



**Hong Kong Women Professionals & Entrepreneurs Association (HKWPEA)  
Public Affairs Committee**

**Response Paper to the Review of Enhancement of Retirement Protection as  
proposed by the Commission on Poverty (CoP)**

**20<sup>th</sup> June, 2016**

**Background:**

The Hong Kong Women Professionals and Entrepreneurs Association (HKWPEA, our “Association”) is a non-profit organization established in September 1996 by a group of local women professionals and entrepreneurs. We are a group of women professionals, business executives and entrepreneurs who have come together with the following objectives: to develop a strong support network, to create practical and innovative learning and business opportunities for themselves and for others, to promote high professional standards. As we are based in Hong Kong, the Association also has the vision and mission to reach out and try to establish relationship with counterparts in Mainland China and abroad. As part of the Hong Kong community, we are also committed to gather comments and feedbacks from our members through the Public Affairs Committee to provide timely response to the consultation papers of the HKSAR Government on various policy issues.

**The Retirement Protection Scheme as reviewed and proposed by the CoP**

While CoP has been tasked to identify ways to enhance the retirement protection in Hong Kong with a view to better addressing the financial difficulties facing elderly people, and there have been various proposals in the recent consultation and public engagement exercise with particular reference to the multi-pillar model, and in response the public engagement exercise on retirement protection which was launched on 22<sup>nd</sup> December, 2015 and lasting until 21<sup>st</sup> June, 2016, the Public Affairs Committee of the HKWPEA has arranged an interactive luncheon sharing meeting to exchange the different ideas and comments from our members across sectors and professions to discuss their views on the aforesaid issue. This response paper serves to provide a summary of the collective opinions and views of the HKWPEA.

### **“Regardless of rich or poor” vs “those with financial needs”**

We appreciate the effort of the CoP through the consultation document to facilitate and provide simulated options to help us make more meaningful comparisons in terms of financial commitments and the impact on public finances.

Our Association is more inclined towards the simulated option of “those with financial needs” as here we are dealing with a heterogeneous population for the Hong Kong population with a spectrum of various financial and psychosocial unmet needs, and taking into account the financial commitment or implication on the potential financial burden of the HKSAR government, this option will target the limited resources towards the “needy elderly” population, which is consistent with the government’s current policy belief of “putting in place a reasonable and sustainable and sustainable social security and welfare system to help those who cannot provide for themselves”, and this certainly represents Hong Kong’s cherished cores values of self-reliance and hard work.

This will also make the option more applicable to the needy population and minimize the potential challenge of “mismatch of resources” from the “regardless of rich and poor” option.

### **Taxation Review**

The HKWPEA is of the view that Hong Kong should continue to improve assistance to the elderlies - " those with financial needs" through all 4 pillars and a monthly assistance of approximately HKD 3000+ to those who meet the means test may be considered. While the criteria of the means test are yet to be determined, the simulation done by the Government based on the very low asset income criteria has already indicated a deficit of HKD 255Bn (2015-2064). Here the HKWPEA would like to raise the following recommendations to the government as follows:

1. We are hopeful that Hong Kong will not need to raise tax of any kind and we suggest the Government to look into the projection again to include possible new revenues, say income from the Monetary Fund or include the concessions on rents and rates of previous years which were supposed to be determined on a yearly basis.
2. Even if we need to raise any tax, we are not supportive of raising salary tax nor profit tax.

- (a) For salary tax, the burden will be put back to the middle class or the younger generation whose financial burden is already high. We are mindful of the emerging widening gap between the rich and the poor in the society. Indeed, the Hong Kong Gini Coefficient has widened considerably since 1997 and the index is now even worse than that of the US, the UK or Singapore. Moreover, we also have concerns on the growing grievances among the younger generation and the middle class, and the increasing confrontation within the community.
- (b) For profit tax: we need to maintain the ongoing competitiveness of Hong Kong as a leading financial and business centre and our attraction to both local and foreign investments, and therefore keeping our profit tax unchanged is recommended. We should always keep our tax rates competitive when compared with our neighbouring competitors say Singapore or Qian Hai special zone in Shenzhen or even other places globally like London etc.
- (c) Given the current wide disparity between the rich and the poor, we may consider reviving the current estate tax or tax on luxury goods such as red wine, or review capital gain tax on investments or properties but we need to be careful to exclude unnecessary goods and service tax on any daily necessities.

