

For information  
on 4 December 2015

## **Legislative Council House Committee**

### **Population Policy – Latest Population Projections and Progress Update**

#### **Purpose**

This paper briefs Members on the latest population and labour force projections. It also provides an update on the implementation of key initiatives related to population policy announced in the 2014 and 2015 Policy Address.

#### **Background**

2. In April this year, the Chief Secretary for Administration (CS) and the relevant Principal Officials attended a special meeting of the Legislative Council (LegCo) House Committee to brief Members of the strategies and key initiatives of the population policy. The Steering Committee on Population Policy (SCPP) chaired by the CS has been closely monitoring the implementation of the population policy initiatives. In line with past practice, the Census and Statistics Department (C&SD) published the latest population, labour force and household projections in September 2015.

#### **Latest Population, Labour Force and Household Projections**

3. Population projections provide a common basis for the Government in planning public services and facilities. Based on the population projections, labour force and household projection are compiled. C&SD's past practice is to issue latest projection figures after each census or by-census, as well as during the inter-censal period when there are significant changes in projections. In the last 20 years, population projections have been issued every two to three

years<sup>1</sup>.

4. On 25 September 2015, C&SD released an updated set of population, labour force and household projections. These projections using the actual mid-2014 figures as the population base (2014-based projections) were an update of the last-round projections on the 2011 Population Census (2011-based projections). The updated set of projections has made use of the most up-to-date information on fertility, mortality and movement patterns of the population which has emerged since the 2011-based projections were produced. These revised assumptions are explained in greater detail in paragraphs 6 and 7 below.

*Projection period extended to 50 years*

5. In this round of project exercise, the projection period has been extended from 30 years to 50 years to better discern the trends and profile of the future population, in particular for how long the trend of growing elderly population would persist. In line with international practice, C&SD has, in addition to compiling the baseline population projections, developed two other projection scenarios for reference to cater for increased uncertainty in projection results arising from a longer projection period. Projections under the baseline scenarios are based on assumptions that are considered most likely to be realised at the time of compilation. The high and low scenarios seek to illustrate the change in population using alternative assumptions on fertility, mortality and movements.

---

1

Population base year	Projection period	Date of releasing projections
2014	2015-2064 (50 years)	September 2015
2011	2012-2041 (30 years)	July 2012
2009	2010-2039 (30 years)	July 2010
2006	2007-2036 (30 years)	July 2007
2003	2004-2033 (30 years)	June 2004
2001	2002-2031 (30 years)	May 2002
1999	2000-2029 (30 years)	October 2000
1996	1997-2016 (20 years)	May 1997
1991	1992-2011 (20 years)	June 1992

### *Revised assumptions on fertility, mortality and movement patterns*

6. In the 2014-based projections, C&SD revised the assumptions on fertility and mortality. Broadly speaking, Hong Kong's fertility showed a declining trend over the past two decades. In revising the fertility assumptions, reference is made to various factors, including the proportion of ever married women, marital fertility rates and births born in Hong Kong to Mainland women. The total fertility rate is projected to decrease gradually from 1 234 live births per 1 000 women in 2014 to 1 182 in 2064. Hong Kong experienced a continuous decline in mortality rate from 1994 to 2014, leading to an increase in life expectancy. In 2014, the expectation of life at birth was 81.2 years for males and 86.9 years for females. The expectation of life at birth for males is projected to increase to 84.3 years in 2034 and further to 87.0 years in 2064. Likewise, the expectation of life at birth for females is projected to increase to 89.9 years in 2034 and further to 92.5 years in 2064.

7. C&SD projected that there will be a continuous net inflow of persons into the Hong Kong population over the entire projection period. A major component of the net movement of the population is holders of One-Way Permit (OWP). Holders of One-way Permit (OWP) have been and will remain a significant factor in our population projections. Taking into account the actual inflow of OWP holders in recent years, C&SD adopted as the long-term assumption a daily inflow of 100 OWP holders (as compared to 150 in the last round of projection), or 36 500 OWP holders per year. This notwithstanding, the revised assumption should in no way be construed as any intention to change the OWP scheme. Indeed, the Mainland authorities have no plan to revise the existing daily OWP quota of 150. Given the prevalence of cross-boundary marriages which have made up almost 40% of locally registered marriages, there is a continued need for the OWP scheme to enable separated spouses and their children born on the Mainland to come to Hong Kong for family reunion.

