



## Introduction: Hong Kong Our Home



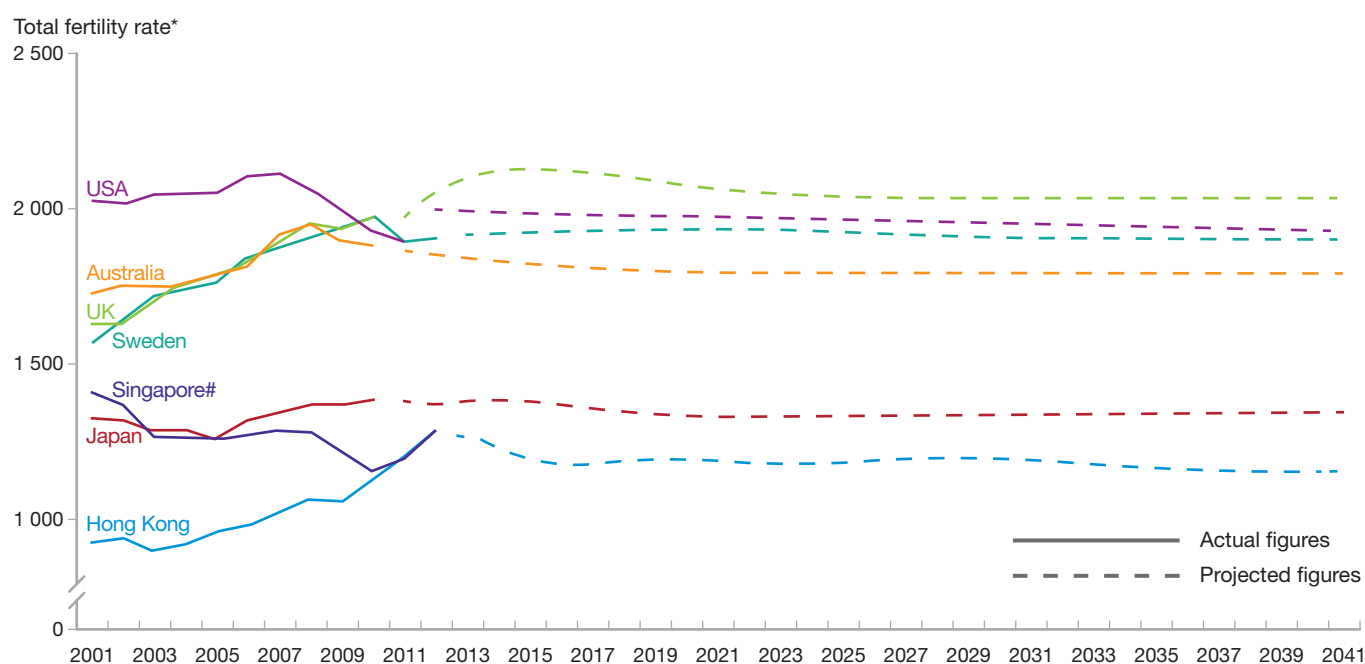
## Our Demographic Challenges

**1.1** Latest population projections show that by 2041, nearly one third of Hong Kong's population will be aged 65 or above. We have known for some time that Hong Kong's population is ageing, like in many other advanced economies. But the latest figures indicate that our population will age at a faster pace than previously expected. The number of people aged 65 or above will increase to 2.16 million by 2031 – that is, more than double the 980 000 in 2012. By 2041, that figure will rise further to 2.56 million.

**1.2** An ageing population is the combined result of longer life expectancy and a low fertility rate. Over the past three decades, life expectancy at birth has increased by eight years to 81 years for men and 86 years for women in 2012, almost the highest in the world. During that same time, Hong Kong's total fertility rate has fallen from 1.9 childbirths per woman in 1981 to 1.3 in 2012. While it has improved noticeably from the historic low of 0.9 in 2003, it still remains the lowest amongst developed economies (see **Chart 1.1**) and far below the commonly cited replacement level of 2.1.

**1.3** A summary of key statistics of Hong Kong's population from 2001 to 2041 is at **Annex I**.

Chart 1.1: Total fertility rates in selected developed economies (2001–2041)



\* Total fertility rate refers to the average number of children that would be born alive to 1000 women during their lifetime if they were to pass through their childbearing ages 15-49 experiencing the age specific fertility rates prevailing in a given year.

