

## CHAPTER V

### POLICY RECOMMENDATIONS

5.1 The analysis in Chapter III shows that in terms of quantity and quality, Hong Kong's population presents distinct challenges which, if not addressed promptly, will undermine the sustainability of our long-term economic and social development. Against the background of these concerns and within the limited time available, the Task Force attempted to review all relevant policies, which directly or indirectly impact on Hong Kong's demographic conditions, and to recommend a number of policy measures to be taken in the short and medium term. Many of them are necessarily tentative, requiring much longer time for thorough research and refinement.

5.2 In drawing up its recommendations, the Task Force has taken into account the following principles and considerations:

- ◆ The recommended measures should aim to improve the overall standard of living of the people of Hong Kong and ensure the long-term sustainability of our economy. Specifically, they should strive to address the challenges posed by an aging population and shrinking workforce on our economic growth;
- ◆ In terms of *quantity*, the recommended measures should help to rejuvenate our progressively aging population;
- ◆ In terms of *economic sustainability*, the recommended measures should be able to upgrade the productive efficiency and capability of our workforce. They should also be able to enhance our economic vibrancy and domestic consumption;
- ◆ In terms of *fiscal sustainability*, the recommended measures should be able to increase productivity and reduce elderly dependency. Moreover, to address the problem of rising social expenditure and limited resources, the recommended

measures should help to provide a more rational basis for the provision of subsidized benefits to the residents of Hong Kong and our growing transient population; and

- ◆ In terms of *social sustainability and integration*, the recommended measures should facilitate integration of new arrivals from the Mainland and elsewhere with the community.

Details of the Task Force's recommendations are discussed below:

## **The One Way Permit Scheme**

5.3 Legal immigration from the Mainland under the OWP Scheme has been the main source of immigration for Hong Kong. It has also been our major source of population growth in the last two decades. We have discussed in Chapters II and III the impact which OWP holders create on the quality of our workforce and employment situation, and the pressure they exert on various subsidized social services. These drawbacks notwithstanding, OWP holders, in particular young children, have contributed significantly towards mitigating the negative effects of low fertility and population aging by replenishing the dwindling number of our younger age cohorts.

5.4 The current daily OWP quota was increased from 105 in 1993 to 150 in 1995 to facilitate the entry of long-separated spouses and the settlement of CoE children with right of abode under the Basic Law in anticipation of its implementation from July 1997. The present 150 daily quota is allocated among CoE children (60), spouses separated for over 10 years ("long-separated spouses") (30) and other categories of applicants (60), including spouses separated under 10 years, unsupported children coming to join relatives in Hong Kong, persons coming to Hong Kong to take care of their unsupported aged parents, unsupported elderly people coming to join relatives in Hong Kong and persons coming to Hong Kong to inherit legacies. Except for CoE children, the priority of an individual applicant in each category is determined by reference to a Points System, introduced by Mainland authorities in May 1997.

5.5 A total of 132 925 CoE children have been admitted under the OWP Scheme since the handover. Between 1998 and 2002, the average number of CoE children admitted was 67 a day, higher than the sub-quota reserved for this category. This was made possible by flexibly deploying quota from other categories, and led to a shortening of waiting time. Interestingly, the arrival number of adult CoE children aged 18 or above, who are accorded a lower priority than CoE children below 18, has steadily risen since 1998, from a daily number of 6 (8% of total number of CoE children) in 1998 to 39 (48%) in 2001. In 2002, an average of only 46 CoE children, 14 less than the daily quota of 60, arrived in the HKSAR everyday.

5.6 We consider that it is in the interests of the individual CoE children and their family, as well as the HKSAR, that these be admitted into Hong Kong as early as possible. This is particularly so for young CoE children. The Legislative Council Members, academics and opinions leaders we approached almost unanimously held this view. The benefits of early admission of CoE children are also borne out in academic research as pointed out in Chapter II. This objective has been largely achieved as shown by the shortening of waiting time made possible by the clearing up of the backlog of applications. In the light of this, after discussion with the Mainland authorities, we recommend that the sub-quota of 60 places should be strictly enforced and used exclusively for CoE children. Should the number of arriving CoE children continue to fall below 60 a day, the unutilised places should not be reallocated to other categories of applicants.