### **Review of MPF System**

As the second pillar under the World Bank's multi-pillar retirement protection framework, the MPF System is intended to provide basic retirement protection for the working population. There has been continual discussion in the community about enhancing the system, to make it a more effective and efficient pillar for retirement protection in Hong Kong. In this regard, we have the following suggestions to further improve the MPF system.

1. First of all, the imminent launch of the Default Investment Strategy is welcome. It is a highly standardized and fee-controlled investment option that is consistent with the objective of growing long-term retirement savings, especially for members who lack investment knowledge. We look forward to it being rolled out in the first quarter of 2017. However, we stress that adequate member communication is essential as accrued benefits of defaulters will be re-invested in DIS fund(s) with an investment strategy that could differ from that of the original default fund.

2. Apart from DIS, the MPFA has embarked on another major initiative to explore possible measures to streamline and standardize the administration of MPF schemes. The “eMPF” will act as a one-stop electronic portal for scheme members to access all relevant information about their MPF account. We agree this centralized collection of MPF contributions and required information from employers through e-platforms will allow employers and employees to deal with MPF matters more efficiently. In the long run, it is believed to help lower the operating costs of MPF providers. To improve the efficiency of the entire system, there is shared responsibility among all stakeholders (including employers, the scheme members, various service providers in the system), the regulators and the government.
3. We support implementing full portability in the long run to give members greater autonomy and drive market competition.
4. The “offsetting” mechanism should be appropriately addressed. There is a great concern and divide on the issue, which weakens the retirement protection function with benefits leakage from the MPF system. We should aim to balance the interests of employers and employees, and be mindful of the burden especially for SMEs, which account for a majority of businesses in Hong Kong. The resolution of this issue must be done more appropriately in phases. No matter which approach is taken, it should be implemented for the future.
5. Aside from the issues outlined in this section, the general public are particularly concerned about the adequacy of the system in providing sufficient retirement assets for the scheme members. Our views on the various measures to increase the amount the scheme members can accumulate during their working period are outlined below.
  - (a) Increase the contribution rate: Currently, an employer and an employee are each required to contribute 5% of the employee’s income (self-employed person is also required to contribute 5% of his income), subject to a cap on maximum relevant income. This can only provide very basic retirement protection, provided that the accumulation period is long enough, say over 30 or 40 years. To increase the retirement savings for the scheme members, a higher contribution rate is needed.
  - (b) Minimum relevant income: At present, employees or self-employed persons earning less than the minimum relevant income level, currently set at \$7,100

a month, are not required to contribute, though employers are still required to make their contributions for the employees. This lower-income group deserves attention, because not only are they accumulating a lower amount of retirement money, they also tend to be the ones who cannot afford to save as much for their retirement. We can explore the feasibility of filling that 5% contribution gap by government funding, so they can at least put aside the same percentage of income as that of higher-income groups for their retirement.

- (c) Maximum relevant income: Remove the cap so the contribution amount can reach its full percentage for those who can afford to pay more for their retirement.
- (d) Extend coverage through age 65: Currently, employers are required to enroll their regular employees aged 18 to 64 into an MPF scheme, unless the employees are exempt persons or have already joined other retirement schemes. As there have been repeated calls to extend the retirement age of 65, and indeed some stay employed after 65, we should look at the option of mandating employer to continue making mandatory contributions for as long as they are employed.

In the coming years, the focus should be on how to strengthen the MPF system's role in retirement protection to complement the other pillars. Indeed, a well-balanced development of all pillars would ultimately protect against the risk of poverty in old age and smooth consumption from one's working life into retirement.

### **Public Services, Family Support & Personal Assets**

It is anticipated that according to the latest population projections, the elderly population in Hong Kong will continue to grow over the coming 40 years, and by then, the elderly population will be more than doubled from the existing one million or so.

In face of the aging population, there is indeed an expanding unmet needs across disciplines and sectors serving the elderly population. Therefore, the retirement protection and elderly poverty are inextricably interconnected.

The current document from the CoP considers publicly-funded services such as housing, healthcare, elderly care, transportation and other public services are also indispensable for enhancing the support for the elderly. These public services, family support and personal assets form the fourth pillar.

