

主旨: My view on population policy
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Dear Sir,

Regarding the consultation on population policy, I would like to share my view with the government and attached my opinion for your information. I hope that my view will add value to the formation of the government future policy.

Regards,
Angus

My view on Population Policy

1. Objective of the Policy

Any policy launched by a responsible government should be **in the interest of their existing citizens**. In view of that, our population policy should be for the benefits of existing citizens of Hong Kong, in terms of better living quality, sustainable income growth and promotion of social cohesiveness.

2. Present concerns of our population

i) Limited growth of labor force

- i.i) The general perception of a declining labor force is a result of data mining and inadequate control of labor force growth.

Based on the information provided in the consultation paper, the projected labor force will increase from 3.52mio in 2012 to 3.59 mio in 2031. The general perception of declining labor force from 2018 to 2031 at a rate of 0.5% per annum is actually attributed to the abnormal surge in labor force from 2011 to 2016 at the rate of 1.4% per annum, representing an annual increase of 50,000 new workers in the labor force.

In order to maintain a steady increase in labor force, we have to avoid the abnormal jump in labor force from 2011 to 2016 by controlling the number of overseas employees admitted through GEP, ASMTP and IANG during the period from 2012 to 2016, which contributes over 90,000 new workers to Hong Kong every year, almost double of the projected labor force growth during the period.

- i.ii) The economic impact on a slower labor force growth is not as harmful as we thought.

Over the past two decades, our economy achieved an average growth rate of 3% excluding the change of labor force. If we assume the same rate for our future, our economy would still be able to achieve an average growth rate of 2.5% from 2018 to 2028, with 0.5% contraction of our labor force.

If we compare the 2.5% growth rate with the world most advanced economy, such as United States and Germany, the 2.5% growth rate should be regarded as a healthy level. In view of our highly developed economy, the 2.5% economic growth rate can certainly guarantee a full employment and steady price level in a sustainable manner.

ii) Normalization of demographic dependency ratio

Our demographic dependency ratio is in the course of adjustment from an abnormally low to a natural level.

The normal demographic dependency ratio for a society with an evenly distributed age group and a life expectancy close to the level of Hong Kong at 84 years is 680, which is 325 higher than the level of 2012 and 32 lower than the projected level of 2041. The 2012 ratio of 355 represents a life expectancy of 66 years, 2 years after the normal retirement age of 64 years old. As such, our current level of demographic dependency ratio is unsustainable in the long run.

Even though the course of normalization may bring significant economic pressure on our society, by encouraging people to work longer and promoting retirement planning can mitigate the impact. Any policy on promotion of immigration can only defer the process of normalization and cannot truly solve the problem.

3. Ways to a better life

i) Potential of existing population

i.i) Working opportunities for the elderly

With better health and longer life expectancy of our elderly, they can contribute more to our society.

The retirement age in Hong Kong is generally accepted as between 60 and 65. With the improvement of the health of the general public, Hong Kong people can definitely extend their retirement age to 70. The extension of retirement is especially important for low-income group, as they may not be financially well-prepared for their retired life. The Hong Kong government should take the lead in launching age-friendly program within the civil servant system to promote the

extension of retirement age.

In addition, the natural level of demographic dependency ratio, as expressed in previous section, for a society with life expectancy at 84 years is 680. However, if we slightly change the assumption for elderly dependency ratio as the number of persons aged 70 or over per 1000 persons aged between 15 and 69 resulting from the extension of retirement age. The natural level of the ratio is reduced by 153 to 527. As a result, encouraging our elderly to work longer is an effectively solution to our challenge.

i.ii) Encouragement of work participation

Reasonable financial rewards and flexible work arrangements are the key to attract housewives and early retirees to join the labor force.

Most of the people being economically inactive aged between 15 and 64 is financially supported by their relatives, lives on their own investment or even receives social benefit. Many of them are low-skilled workers and, therefore, decide not to work, as the financial reward is unattractive. It is well understandable that the income gap has been widening in Hong Kong in recent years, despite the growth of the general economy driving a surge in rent and investors' return compared to the salary increment at the rate of inflation. As such, the salary level of low-skilled works has never been adjusted to a level which is attractive enough for economically inactive to join the labor force.

With the growth of the Hong Kong economy, our labor force is now under shortage and this is the right time for the government to rectify the widening income gap and encourage people to participate in the labor force. By controlling the growth of labor force, giving continuous pressure to the employers in recruitment for a prolonged period of time, the market will be self-adjusted to provide a more reasonable financial reward and flexible work arrangement to low-skilled workers and, therefore, sufficient to attract economically inactive people to join the labor force.

i.iii) Provision of key elements for families to have their own children

The reason of low fertility rate can be explained in various aspects, but the key is whether the general public has faith for their future and the future of their next generation.

It is undoubted that Hong Kong has been very successful economically. However, the living environment for the general public has worsened in recent years and the salary package and working condition has not been improved significantly as our economy.