5.7 We welcome and recommend the new measure of giving greater flexibility to CoE children, whose claims have been verified, so that they can choose when to leave the Mainland and settle in Hong Kong. Until the end of last year, OWPs were issued to CoE children after the verification of their claims but the OWPs had to be used (i.e. the holder would have to leave the Mainland and settle in the HKSAR) within three months of issue. This exacerbated the split-family problem since often the Mainland parent (usually the mother) of the CoE child had to wait longer for an OWP. The new measure allows many Mainland families to synchronise the timing of settlement in Hong Kong of the CoE child with its parent and help alleviate the split-family problem. The new measure, which was recently introduced after our

discussion with the relevant Mainland authorities, was announced in January 2003 and put into immediate practice.<sup>20</sup>

5.8 To further alleviate the problem of split families, we recommend continuing the current practice of allocating unused places under the sub-quota designated for long-separated spouses to spouses separated for a shorter period and their young accompanying children. The average daily number of long-separated spouses admitted under the OWP Scheme has dropped drastically from 46 in 1998 to only 8 in 2002. We notice that in 2001 and 2002, the unused places designated for long-separated spouses have been taken up by applicants under other sub-categories. We understand that spouses from Guangdong still have to wait for about seven to eight years before they can join their families in Hong Kong. The continued flexible deployment of unused places in the “long-separated spouses” category to spouses in Guangdong would help to align the waiting time for the latter with that for spouses from other provinces (about five years) as far as possible. After discussion with the Mainland authorities, we recommend that this practice should continue.

5.9 The Mainland authorities introduced a new measure in November 2002 to facilitate spouses to visit their families more frequently in Hong Kong. The previous restriction that spouses can apply for Two Way Permits only two times a year has been lifted and they can now apply to visit Hong Kong as and when they wish. A Mainland spouse could now stay in Hong Kong throughout the year except those days, every three months, when he or she needs to renew his or her visit endorsement in the Mainland. This will much reduce the pain of separated families. Mainland spouses will be encouraged to visit Hong Kong as soon as they have applied for an OWP so that they may familiarize themselves with Hong Kong’s way of life and the living conditions of their spouses in Hong Kong. This will help them decide whether they wish to settle in Hong Kong.

---

<sup>20</sup> The Mainland authorities have also introduced other improvements to the OWP Scheme with effect from January 2003 to alleviate the problem of split families. Previously a Mainland spouse issued with an OWP may bring with him/her one child aged below 14 to settle in Hong Kong. The age limit of accompanying children has now been raised to below 18. Whereas only one accompanying child was allowed previously, a Mainland spouse can now bring with him/her all children below the age of 18.

5.10 We propose to maintain the unspecified sub-quota of 60 places for other categories of applicants, i.e. spouses separated under 10 years, adult children coming to Hong Kong to take care of unsupported aged parents, non-CoE young children whose parents have moved to Hong Kong and unsupported elderly people to join their relatives in Hong Kong, except that the existing category for those coming to Hong Kong for inheritance should be cancelled. With progressive relaxation in the policy on cross-boundary travel, Mainlanders can apply for an Exit-entry Permit and a relevant visit endorsement to come to Hong Kong to claim their inheritance. There is no need for them to settle in Hong Kong to complete any formalities. Instead, they should return to the Mainland afterwards. Implementation of this measure will require legislation by the Mainland authorities. We will review the daily 150 OWP quota and the quota allocation among the three categories regularly and reduce the quota if demand falls.

5.11 Some sectors of the community have called for the HKSARG to secure the approval authority of OWP from the Mainland authorities. Under Article 22(4) of the Basic Law as interpreted by the NPCSC Interpretation dated 26 June 1999, people from other parts of China must apply to the relevant authorities of their residential districts for approval for entry into the HKSAR in accordance with the relevant national laws and administrative regulations. It is inappropriate for the approval authority to be vested in HKSARG. As at present, the OWP issuing authorities in the Mainland will continue to take meticulous measures to verify the claims by OWP applicants and, if necessary, confirm with the HKSARG the validity of those parts of their claims involving Hong Kong residents on a case by case basis. The approval system, based on points, is transparent and the Mainland public security authorities have established hotlines to deal with complaints and reports on any suspected abuse.

5.12 Some sectors of the community have also called for an adjustment of the OWP quota to facilitate admission of professionals to address the problem of manpower mismatch. We have given this matter very careful consideration. Given that the OWP Scheme is designed to facilitate reunion of families, the Task Force concludes that it is not appropriate to use this Scheme for the purpose of admission of skilled immigrants. The latter should be done via other channels.