# Projected figures for Singapore are not available.

### Lower economic growth

**1.4** An ageing population will lower our labour force participation rate, from 58.8% in 2012 down to 49.5% in 2041. With the retirement of the baby boomer generation in the next few years, there will be more people retiring than entering the labour force. Our labour force is expected to peak at 3.71 million in 2018 and then decline to 3.51 million in 2035 before resuming modest growth (see **Chart 1.2**).

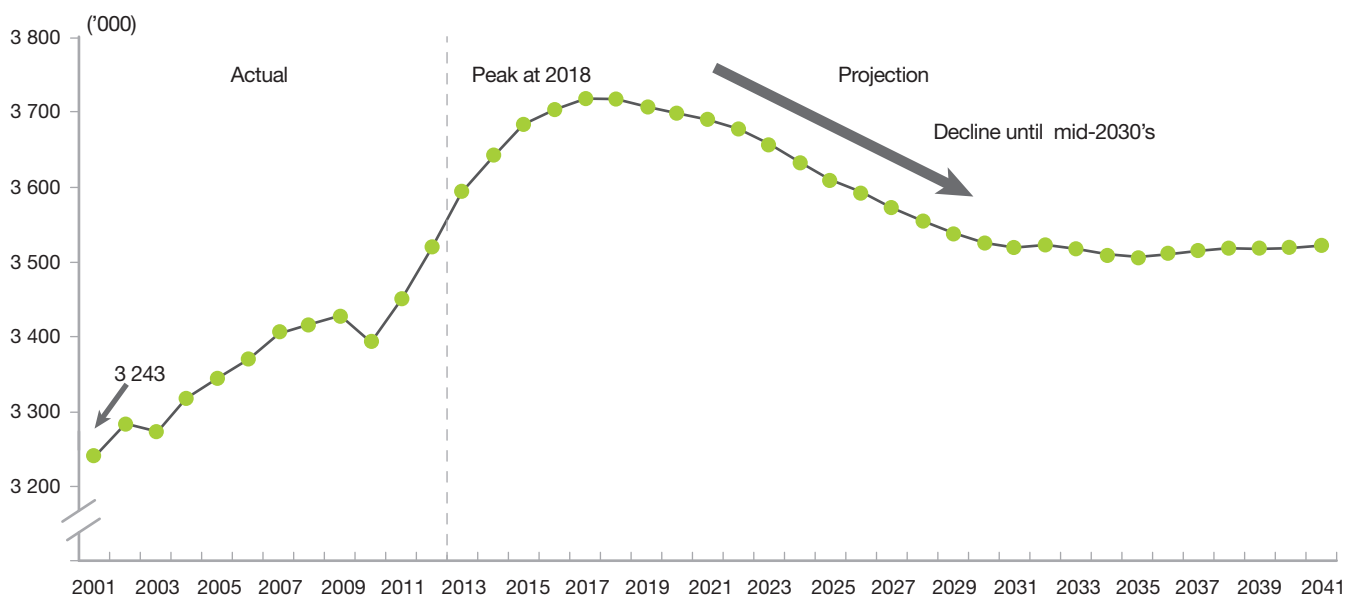
**1.5** Over the past two decades, our economy has grown by an average of 4% per year. Of this, 1% was due to growth in the labour force while the other 3% came from productivity growth. If the labour force starts to decline after 2018, we will not be able to maintain the trend growth of 4% per annum unless we can significantly increase productivity further to the extent of offsetting the loss of 1% growth rate due to the declining labour force. Overseas experience has also shown that when a population ages, the aggregate savings rate declines. The growth in capital accumulation and hence investment will then weaken, slowing down the pace of economic growth. Lower economic growth will mean less job opportunities which, in turn, will result in lower living standards over time.

### Fiscal concerns

**1.6** As our population ages, the declining number of working age people will have to support an increasing number of dependants. The overall dependency ratio, for young and elderly combined, will worsen quickly – from 355 dependent persons per 1 000 working age persons in 2012 to 712 per 1 000 by 2041.

