance our talent admission arrangements.

58. Last year, I asked the Steering Committee on Population Policy to focus on two topics. First, ways to facilitate and support elderly people to settle in the Mainland after retirement if they so wished. Second, the ramifications of children born in Hong Kong to Mainland mothers returning to study and live in Hong Kong.

59. For our elderly people retiring in the Mainland, Members of the Steering Committee suggested the provision of better financial support and services in the Mainland.

60. In regard to Mainland women giving birth in Hong Kong, which has raised public concern, our basic principle is that Hong Kong residents receive priority for healthcare services. Therefore, the number of non-local women giving birth in Hong Kong must be capped to avoid overloading our healthcare services. Their Hong Kong-born children may choose to cross the boundary to attend school or to live in Hong Kong in future, which may strain our child care and education services. On the other hand, these children may replenish our ageing population. I must stress that the Government does not encourage Mainland women to give birth in Hong Kong. But as long as their children are Hong Kong permanent residents, we must consider these children as a valuable human resource for Hong Kong. In this regard, we must plan the relevant public services and make more realistic projections of the number of children who may come to settle or study in Hong Kong. The Committee will continue to co-ordinate these efforts.

61. For families with Hong Kong-born children living in the Mainland, we will step up the dissemination of information on the local education system to help them consider whether and how to arrange for their children to return to Hong Kong for schooling. For those students who cross the boundary to attend schools in the territory, we will put in place support measures at boundary control points to ensure their safe journey.

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### ***Guangdong Scheme***

80. We will introduce a new “Guangdong Scheme” under the Social Security Allowance Scheme to provide an old age allowance for eligible Hong Kong elderly people who choose to reside in Guangdong. The rate will be the same as that for the local Old Age Allowance (OAA) in Hong Kong. Upon approval, recipients will be able to receive a full-year allowance in Guangdong without the need to come back to Hong Kong. The Labour and Welfare Bureau will shortly announce the key features. The Guangdong Scheme is based on four special considerations. First, currently Hong Kong elderly people settled in the Mainland mostly live in Guangdong. Second, there are especially close ties between Guangdong and Hong Kong in many aspects. Third, given the policies under the Hong Kong/Guangdong Co-operation Framework and with the completion of a number of major transport infrastructure projects, the two places will become more closely integrated and travel will be more convenient. Lastly, local elderly people who have moved to Guangdong can still maintain close contact with their relatives and friends here and obtain family support easily.

### ***Medical Support in the Mainland***

81. Apart from financial means and living environment, access to medical services is another consideration for senior citizens when deciding whether to settle in the Mainland. The liberalisation measures for the medical sector under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) allow Hong Kong medical practitioners to practise or set up clinics or hospitals in the Mainland. In this way, senior citizens residing there may also receive Hong Kong-style medical services. The first hospital jointly established by the University of Hong Kong and the Shenzhen authorities will come into operation early next year. We will continue to strengthen co-operation between hospitals in Hong Kong and the Mainland, and negotiate with the Mainland measures to streamline the formalities for setting up clinics and hospitals there. We will also explore with Guangdong the cross-boundary patient conveyance arrangements to make it more convenient for Hong Kong patients residing in the Mainland to return to Hong Kong for medical treatment.

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