### **Key Demographic Changes over Last Projections**

8. As compared with the 2011-based projections, the following key features of the 2014-based projections are worthy of attention -

(a) Slower population growth and population decline emerging after 2043

On average, our population is projected to grow at 0.2% per annum, much slower than the 0.6% in the 2011-based projections. The Hong Kong population is projected to increase from 7.24 million in mid-2014 to a peak of 8.22 million in mid-2043, and then decline to 7.81 million by mid-2064. This is the first time our projections have ever recorded a population decline.

(b) Growing elderly population and declining working age population

The ageing trend will persist. The elderly population aged 65 or above will keep growing for most of the projection period until peaking at 2.61 million (36% of total population) in 2058 and then declining to 2.58 million (36%) in 2064. On the other hand, the working age population aged 15-64 will shrink throughout the 50-year projection period from 5.04 million (73%) in 2014 to 3.92 million (55%) in 2064, mainly due to the revised OWP assumption. Dependency ratio will worsen, from 371 child and elderly dependents per 1 000 working age persons in 2014 to 831 dependents per 1 000 persons in 2064.

(c) Further shrinkage in labour force

The declining working age population leads to a downward revision of the labour force. The total labour force is projected to increase slightly from 3.60 million in 2014 to 3.65 million in 2018, and then decrease to 3.43 million in 2031. The labour force is then projected to hover between 3.42 million and 3.43 million until 2038, before decreasing to 3.11 million in 2064. The overall labour force participation rate (i.e. the proportion of the labour force in the population aged 15 and over) is projected to decrease from 59.3% in 2014 to 48.6% in 2064.

(d) Household number growing faster than population growth

The number of households is projected to increase from 2.43 million in

2014 to 2.91 million in 2049, representing an annual increase of around 0.5% in the next 30 years, higher than the 0.3% annual population growth between 2014 and 2049. The higher growth in number of households is mainly attributed to increase in households of smaller sizes. The average household size is projected to decrease from 2.9 persons per household in 2014 to 2.7 persons in 2049.

## **Policy Implications**

9. The 2014-based projections portray a more challenging ageing problem. On the economic front, further shrinkage in labour force will pose a larger drag on economic growth. In the past three decades from 1985 to 2014, our economy has grown by an average of 4.4% per year. Of this, about 1 percentage point was contributed by growth in labour force and the remaining 3 percentage points or so were driven by productivity growth. The persistently shrinking labour force will inevitably weigh on our long-term economic growth potential, even if our productivity stays on an uptrend. The decelerated economic growth will become more visible after 2041, reflecting not only the constraints posed by the accelerated shrinkage in our labour force and changes in its age structure, but also the natural deceleration in growth of mature economies. As government revenue ties closely with economic growth trend, slowdown in the trend economic growth in light of population ageing will inevitably put a drag on the trend growth in government revenue.

10. On the other hand, Government's recurrent expenditure on healthcare and elderly services will soar with an ageing population, even assuming no inflation and no service enhancement over time. An ageing population coupled with slower economic growth and upward pressure on government expenditure will pose great challenges to fiscal sustainability which will remain a serious concern in the coming 50 years.

11. With increasing number of elderly people in the years to come, the Government should do more to better prepare Hong Kong for an ageing society. In addition, we need to continue to pursue vigorously various initiatives to overcome the two major constraints (i.e. shortage of land and manpower) that

hinder Hong Kong's social and economic development.