For living environment, the government should carefully plan ahead for years in developing new towns and limiting the incoming foreigners, such as oversea students and workers. It is easily understandable that with the growth in the number of population, new towns have to be developed in catering for housing needs. On the other hand, the increase of incoming foreigners through talent admission program, in recent years, has drained our housing resource, giving a great pressure to local family.

For salary package and working condition, there has been improvement of our labor market in recent years with our blooming economy. However, the improvement has been lagged behind the economic growth due to the Government's talent admission program leading an unlimited supply of labor resource in the market, causing the headwind for the improvement of salary package and working condition. The government should rethink the side effect of its talent admission program, so that it would not further impair the living standard of the general public, their faith for future as well as the fertility rate.

ii) *Fine-tuning of immigration policy*

ii.i) The purpose of the policy

The Hong Kong government has neither obligation nor responsibility to provide a better life to foreigners, but should use the incoming foreigners as a tool to improve the living standard of existing citizens.

Currently, the immigration programs can be divided into two main streams. One is for family reunion and the other is for talent

admission. For the family reunion, there is no excuse for our government not accepting those immigrants in an orderly manner in view of the nature. However, there is a great need to review the current talent admission programs to maximize the benefit to the existing citizens.

ii.ii) Maximizing the benefit of talent admission programs to the existing citizens of Hong Kong

The current talent admission programs set no target for annual admission and charge no levy on the admission is not an ideal phenomenon.

The program is now under the so-called “demand-driven” mechanism. As long as employers are willing to hire those talents, our government will grant visas under GEP, ASMP and IANG programs. This kind of “demand-driven” mechanism has been proved to be a disaster in social policies. The well-known failures include “Application list for land auction” and “pregnant mainlanders policy”, which have been ceased after causing thousands of millions Hong Kong people suffered for years and laying down thousands of social problems to be solved by our next generation.

The admission of overseas talents undoubtedly enlarges our economic base, but also limits the potential of our existing citizens and catalyzes an “M” shape society. Most of the overseas talents admitted through the programs are middle-class workers or future middle-class workers under IANG. It represents unlimited supply of middle-class workers from all over the world. Therefore, industries will be discouraged in provision of training to inexperienced local workers, as experienced overseas workers are readily available through the program. In addition, the unlimited supply of middle-class workers will limit the salary increment for middle-class workers in Hong Kong and the chance of existing Hong Kong people to be promoted to middle-class management. Therefore, the current overseas talent admission programs only provide us the short-term economic benefit, but slowly poison our social ladder by destroying the entire local middle class level.

To strike a balance between fostering economic growth by admission of foreign talents and providing a platform for Hong Kong people to climb up the social ladder, the Hong Kong government should monitor the inflow of foreign talents in an orderly manner, so it benefits the skill upgrade of local talents without negative impact on opportunities for local graduates and talents. In addition, the government could consider a levy on admission, which creates a comparative advantage for local talents and supports financially our future social expenses due to ageing population.

ii.iii) Admission of low-skilled workers

The admission of low-skilled workers in meeting non-cyclical labor demands will only impair the income growth of our grassroots.

The employment policy in all developed countries is to promote full-employment and reasonable rewards for employees and investors. In recent years, Hong Kong has achieved full-employment level due to the blooming economy. However, the salary increment for low-skilled labors has been lagged behind the economic growth. This phenomenon has proved that the shortage of low-skilled labors is only an illusion and represents underpaid salary package of the recruitment.

With the increasing demand of low-skilled workers, it is expected that the salary level of them will increase at the rate higher than the economic growth and rent level in the future, which should be a key purpose of any employment policy as those in China and other western countries. The increase of salary level of low-skilled workers brings tremendous benefits to our society in long run, including narrowing the poverty gap, leading grassroots better prepared for their retired life and driving up the work participation rate.

For the admission of low-skilled workers in meeting cyclical labor demands, such as construction workers, this kind of programs should be well-planned ahead with considerations of work opportunities for local workers and housing issues for foreign workers.

The admission of low-skilled workers for this purpose can prevent the unemployment problem of local workers during the downturn of the industries and facilitate the industries development. However, the government should carefully monitor the admission process to avoid abuse. A possible solution could be charging a levy on admission, so that the cost of hiring a local worker with a reasonable training is the same as hiring a foreign worker.

Furthermore, in view of the shortage of housing in Hong Kong, the housing of foreign workers should be planned ahead in avoiding draining the housing resources of Hong Kong.

4. Conclusion

Our current population policy has focused a lot on short-term economic benefit by simply having as many immigrants as the market can absorb. This method has only benefited the GDP growth of Hong Kong, but not the well-being of Hong Kong people. Our government should reposition their focus on how to provide an ideal environment to existing Hong Kong citizens for their lives with immigrants as a tool for achieving the target.