### Recommendations regarding the One Way Permit Scheme:

*To strictly enforce the allocation of the sub-quota for CoE children; to continue with the recently introduced improvement of allowing CoE children whose right of abode has been verified to choose when to leave the Mainland and settle in Hong Kong so that they can come to Hong Kong together with their Mainland parents if they so wish; to continue with the current practice of deploying unused places in the “long-separated spouses” category for spouses in Guangdong and their accompanying children; to continue with the current practice whereby the OWP issuing authorities in the Mainland take meticulous measures to verify the claims by OWP applicants and, if necessary, confirm with the SARG the validity of those parts of their claims involving Hong Kong residents on a case by case basis; to encourage the Mainland spouses to visit Hong Kong under the Two Way Permit Scheme, as soon as they have applied for an OWP, so that they may familiarize themselves with Hong Kong’s way of life and the living conditions of their Hong Kong families, thus helping them decide whether they wish to settle in Hong Kong; to propose to the Mainland authorities to change their relevant legislation in order to cancel the current entry category for inheritance under the unspecified sub-quota; to review the daily 150-OWP quota and the quota allocation among the three categories regularly with a view to reducing the quota at some stage when demand falls.*

## **Training and Other Needs of New Arrivals**

5.13           Until our fertility rate rebounds significantly, we have to rely on admission of new arrivals to reduce population aging and labour force shrinkage. However, quantity alone cannot resolve the problem. Positive effects can be realised only through successful training and skills upgrading of the adult new arrivals and providing education to the younger ones.

5.14           New arrivals aged 15 or below are entitled to free compulsory education and there is adequate provision to cater for their needs. There are also free preparatory courses to help them assimilate into the school system as well as the community. However, 69.1% of those aged 16 or over, i.e. who are of age to join the labour market, have

only lower secondary education or below according to the 2001 Population Census. Their low education level would put them in a disadvantage when competing in the local labour market which favours those with knowledge and skills.

5.15 Those aged 16-19 (7.6% of the group) with the aspiration to better themselves should be encouraged to join the normal education system, or alternatively to pursue vocational education and training offered by the Vocational Training Council, the Construction Industry Training Authority or the Clothing Industry Training Authority.

5.16 Those aged 20 to 49, who make up 45% of the total Mainland new arrival population, face probably the greatest problem in finding jobs in the local labour market. However, there is no lack of upgrading opportunities for this group. In addition to the abundant self-financing training and education opportunities available, they can join the Skills Upgrading Scheme, the Continuing Education Fund and the subvented part-time courses offered by the Vocational Training Council. Those aged 30 or above may also join the full-time placement-tied training offered by the Employees Retraining Board, which aims to help the low-skilled unemployed enter the local employment market. Besides job-specific vocational training, e.g. domestic helper, security guard and property management, etc., the retraining programme covers training in general skills, language and computer to enhance the employability of the retrainees.

5.17 Apart from education and training, an effective mechanism for coordinating services for new arrivals led by the Home Affairs Bureau has been put in place over the past few years. The strategy has been to foster effective coordination within the Government and to maintain a close partnership between the Government and the non-governmental organisations (NGOs), which play a pivotal role in the provision of services to the new arrivals. The C&SD and Home Affairs Department also conduct regular surveys on the demographic characteristics of new arrivals. Also, a household survey on the needs of the new arrivals who have settled in Hong Kong in the past three years is coordinated by the Departments. Findings of the study will help better focus the various services provided for the new arrivals.

5.18 To prepare persons who are about to settle in Hong Kong, the Hong Kong Branch of the International Social Services has set up pre-migration centres in Guangdong and Fujian Provinces to help prospective new arrivals to learn more about Hong Kong's way of life.

5.19 Relevant government departments and NGOs are making concerted efforts to help new arrivals adapt to their new life after arrival in Hong Kong. At present, family life education and family education services are provided in post-migration centres. Recently, enhanced preventive and supportive services have been made available to enable early identification of problems and to provide timely service. Post-migration centres also interface with other community organisations in providing integrated services to new arrivals and promote mutual acceptance between them and other members of the community.

*Recommendations regarding Training and Other Needs of New Arrivals: To continue to provide and develop appropriate programmes to address the training needs of new arrivals of different age-groups; to foster closer partnership between the Government and NGOs to identify and address the needs of new arrivals in Hong Kong.*

## **Education and Manpower Policy**

5.20 The HKSARG has invested heavily in education and training to upgrade the quality of our human capital. There are two main approaches to meeting the manpower needs of the economy, first, to upgrade the general level of education for all, and second, to promote skills upgrading and continuing education among the existing workforce.