## **Progress Update on Implementation of Initiatives Announced in Policy Address**

12. Between 2012 and 2014, after conducting a large scale public engagement exercise, the SCPP redefined the population policy objective<sup>2</sup> and based on which a package of measures was formulated to deal with the demographic challenges as revealed by the 2011-based projections. Announced in the 2014 and 2015 Policy Address as well as the Population Policy Booklet of January 2015, these initiatives cover different areas of promoting sustainable growth, unleashing the potential of local labour force, enhancing the quality of home-grown talent, attracting talent from outside, importation of labour, fostering a supportive environment for forming and raising families, and embracing opportunities in an ageing society.

13. Concerned bureaux and departments have been actively pursuing the announced initiatives under their purview under the SCPP's steer. The progress of the implementation is set out below:

### *Ensuring sustainability in our development strategy*

- (a) Under the steer of the Development Bureau (DEVB), the Planning Department is coordinating the updating of the "Hong Kong 2030: Planning Vision and Strategy" to examine the strategy and possible options for overall spatial planning and land and infrastructure development beyond 2030. A public engagement exercise is being planned to gauge public views. The updating exercise is expected to be completed in phases within 2016 ;

---

<sup>2</sup> The redefined policy objective is "to develop and nurture a population that will continuously support and drive Hong Kong's socio-economic development as Asia's world city, and to engender a socially inclusive and cohesive society that allows individuals to realise their potential, with a view to attaining quality life for all residents and families."

*Removing barrier to work –extending the retirement age*

- (b) Effective from 1 June 2015, new recruits appointed to the Civil Service are subject to the new retirement age of 65 in respect of the civilian grades and 60 of the disciplined services grades, regardless of their ranks. The Civil Service Bureau (CSB) implemented a number of flexible measures for extending the service of serving civil servants, such as streamlining the control regime on post-service outside work and implementing the Post-retirement Service Contract Scheme to provide bureaux and departments with a flexible tool to engage retired civil servants to undertake ad-hoc, time-limited, seasonal or part-time tasks that call for civil service expertise. CSB is making final preparations to apply the mechanism on further employment on serving staff;
  
- (c) Other bureaux are taking steps to encourage their public or subvented organisations to follow the Government's practice of extending the working life of their employees. For example, the Prince Philip Dental Hospital has adopted a higher retirement age of 65 for all new recruits appointed on or after 1 July 2015. The Hospital Authority (HA) has also adopted a higher retirement age of 65 for new recruits with employment commencement date on or after 1 June 2015. In addition, the HA has implemented special re-employment schemes to re-hire suitable serving clinical doctors, nurses, allied health and care-related supporting grades staff upon their retirement or completion of contract at the normal retirement age of 60 in 2015-16 and 2016-17. The Housing Authority has endorsed adopting a higher retirement age of 65 for their contract staff employed on or after 1 September 2015. For those employed before 1 September 2015, they may apply for extension of service beyond their retirement age of 60 subject to application to be considered on a case-by-case basis. After consulting the relevant stakeholders, the Education Bureau (EDB) is analyzing views collected and will formulate appropriate policies and implementation plan for extending the retirement age of newly recruited civil servants to aided schools to meet the manpower needs of Hong Kong and the education sector;
  
- (d) The revisions to the Criteria for issue of Category B Security Personnel

Permits (SPP) issued by the Security and Guarding Services Industry Authority under section 6(1)(b)(i) of the Security and Guarding Services Ordinance, Cap. 460 to extend the upper age limit from 65 to 70 and impose a biennial medical check requirement on SSP holders aged 65 or above were approved by the LegCo in June 2015 through a government motion. The new age limit will be effective by the end of 2015 after completion of the necessary administrative preparations;

*Supporting mature workers to work*

- (e) Starting from the second quarter of 2015, the Labour Department (LD) launched a series of measures, including employment briefings and dedicated webpage for elderly job seekers, large scale thematic job fairs and experience sharing sessions for employers, to promote elderly employment. The subsidies for employers under the Employment Programme for the Middle-aged has been extended to part-time jobs from September 2015 to encourage employers to provide more part-time opportunities to mature persons;
- (f) The Employees Retraining Board (ERB) has commissioned a survey to identify the training needs of mature or retired persons. ERB will take into account the study findings ready in the first quarter of 2016 in formulating its strategy and work plan on training and employment of mature persons;