There have been concerns from the CoP about the health conditions and the increasing demand with currently limited availability of resources for appropriate healthcare services when the elderly are sick, and while we should certainly extend the training for more medical and nursing professionals, and para-medics, and social workers etc. to deal with the growing demand and the building of more new hospitals or elderly homes, we should also be equally mindful that this growing elderly population is going to grow in the coming 4 decades. At this upcoming period of 40 years, the HKWPEA also agrees that there are 2 other aspects where the CoP could look with a further depth: 1) Healthy Aging Initiatives & 2) Promoting birth of our newer generations and family-friendly working environment.

### **Multidisciplinary Healthy Aging Initiatives**

With the recent advances in terms of medical technology, diagnostics and therapeutics, personalized medicine and “multidisciplinary team” care has been the trend since year 2000. It is also recognized that the young and middle-aged population in their 20s till 40s, will become the elderly population 40 years later, and our current young working population and the middle-aged population, with better education and exposure, will certainly have various personalized expectation of their retirement plan and living as an elderly. Certainly, not all of them will be content with being nursed in the Care and Attention Homes or the Private Old Aged Homes.

Some may be more financially capable or competent, and they might be wishing a better humanistic retirement plan. With that, we should also explore better public engagement exercise with better initiatives not only for MPF voluntary contributions or investments in retirement savings-related insurance or other financial products which contribute to the current third pillar (voluntary savings) of the Retirement Protection models, but also at the same time, the government should take an active “multidisciplinary” initiative across the bureaux, such as involving not only the Labour & Welfare Bureau, but also the Food & Health Bureau, the Education Bureau, and the Innovation & Technology Bureau to launch a series of public engagement programmes targeted at “Multidisciplinary Healthy Aging Initiatives” – as every citizen will eventually reach retirement age.

1. We should incorporate respect to our parents, senior citizens, family support and social responsibility to take care of our senior or elderly population as part of the education programmes from kindergarten to primary school, then secondary school education through to tertiary education.

2. We should promote daily exercise among all school children and working population and community service users so that enhancement of physical health through physical exercise should become a norm or part of a normal routine among the whole population.
3. Promotion of physical exercise at workplace or in the family and also public health education while integrating purpose-built housing for the elderly with comprehensive health and care facilities.
4. Prevention of diseases and healthy aging programmes should be targeted to the whole population not just limited to the elderly population, as prevention is always better than cure, and this will certainly help reduce the emerging financial and human resources burden to cope with the unrealistic demand of a frail elderly population.
5. At the same time, to provide training for domestic helpers, family members through empowerment programmes so that they could help take care of any elderly family members at home, or at least in the local residential community with the support from paramedical workers, or social workers in the context of the elderly-friendly living environment.

**Promoting Birth of our Newer Generations & Enhancement of Family-Friendly Environment (Never too late!)**

While we have just 30 - 40 years to plan ahead for the emerging demand and unmet needs of the elderly population - we still have equally 30 - 40 years to promote and enhance our birth rate with various policies, again, hopefully with a multidisciplinary team approach across the bureaux in the government.

1. Provide incentives for marriage at younger age and young families with higher child birth rate, such as tax incentives.
2. Though the family-friendly working environment has been advocated by the HKSAR government for quite some time, many of the public and private institutions are still running with a “not that family friendly” working environment. Flexible employment for young families especially those with kids from birth to the age of less than 6 before going to the primary schools, recognizing the employers who provide family friend working environment such as providing breast-feeding areas for working mothers who are still nursing their newly born or

neonates.

3. Integrating family friendly facilities such as child-care homes or nursery centres in the working environment or working districts, or even encourage crèche service in any office buildings or as provided by employers.

### **Conclusion**

Indeed, the retirement protection forms a core part of our preparation for an aging society, and there are various unmet needs and things to get better prepared; yet there are also multiple issues related to the aging community, both horizontally and vertically to reflect our current education system, healthcare system, financial or economic system on top of the current social welfare or poverty alleviation policy system. The HKWPEA welcomes the current conclusion proposed by the CoP, and we hope that this is not the end but just the end of the beginning that the HKSAR government could take a lead to nurture and engage a more “multidisciplinary” approach to work for a better and healthier aging society, to review then enhance our current infrastructures, both soft and hardware policies to build a vibrant and healthy aging community but ever young at heart! We commit to continue to work closely together with the HKSAR government.