5.21 In addition to providing adequate education opportunities, we have embarked on various initiatives to improve the quality of education for our youngsters. The objective of the education reform is to create more scope and choice for students to realise to the full their potential in accordance with their aptitude and interests.



5.22 To help ensure an adequate supply of well-educated manpower, we have laid down a target that 60% of our secondary school leavers will receive post-secondary education by 2010-11. In this respect, in 2002, about 9 000 additional places have been provided for Secondary Five and Secondary Seven graduates. The participation rate of the 17-20 age cohort in post-secondary education has increased from 38% of the previous year to 42%. We have also expanded the number of Secondary Four school places so that all students who have the capability and are willing will be able to progress beyond Secondary Three.

5.23 To help upgrade the skills of in-service workers with secondary or lower education, we launched the \$400 million “Skills Upgrading Scheme” in September 2001 to provide them with focused skills training. Courses are developed through close collaboration of employers, employees, training providers and government officials. The contents are practical and geared to the specific needs of the respective industries. As a result, they have gained increased recognition amongst employers and are popular with employees. The Scheme now covers thirteen industries. As at end-September 2002, more than 700 classes involving over 14 000 trainees had been held.

5.24 To encourage the pursuit of continuing education so as to prepare Hong Kong's workforce for the knowledge-based economy, we launched the \$5 billion Continuing Education Fund in June 2002. Hong Kong residents aged 18 to 60 without a university degree, who enroll in a ‘reimbursable course’ in specific sectors (logistics, financial services, China business, tourism, language, design and interpersonal and intrapersonal skills for the workplace), will be reimbursed 80 per cent of the course fee, or up to \$10,000, upon successful completion of the course. The response to the Fund has been encouraging. As at the end of October, there were over 14 000 applications.

5.25 We see the need for a more strategic, responsive and co-ordinated approach to manpower planning and development so as to develop a skilled and adaptable workforce that can meet the changing demands of the economy. To this end, we have recently established a Manpower Development Committee (MDC), with representation from employers, employees, training providers, academics and the Government. The MDC will provide advice to the Government on

Hong Kong's manpower needs and the promotion and regulation of the vocational, post-secondary and continuing education sectors. It will also help establish the necessary infrastructure, including proposals on a qualifications framework and quality assurance mechanism, to support the development of a life-long learning society. One of the MDC's tasks is to monitor manpower supply and demand and to propose timely intervention to minimise mismatches.

*Recommendations regarding Education and Manpower*

*Policy: To continue to pursue extensive programmes to upgrade the educational attainment of our population at all levels; to promote and facilitate skills upgrading and life-long education; to adopt a strategic, responsive and co-ordinated approach to manpower planning and development to meet the changing demands of the economy.*

## **Admission of Mainland Professionals and Talent**

5.26 While we have introduced measures to raise the general education level of the population and promote skills upgrading and continuous education among the existing workforce, in particular the more recent arrivals, these measures take time to produce clear results. To raise the quality of our human capital, Hong Kong can no longer rely solely on the pool of home-grown talent. Hong Kong must have the capacity to draw on the best and the brightest in the region and world-wide, including the populous and fast-developing Mainland. Otherwise, our long-term economic and social development can barely be sustained, let alone achieve any growth.

5.27 China's accession to the World Trade Organisation will have far-reaching implications not only for its external trade, investment and financial flows, but also for its own domestic economic and social development. The benefits that this will bring to Hong Kong's economy will also be substantial. There will be new opportunities in areas where Hong Kong possesses an edge, such as banking and finance, logistics and sea and air transport, and professional and other business support services. The admission of Mainland professionals and talent, who possess the connections as well as understanding of the Mainland market, consumer preference and how businesses operate there, would

clearly help Hong Kong tap the vast Mainland market. Greater flexibility in admission of such personnel is essential for Hong Kong to maintain its competitiveness as a regional hub for professional and business-related services, and its supremacy among foreign investors and service providers in the Mainland market.

5.28 As discussed in Chapter II, under the current immigration policy, there are by and large no impediments for admitting overseas professionals. Generally speaking, they are allowed to come to Hong Kong provided they have scarce skills and can secure a job here with market level salary. There is no restriction on the sectors in which they can work and they can bring along their dependants.