*Creating a family friendly environment to support women employment*

- (g) The Labour and Welfare Bureau (LWB) is following through the various measures for increasing child care services. For example, around 1 200 places of the proposed some 5 000 additional places of Extended Hours Service at aided child care centres and kindergarten-cum-child care centres in districts with high demand have been provided in September 2015. The issue of providing additional subsidies for kindergartens operating whole-day services to make such services more accessible and affordable for parents in need will be considered by EDB as a follow-up to the Committee on Free Kindergarten Education's report submitted in



May 2015 (please also see item (v) below);

- (h) LWB will update regularly the Women Employment website which is an information portal providing employment services, child and elderly care support services and training programmes for working women and women who are ready to join the labour market. ERB launched the Modular Certificates Accumulation Scheme on a pilot basis in May 2015 to facilitate trainees, in particular women, to obtain qualifications equivalent to full-time courses upon completion of a number of specified half-day or evening courses. ERB also rolled out the pilot “first-hire-then-train” scheme in November 2015 to train middle-aged homemakers as care workers for elderly homes;
- (i) LD has stepped up publicity through different promotional avenues to encourage employers to adopt more widely family-friendly workplace practices. In addition, LD worked with employers and employees in the catering industry and published in October 2015 practical guidelines for employers on implementation of family-friendly employment practices. The Family Council will continue to promote a family-friendly working culture through its biennial “Family-Friendly Employers Award Scheme”. The third Award Scheme will be launched in mid-December 2015;
- (j) In early 2015, Social Welfare Department invited the first round applications for the \$200 million dedicated fund under the Partnership Fund for the Disadvantaged to match up business contributions in providing after-school learning and support programme for grassroots primary and secondary students. 89 eligible applications were received involving a total commitment of business contributions of \$50 million. As at end October 2015, 73 projects commenced operation. Subject to further vetting, the remaining projects are expected to commence within the 2015/16 school year. About 20 000 primary and secondary school students are expected to benefit from these programmes. Second round applications will be invited on 1 December 2015;

### *Building an inclusive society*

- (k) In 2015-16, ERB has earmarked 7 000 training places for dedicated courses for new arrivals, persons with disabilities, ethnic minorities and social groups with special needs. The Home Affairs Bureau (HAB) is working out in consultation with stakeholders details of a scheme to subsidise social enterprises and non-governmental organisations to provide about 2 000 to 3 000 on-site training places for persons with disabilities, ethnic minorities, elderly and other groups in need. The Scheme will be rolled out in the second half of 2016;
- (l) In September 2015, the post-placement follow-up services for job seekers with disabilities were enhanced from three to six months, benefitting over 2 000 persons per year. Three batches of ethnic minority Employment Service Ambassadors has been recruited since September 2014 to help provide employment services for ethnic minority job seekers ;

### *Improving the education and training for young people*

- (m) The various education and training measures for young people announced in the 2014 Policy Address, including providing an additional 2 120 subsidised places for young people to pursue degree education; enhancing the status of vocational education, strengthening life planning education for secondary students; and setting up a \$1 billion endowment fund to promote the development of the Qualifications Framework. These measures are being implemented by EDB and HAB progressively;
- (n) The Task Force on Promotion of Vocation Education submitted its report in July 2015. The Task Force recommended three strategies of (i) rebranding vocational education and training; (ii) strengthening promotion; and (iii) sustaining efforts. A total of 27 recommendations were put forward. The Government is considering the report and will decide the way forward in due course;