**1.7** A dwindling labour force will further compress our already narrow tax base. This will impose pressure on revenue growth from income tax under the current taxation system. At the same time, an ageing population will lead to increased public spending on healthcare and elderly services. Combined, the two issues of slower growth in tax revenues and higher spending demands will impact on our fiscal sustainability. The Working Group on Long-Term Fiscal Planning has been formed under the Financial Services and the Treasury Bureau to explore ways to make more comprehensive planning for our public finances to, amongst others, cope with the fiscal challenges arising from an ageing population.

Chart 1.2: Projected labour force to 2041



Note: Excluding foreign domestic helpers

Source: General Household Survey Section, Census and Statistics Department





## Net migration as the major source of population growth

- 1.8** The movement of people across the boundary will continue to affect the size, mix and quality of our population. Under the One-way Permit Scheme, up to 150 Mainlanders come to Hong Kong for family reunion per day. On the other hand, some people go to the Mainland to study or work, while retirees may move there to live. This trend will likely continue with the closer integration between Hong Kong and the Mainland. Net inward migration from the Mainland will continue to be the major source of our population growth.
- 1.9** Net migration led by people from the Mainland together with a rising number of ethnic minorities from 344 000 in 2001 to 451 200 in 2011 will create some challenges in social integration. However, these sources of population growth will be able to provide a much-needed boost to the labour force, particularly in those economic sectors facing a manpower shortage. Hong Kong society will benefit economically and socially if we can cultivate a more inclusive and cohesive environment that helps people with different backgrounds to realise their full potential.

## Managing our Challenges: the Need for a Population Policy

- 1.10** Managing the demographic change is a priority task for the current-term Government. To take this forward, the Government reconstituted the **Steering Committee on Population Policy (SCPP)** in December 2012 with an expanded membership to include for the first time non-official members from various fields. The membership list of the SCPP is at **Annex II**.
- 1.11** Population issues are wide-ranging. Realistically, ***the SCPP considers it not possible to cover all of them without compromising the depth of deliberations. The SCPP is also mindful not to duplicate the efforts of other government boards and committees.*** For example, the Commission on Poverty has appointed Professor Nelson Chow and his research team to undertake a study on the future direction of retirement protection. The housing issue including elderly housing is being looked into by the Long Term Housing Strategy Review, while the Elderly Commission will continue to discuss long-term care services for the elderly in the community and institutional settings. ***The SCPP has therefore agreed that this review should focus on the key topics that have not been dealt with in other public forums.***



# Chapter 1

## Introduction: Hong Kong Our Home



**1.12** *The SCPP considers that the manpower issue is one of quantity and quality.* With an unemployment rate of just over 3%, Hong Kong is now almost at full employment. The tight manpower situation is already evident in many trades and sectors. This problem will only get worse when our labour force starts to shrink after 2018.

**1.13** *Manpower quality and a growing mismatch in human resources are issues that the SCPP believes should be addressed imminently and seriously to ensure Hong Kong remains economically competitive in future.* The Government invests heavily in education to nurture local talent. But education is not just about money; it is about producing the right results. More should be done to ensure that our home-grown talent acquires the skills and expertise needed by our economy. We should also broaden our economic base to increase the diversity of career choices, and enhance upward social mobility, for our younger generations.

**1.14** In addition to grooming local talent, *the SCPP considers that we should continue to attract global talent to provide skills not adequately met by our population and to boost our stock of human capital.* A less outward-looking or less international Hong Kong will cost us our economic vitality. On the importation of low-skilled labour, while we should continue to give priority to local workers, we should also provide our economy with the flexibility it needs to maintain our competitiveness.

**1.15** On the social front, *the SCPP considers that we should examine how to create a more supportive environment for people to have children.* Yet there needs to be discussion on who foots the bill.

**1.16** As issues such as housing, retirement protection, health and long-term care are being dealt with by other policy forums, *the SCPP has agreed to explore the positive impacts that an ageing population will create for the community.* This exercise will focus on building an age-friendly society, promoting active ageing, and the development of silver hair market.



## People-Oriented Population Policy: Economic and Social Objectives

**1.17** *The SCPP considers that a sustainable population policy should have the vision of enhancing our human capital to sustain Hong Kong as Asia's world city.* Our goal is to build a population for Hong Kong to flourish both economically and socially.