5.29 The existing policy on entry of Mainland professionals is, by comparison, very restrictive. In the overall interests of Hong Kong, any policy to admit professionals should be standardised as far as possible. Such an approach would be more in line with Hong Kong's aspiration to be Asia's world city. Following this principle, we recommend that the conditions of admission for those admitted from the Mainland should be relaxed and aligned with those from other countries as far as possible, e.g., successful applicants should be allowed to enter with their immediate families and restrictions on specific sectors in which Mainland professionals are allowed to work should also be lifted.

5.30 There are considerable economic benefits in terms of consumption and creation of jobs, which skilled personnel could bring to Hong Kong. A C&SD statistical exercise on the economic benefits of the Admission of Talents Scheme during 2000 and 2001 shows that it created a total of 223 local jobs in the first year by admitting 83 professionals to the 57 firms polled. This represents an average of 2.7 new jobs for the importation of each talent. On average, each candidate brought about HK\$308,000 of revenue to the firm in the first year. The findings indicated that the revenue arising from the employment of each talent was expected to rise to some HK\$2,310,000 in the second and third years. Overall, skilled immigrants can help to break up "bottlenecks" in business operation and production processes. Through the transfer of skills, knowledge and experience, they can help to upgrade the capability and productive efficiency of the local workforce. They can also help to broaden and diversify the pool of

available skills in Hong Kong. All these benefits are conducive to the overall economic growth and development potential over the longer term.

5.31 Apart from economic benefits, the admission of talented Mainlanders and professionals from more diversified fields, such as arts and sports, can help generate interest and enhance the standards of arts, culture and sports in Hong Kong. As Asia's world city, Hong Kong should be able to offer a rich and vibrant cultural environment as a means of enhancing the quality of life and attracting visitors from around the world. The presence of a large pool of internationally acclaimed artists and athletes is essential to provide a rich variety of cultural and sports attractions. The Culture and Heritage Commission has proposed in its Consultation Paper 2002 that education in culture and the arts should be strengthened to enrich the cultural literacy of individuals and society as a whole. There will be a strong demand for arts educators and other related professionals. As for sports, the admission of more internationally renowned athletes and coaches will certainly help to lift the standards of our local sports talent and to build up a pool of elite athletes to excel in international sports events. Experience overseas demonstrates that successes in sports events can boost community pride and enhance social solidarity. The Mainland holds a large pool of such potential talent.

5.32 Besides the admission of professionals and talent to meet the manpower needs of the workplace, we should also attract academics and students who will help enhance our labour force with high-calibre manpower at their prime working age. The admission of top academics and researchers from the Mainland and overseas will ensure that our institutions can have access to the best people from all corners of the globe, thus raising the quality of university education and standard of research, and enhancing Hong Kong's role as a regional centre of excellence in higher education. The admission of students from the Mainland and overseas will enrich the learning experience of local students. It can create a multi-lingual and multi-cultural environment at our institutions inside and outside the classrooms, broaden the cultural horizon of local students, promote healthy competition within the campus and provide a source of intellectual stimulation and different perspectives for students, faculty members and the institutions.

5.33 At present, universities are allowed to recruit non-local undergraduates and taught postgraduate students up to 2% of the publicly funded places plus another 2% using private funding. The actual number of non-local students now is around 1.5%. In addition, non-local undergraduate students are also subject to an annual reception quota of 4% of the first-year-first-degree intake in University Grants Committee (UGC)-funded institutions (i.e. a maximum of 580). For non-local research postgraduate students, the ceiling is one third of the total number. Mainland students who graduated in 1990 onwards from full-time UGC programmes at degree level or above may apply in the Mainland for employment in Hong Kong outside the schemes for admission of Mainland talent and professionals. Following a recent review, the quotas for non-local students will be increased in the 2003 academic year to 4% of the publicly funded student places at undergraduate and taught postgraduate levels, and quotas for non-local research post-graduate students will be removed. When the 4% limit is about to be reached, consideration will be given to reviewing the 4% annual reception quota and providing further flexibility and incentive to tertiary institutions in recruiting more non-local self-financing undergraduate students.

