

# 香港要 STAND UP

HONG KONG  
MUST STAND UP



## Hong Kong Report Calls for Universal Pension

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The long-awaited government-commissioned Report recommends a “universal, uniform amount, non-means-tested pension”, known also as a “demo-grant”. The Report is somewhat vague on this, but there is no apparent provision for the universal pension to retain its purchasing power by automatically tracking increases in consumer prices or wages.

Professor Nelson Chow of the University of Hong Kong headed the research team that produced the Report.

Here are highlights from the “conclusions and recommendations” section of the 43-page executive summary. The full Report is available in Chinese.

*“One out of three elderlies is [sic] now living under the Poverty Line ....*

*Failure for the government to set up the demo-grant would likely perpetuate disputes over retirement protection. ....*

*[T]he characteristics of demo-grant is [sic] that it is the right of citizens and so should be enjoyed by all citizens who are Hong Kong permanent residents reaching a specified age [65 years]. ....*

*[T]he research team considers that the amount may be set at \$3,000 [a month, roughly US\$387], ... about the basic rate of existing elderly CSSA [means-tested pensions] ... with the purpose of providing the elderly with a stable source of income but not as their sole income for maintaining livelihood. ....*

*[The recommended universal pension would be financed on a partially pre-funded, pay-as-you-go basis, from earmarked payroll taxes:]*

- Employers with [monthly] salary below \$10,000, employers and employees each to pay tax at 1% ... (employees with income below \$6,500 only employers would pay and employees are exempted);
- Employees with salary at \$10,000 to below \$20,000, employers and employees each to pay tax at 1.5% of the salary;
- Employees with salary \$20,000 and above (maximum limit at \$120,000), employers and employees each to pay tax at 2.5% of the salary.
- [...]
- As the level of the demo-grant is linked to the source of capital [i.e. tax revenue], should there be any substantial increase in amount, there would not be easy agreement from employers or employees paying the tax. As such there would not be arbitrary increase [sic] in the amount of the demo-grant.
- The purpose of the different rates in payroll old age tax is to ... indirectly serve the purpose of narrowing existing disparity in income.
- Levying the payroll old age tax may be done through existing MPF [Mandatory Provident Fund] contribution system thus minimizing administrative fees."

Source: *Future Development of Retirement Protection in Hong Kong*, Executive Summary, University of Hong Kong, Department of Social Work and Social Administration, 20 August 2014

To my surprise, the Report does not recommend abolishing the MPF, even partially, despite the fact that almost no-one is happy with the scheme. The Report, on page 7, clearly acknowledges this dissatisfaction:

*"Most participants [in focus groups] had much reservation about the MPF scheme and severe criticisms were made. They ... [suffered] fluctuation in investment market and were dissatisfied with ... high management fees."*

Mandatory saving in privately managed retirement accounts has been in place since December 2000. With limited exceptions, employers and employees are required to deposit each month at least 5% of salary income. Total mandated savings thus amount to 10% of salaries, up to a maximum mandated saving of HK\$2,000 a month from both sides. I haven't run the numbers, but I am quite

confident that current MPF saving would be more than adequate to finance universal pensions of \$3,000 a month.

MPF accounts are poor savings instruments, and do not provide old age pensions. Employees withdraw their savings as a lump sum when they reach the age of 65. No tears would be shed (except by MPF managers) if government were to abolish the MPF, replacing forced savings with payroll taxes that are a smaller fraction of salaries, and using the tax revenue to finance universal pensions.

A policy for Hong Kong that is fair and efficient is the universal age pension: a new old-age allowance (OAA), with a larger benefit, and an age of eligibility set at 65 years. If the benefit were set somewhat higher, at the poverty line (HK\$3,600), this would eliminate senior poverty in one stroke, without penalizing those who save for retirement and without denying benefits to those who continue to work beyond age 65. A universal pension is affordable, because it would replace the existing universal OAA, as well as the means-tested old-age living (OALA) and disability allowances for older persons. To ensure future adequacy, the universal pension should be indexed to consumer prices or, even better, to the poverty line.

## 香港要 Stand UP

爭取全民退休保障聯席 編印

香港 · 2014年10月

建議上架分類：

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## 香港要 Stand UP (Hong Kong MUST Stand UP)

發行：爭取全民退休保障聯席 (Alliance for Universal Pension)

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出版：工友權益聯社

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校對：施冰冰

設計：三土制作

承印：陳湘記圖書公司

國際標準書號：ISBN 978-988-13364-0-8

版次：2014年10月香港第一版

印數：1-2000本

定價：港幣一百一十元

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本書內容純屬作者個人意見

「老有所養」是我們傳統的美德，亦是文明社會應有之義。在教宗若望保祿二世《通諭》論「人的工作」十九節論及：有關退休的權利，和對年老和工作意外事件中的保險。在這些主要的權利之內，發展一項個別權利的整體制度。但香港的長者辛勞一生，退休後卻沒有基本的生活保障，不能安享晚年，情況令人擔憂。我感謝團體多年來的努力，亦盼望政府盡快推行全民退休保障計劃。願天主保佑，我們的長者可以活得平安，活出尊嚴。

**陳日君樞機**

天主教香港教區榮休主教

本書有助引發社會討論不同退休保障支柱應如何互相補足，以及如何運用公帑或取得所需的資源，以應付香港市民的退休需要。

**胡紅玉女士**

香港特別行政區行政會議成員  
強制性公積金計劃管理局主席

隨著社會老年人口增長，愈來愈多長者活在貧窮，退休保障成為迫在眉睫的問題。《香港要Stand UP》探討多年來香港推動退休保障制度的訴求及困難，更分享外國的情況，希望有助香港未來發展。

**陳智思先生**

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亞洲金融集團總裁及亞洲保險有限公司總裁

香港老年貧窮問題日趨嚴峻，但全民退休保障計劃經過多年爭議，至今仍未落實。《香港要Stand UP》一書道盡完善社會保障系統的迫切性，而坊間亦已提出各個方案。為政者必須凝聚社會共識，社會分歧不應是將漠視問題的借口。

**方敏生女士**

香港社會服務聯會前行政總裁

退休保障討論了三十多年，始終都要完結及向前走。這本書可以說是將這個長期的討論，作了一個總結性論述。

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**爭取全民退休保障聯席**  
Alliance for Universal Pension

ISBN 9789881336408



9 789881 336408

定價：港幣一百一十元