

**For discussion on  
25 February 2014**

**Legislative Council Panel on Welfare Services  
Subcommittee on Retirement Protection**

**Study on Retirement Protection in Hong Kong**

**Purpose**

This paper briefs Members on information related to the “Study on Retirement Protection in Hong Kong” being conducted by a consultancy team under Professor Nelson CHOW Wing-sun’s leadership.

**Background**

2. Voluntary private savings, non-contributory social security system (made up of the Comprehensive Social Security Assistance (CSSA) Scheme, Old Age Allowance (OAA), Old Age Living Allowance (OALA) and Disability Allowance) and the Mandatory Provident Fund (MPF) System launched in 2000 are the three pillars of our existing retirement protection system in Hong Kong. This model was adopted in the 1990s after lengthy discussion by different sectors of the community and is in line with the World Bank’s multi-pillar model<sup>1</sup>.

3. There are diverse views on retirement protection in the community. We are aware of views in favour of the introduction of universal retirement protection. However, there are also concerns that universal retirement protection would impose a very heavy burden on the public coffers over time, involving issues such as affordability and sustainability. In discussing retirement protection, we must consider future changes to Hong Kong’s demographic structure. The population of Hong

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<sup>1</sup> The World Bank issued a report on “Old Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform” (the Report) in 2005. The World Bank reiterated in the Report that a multi-pillar retirement protection model can provide the elderly with the needed retirement protection more effectively than a single pillar model. The Report also pointed out that any recommendations to improve the retirement protection scheme should take into consideration the actual situation of the place.

Kong is expected to age rapidly. The percentage of elderly people aged 65 or above in the population is projected to rise from 14 per cent in 2012 to 32 per cent in 2041. The labour force is expected to start shrinking in 2018, and would only have mild increases in the mid-2030s. The overall dependency ratio, for young and elderly combined, will rise from 355 dependent persons per 1 000 working age persons in 2012 to 712 per 1 000 by 2041.<sup>2</sup>

4. The Chief Executive stated in the 2014 Policy Address that the Commission on Poverty (CoP) has commissioned a consultancy study by a team, with Professor Nelson Chow as the chief consultant, to assess various retirement protection schemes on the basis of the multi-pillar approach advocated by the World Bank and make recommendations on the way forward.

### **Study on Retirement Protection in Hong Kong**

5. The consultancy team led by Professor Nelson Chow commenced the study on retirement protection in May 2013, which includes literature review on retirement protection; analysis of experiences of other places in implementing their retirement protection systems; collection and analysis of relevant data, which involve organising focus interviews, group discussions and engagement sessions; and data analysis and projections, etc. Specifically, the study will make an in-depth analysis in the following four aspects –

- (a) the relationship among the elderly CSSA Scheme, OALA, and OAA, as well as their collective retirement protection functions;
- (b) on the basis of the relationship among the existing social security for the elderly, MPF and voluntary private savings (i.e. the three pillars), examine the retirement protection functions they perform collectively;
- (c) analyse and make projections on the major proposals on the development of retirement protection put forth by community groups, the political sector and academics, having regard to

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<sup>2</sup> The number of foreign domestic helpers has not been included in the figures referred to.

factors such as demographic changes in Hong Kong in the next 30 years, economic growth forecasts and the Government's fiscal strengths, and so on; and

- (d) use the analysis and projections in (c) above to propose feasible options to further improve social security and retirement protection for the elderly.

6. On 9 December 2013, the consultancy team briefed the Panel on Welfare Services of the Legislative Council (LegCo) on the latest development of the study. The team has been meeting with stakeholders (including major political parties, LegCo Members as well as organisations and persons who have openly suggested specific proposals on retirement protection in recent years) to further explore their proposals on retirement protection. In addition to collecting views on the subject through the Internet and email, the team has organised three public engagement sessions in December 2013 so as to facilitate analysis of views in a comprehensive manner. In tandem, the team has been analysing the relevant data and conducting literature review as well as making reference to the experiences of other places.

7. According to the preliminary analysis of the consultancy team, the structures of most of the proposals on retirement protection received are rather similar. Having regard to the resources and time available, the team would identify about six representative proposals for accrual-based projection to provide a basis for future discussion on the way forward for retirement protection. The team would conduct detailed analysis of the proposals in the coming months.

8. The consultancy team estimates that it will be in a position to submit the final report to the Social Security and Retirement Protection Task Force of CoP for consideration by mid-2014. The Government will adopt an open and pragmatic attitude in considering the way forward for retirement protection.

## **Advice Sought**

9. Members are invited to note the content of this paper and offer views.

**Labour and Welfare Bureau  
February 2014**