5.34 Apart from Mainland professionals and students, many Mainlanders visit Hong Kong for business. The total number of business trips by Mainlanders to Hong Kong has increased more than seven-fold from 268 680 trips in 1999 to 2 271 000 trips in 2002. With greater economic integration between Hong Kong and the Mainland, in particular, the PRD, the trend should continue. We shall continue to devise measures for facilitating more Mainland businessmen to visit Hong Kong for business-related purposes.

5.35 Last but not least, more and more children of Hong Kong families are receiving their secondary and tertiary education overseas, particularly those who emigrated during the 1980s and 1990s. Some of these young people may not have returned to live and work in Hong Kong, even though their families have returned here to stay. These young people, with their exposure to overseas education and culture, represent an enormous asset to Hong Kong in maintaining our cosmopolitan outlook and international networks. The HKSARG should step up efforts to encourage more of these young people to return

to live and work in Hong Kong. For example, the Economic and Trade Offices should continue to closely liaise with Hong Kong students studying overseas and provide them with up-to-date information on development and opportunities in Hong Kong.

*Recommendations regarding Admission of Mainland Professionals and Talent: To align conditions of admission for Mainland professionals and talent with those coming from elsewhere as far as possible; to provide more flexibility and incentives to tertiary institutions to attract academics and students from the Mainland and overseas; to continue to improve arrangements for Mainland businessmen to visit Hong Kong for business-related purposes; to step up efforts to encourage Hong Kong people being educated overseas to return to live and work here.*

## **Investment Immigrants**

5.36 Hong Kong's existing immigration policy only allows the entry of investors coming to Hong Kong to join in or set up a business, but does not cater for the entry of capital investment entrants, i.e. persons who have the financial means to make a substantial investment in Hong Kong but who do not wish to run the business themselves. This places Hong Kong at a disadvantage in the global competition for capital investment. This is also not conducive to bringing into Hong Kong new capital which could stimulate economic growth and domestic consumption.

5.37 Investment immigrants can inject new funds for investment in the economy. For Hong Kong, the funds are expected to go mostly into the stock market, mutual funds and real estate. In the process of investment, additional business will be generated for the financial services, real estate and related professional fields. Such business activities will in turn render some additional employment.

5.38 We recommend that persons with net assets under their control and disposal for investment of no less than HK\$6.5 million will be eligible for admission into Hong Kong as capital investment entrants. They will be allowed a reasonable degree of flexibility in their choice of

investments to suit their individual needs. Qualifying investment asset classes will include real estate (industrial, commercial or residential, including land and pre-completion properties in Hong Kong) and specified financial assets. Suitable arrangements will be implemented to “ring-fence” the requisite investment amount as long as the capital investment entrant is granted permission to stay here. Because the Mainland imposes foreign exchange control and exercises exit control on Mainland residents, we cannot extend the proposal to include Chinese nationals in the Mainland at this stage.

5.39 We recommend that the new policy should apply to foreign nationals (except those from a small number of countries which pose security and/or immigration risks), Macao SAR residents, Chinese nationals who have obtained permanent resident status in a foreign country, stateless persons who have obtained permanent resident status in a foreign country with proven re-entry facilities and residents of Taiwan.

*Recommendations regarding Investment Immigrants: To extend the existing immigration policy to cater for persons who will make substantial investment (HK\$6.5 million) in Hong Kong but do not themselves run a business, i.e. capital investment entrants, and to apply this extended policy initially to foreign nationals, residents of Macao SAR and Taiwan.*

## **Policies Impacting on Childbirth**

5.40 The above measures to admit and attract more immigrants are partly aimed at addressing the problem of low fertility. On the issue of fertility, the Task Force has considered whether we should adopt pro-natalist policies to promote childbirth. Indeed, some countries with low fertility rates (not as low as Hong Kong) have pursued such policies, although the effectiveness of these actions is not clear. We believe it is not appropriate for the HKSARG to adopt policies to promote childbirth, a matter very much of individual choices. We should, however, review existing policies to see if they discourage childbirth.

5.41 During the 1950s and 60s, due to the population influx and baby boom, birth control and family planning were priority issues in Hong Kong. It was against this background that birth control became the core business of the Family Planning Association of Hong Kong (FPAHK). Its campaigns were so successful (e.g. “Two is Enough” in 1975) that family planning programmes have come to be perceived by the public as birth control programmes. The total fertility rate in Hong Kong decreased sharply from 3 459 children per 1 000 women in 1971 to 2 047 in 1980.