### *Attracting talents from outside*

- (o) To ensure Hong Kong remains competitive globally in attracting and retaining talents, the Immigration Department (ImmD) implemented a package of enhancement measures on the General Employment Policy, the Admission Scheme for Mainland Talents and Professionals and the Quality Migrant Admission Scheme on 4 May 2015. The relevant guidebooks, application forms and publicity materials have been uploaded onto the ImmD's website. Between implementation of the pilot scheme to attract the second generation of Chinese Hong Kong permanent residents who have emigrated overseas to return to Hong Kong on 4 May and 31 October, ImmD received 161 applications. Ninety of them have been approved;
- (p) To promote the enhancement measures in (o) above, ImmD embarked on a series of overseas visits to European countries, Australia and New Zealand between June and November this year. On-going publicity visits to other countries/cities are also in the pipeline. To tie in with the implementation of the enhancement measures, our overseas Economic and Trade Offices and Mainland Offices in 16 cities around the world have been actively publicizing the admission schemes through various promotional channels, including organising receptions or seminars, liaising with universities to reach out to the students, sending publicity materials of the refined schemes to selected targets, etc. The Offices will also capitalise on Principal Officials' visits outside Hong Kong and arrange suitable PR platforms for them to meet with the potential targets. InvestHK will publicise more widely various admission schemes amongst investors and entrepreneurs through its overseas staff;
- (q) In light of overseas experience, LWB is studying the feasibility of drawing up a talent list to attract high-quality talent in a more effective and focused manner to support Hong Kong's development into a high value-added and diversified economy ;
- (r) To alleviate the shortage of healthcare manpower, the Food and Health Bureau (FHB) will continue to discuss with the Medical Council of Hong

Kong (Medical Council) ways to refine the licensing examination arrangements for medical practitioners. In addition to increasing the number of examination sittings, the Medical Council has introduced more flexible internship arrangement to encourage more qualified overseas doctors to practice in Hong Kong. The Dental Council of Hong Kong and the Nursing Council of Hong Kong will increase the frequency of their respective licensing examinations from non-local trained dentists and nurses from 2016. The Government will increase the number of publicly-funded degree places in medicine, dentistry and other healthcare disciplines in the next funding cycle for universities from 2016/17 to 2018/19;

*Alleviating manpower shortage of the construction sector*

- (s) LD and DEVB are working in full steam for setting up the Construction Industry Recruitment Centre by around early 2016. With the LegCo's approval of allocating \$100 million, the Construction Industry Council launched on 1 September 2015 a pilot scheme to upgrade the skills of semi-skilled workers to the level of skilled workers;
- (t) Having regard to the unique operational characteristics of the construction industry, the Government launched flexible enhancement measures to the Supplementary Labour Scheme in May 2015. As at mid-November 2015, LD received two applications for importing 575 workers which are under processing. The Government has been keeping close contact with the industry, labour sector and the Labour Advisory Board to exchange views on the measures and review the effectiveness of the measures after the measures have accumulated practical operational experience;

*Providing better support for young people to start a family*

- (u) The basic and additional child allowances has increased from \$70,000 to \$100,000 from 2015-16 onwards;
- (v) The Committee on Free Kindergarten Education submitted its report in May 2015 on how to practicably implement free kindergarten education

which will help alleviate the financial burden on young couples. EDB is formulating a new kindergarten education policy with specific measures having regard to the recommendations of the Committee and views collected in the public consultation on the Committee's report; and

### *Active ageing*

- (w) The Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities has been extended to green minibuses (GMB) in phases from 29 March 2015. It now covers 481 GMB routes or amounting to 94% of all GMB routes. The scheme helps building a caring and inclusive society by encouraging the elderly to participate more in community activities.

### **Way Forward**

14. Building on the work done so far, the SCPP under CS's chairmanship directed that bureaux and departments should continue to pursue vigorously the policy initiatives already announced and consider the need for adjustments in the light of the changing demography. Bureaux/departments should also use the latest projections under the baseline scenario as the basis for policy and service planning in areas including land supply, housing, education, medical and welfare services, economic growth assumptions, and fiscal planning. The latest demographic challenges reinforce the need for ongoing discussion within the community on how we should tackle the demographic challenges in the years to come. The SCPP will continue to organise stakeholders' forum to tap the views of outside experts on the relevant issues.

### **Advice Sought**

- 15. Members are invited to note the paper.

**Chief Secretary for Administration's Office**  
**November 2015**