**1.18** Hong Kong should stay ahead of our competitors by leveraging our competitive advantages including our strategic location at the heart of Asia. Only if we remain vibrant as a competitive economy will we be able to offer the fullest opportunity of employment to our citizens and create the financial ability needed to deal with our social challenges. This is a message often highlighted by our Chief Executive.

**1.19** A world city should be cosmopolitan and outward-looking. We should continue to actively explore world markets and attract foreign capital and talent. At the same time, we should build on our expertise in serving the Mainland's trade and investment needs, and strive to be the most sophisticated and efficient platform for the world to do business with China and for China to do business with the rest of the world.

**1.20** But there is more to being a world city. Hong Kong's long-term sustainability will not only be measured by our economic success. We should nurture a socially inclusive and cohesive environment that provides each of us with equal opportunity to move ahead and excel in life. The

SCPP also recognises that population growth will put pressure on our infrastructure, housing, public services and the environment. The Government needs to manage these challenges through continued planning and investment.

**1.21** On the environmental side, the Government has been taking action to ensure population and economic growth is consistent with sustainability of the environment. The Government has issued a Clean Air Plan and the Blueprint for Sustainable Use of Resources to progressively improve air quality and waste management. The Biodiversity Strategy and Action Plan is being compiled with a view to addressing the ecological and environmental needs of a livable city.

**1.22** Acknowledging that Hong Kong's future lies in economic development and social progress going hand in hand, ***the SCPP proposes that the objective of Hong Kong's population policy should be -***

***"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."***





# Chapter 1

## Introduction: Hong Kong Our Home



### Five Ways to Manage Challenges

#### 1.23 *The SCPP considers there may be five ways to deal with the challenges –*

- (a) increase the quantity of the labour force by drawing more people into the labour market. We should remove the barriers to work for our people.
- (b) enhance the quality of the labour force by improving education and training and minimising skills mismatch. We should equip our people with skills that can support our future economic development.
- (c) build up our human capital with a more proactive policy and targeted approach to attract more talent from overseas and the Mainland. We should also consider a more effective importation of labour system without jeopardising the interests of local workers.
- (d) focus the community discussion on effective measures in the Hong Kong context to remove barriers to childbearing and how the care-giving responsibility of families can be assisted by government and community efforts.
- (e) tap the valuable pool of elderly resources to create new impetus to the economic and social development of our community through

building an age-friendly environment, promoting active ageing and the development of silver hair market.

Each of the above will be discussed in greater detail in the following chapters.

### Purposes of this Consultation Document

**1.24** This consultation document provides the key facts and figures, identifies and explores the main issues, and outlines possible directions for change. It is designed to draw out community views on the challenges and opportunities created by our changing population. This will help the SCPP in its next stage of work, which involves formulating strategies to address the population challenges and mapping out an actionable agenda covering short- and long-term measures.

**1.25** The questions contained in boxes throughout the consultation document are designed to assist in framing input into the development of the population policy and should be used as a guide only. Those who wish to provide input are welcome to address any issues they feel may be relevant to the population policy and are not limited to addressing the questions in the document.

### Links for further information

2011 Population Census, Census and Statistics Department  
[www.censtatd.gov.hk/hkstat/sub/so170.jsp](http://www.censtatd.gov.hk/hkstat/sub/so170.jsp)

Hong Kong Population Projections 2012-2041, Census and Statistics Department  
[www.censtatd.gov.hk/fd.jsp?file=B71208FB2012XXXXB0100.pdf&product\\_id=FA100061&lang=1](http://www.censtatd.gov.hk/fd.jsp?file=B71208FB2012XXXXB0100.pdf&product_id=FA100061&lang=1)

Demographic Trends in Hong Kong 1981-2011, Census and Statistics Department  
[www.censtatd.gov.hk/fd.jsp?file=B1120017032012XXXXB0100.pdf&product\\_id=B1120017&lang=1](http://www.censtatd.gov.hk/fd.jsp?file=B1120017032012XXXXB0100.pdf&product_id=B1120017&lang=1)

Updated Hong Kong Labour Force Projections 2013-2041, Census and Statistics Department  
[www.censtatd.gov.hk/hkstat/sub/sp200.jsp?productCode=FA100042](http://www.censtatd.gov.hk/hkstat/sub/sp200.jsp?productCode=FA100042)