5.42 In view of changing economic and social circumstances and the declining fertility rate, FPAHK’s publicity focus has gradually shifted to other health services. Indeed, birth control has not been the Association’s promotional theme since 1986. Over the years the FPAHK has introduced new services to cover men and women, youth and adults, including pre-marital check-up, pre-pregnancy preparation, sub-fertility services, youth healthcare, gynecological check-up, menopause clinic, male health services, etc.

5.43 Our assessment is that the present activities of the FPAHK are not intended to discourage childbirth. However, its name does not reflect the full range of its activities. We shall encourage the Association to give further consideration to changing its name to better reflect its present scope of work. We shall also continue to monitor the activities of the FPAHK to ensure that they meet the needs of the community.

5.44 Overall, Hong Kong’s health care system can be said to have a positive effect on childbirth. Maternal mortality rate has been extremely low and ante-natal, childbirth and post-natal services are available from the Hospital Authority and Department of Health at very low costs. The Maternal and Child Health Service of Department of Health provides a comprehensive range of promotional and preventive health services for women of child-bearing age and children from birth to five years old, covering child health, maternal health and family planning.



5.45 A separate but related issue is our tax system. Child allowance under the present salaries tax system is granted under a “two-tier” arrangement with the first two children being granted an allowance of \$30,000 each while that for the third to the ninth child is halved. While this differential treatment is unlikely to have a significant impact on the decision of couples regarding the size of their families, the reduced tax allowance from the third child onwards may not be appropriate in the light of our very low fertility rate. We will ask the Financial Secretary to consider granting the same level of tax deduction for all children irrespective of number.

*Recommendations regarding Policies Impacting on Childbirth: To continue with our current family planning programmes emphasising healthy, planned parenthood; to encourage the FPAHK to change its name to better reflect its present scope of work; to consider granting the same level of tax deduction for all children irrespective of number.*

## **Elderly Policy**

5.46 The enormous financial and social challenges posed by our aging population are described in earlier chapters. The Task Force considers that it is important for the purpose of this study that the subject of aging is viewed from a proper perspective. Notwithstanding the challenges presented by a growing elderly population, population aging represents, first and foremost, a success story for public health policies as well as social and economic development. Many of the problems associated with population aging are the result of outdated social and public policies which have not kept up with the changes in our socio-economic development and our health and demographic profile. The following are a few examples:

- (a) retirement and human resource practices that remove older people from the workforce prematurely may reduce their income and social esteem, and place them in a state of dependency. In other words, retirement creates old age dependency, particularly financial dependency.

- (b) A living environment that does not cater to people of all ages, and of different functioning abilities may discourage older people with some frailty from continuing to live at home (which is the preferred choice) and integrating with other members of the community.
- (c) A compartmentalised life-course of education when young, work in adulthood, and leisure after retirement imposes an artificial segmentation of life which does not facilitate life-long learning and the flexibility of work interspersed with periods of leisure and self-reflection.

We need to rethink our current institutions to see how they can be transformed to facilitate positive aging.

5.47 The Government is working with the Elderly Commission (EC) to promote a new awareness of the place of older persons in our society, not primarily as individuals needing help, but as people having much to offer and wanting to give. With good health, a longer life expectancy and an improved financial situation, their lifestyle and their role in society will change markedly. To this end, the Government and the EC organised a Symposium on the Challenges and Opportunities of an Aging Population in June 2002, aimed at enhancing the community's awareness of aging issues. In response to the Symposium, a number of related sectors in the community have started taking a much deeper interest in the issue of an aging population, and are considering different actions and programmes to follow up discussions on the subject.

5.48 Given the scope and complexity of the aging-related issues involved, the Government will work with the EC to consider whether and, if so, how further research on the conceptual framework and overseas experiences in meeting the challenges of an aging population should be conducted, with a view to identifying and developing those ideas which may be applied in the local context.

5.49 All in all, to meet the challenges of an aging population, the whole community needs to be more aware of the implications of aging, particularly of what it means for the individual, and for the different sectors of the community. The promotion of positive aging aims to increase the productivity and reduce the dependency of the elderly on

the community. This notwithstanding, the HKSARG as well as the community should be fully aware of the economic and social implications of meeting the financial and care needs of our aging population. The Health, Welfare and Food Bureau is reviewing the current social security schemes for the elderly with a view to developing a sustainable financial support system for the needy elderly in the light of our aging population.

*Recommendations regarding Elderly Policy: To revisit and redefine the notion of retirement and old age; to continue to develop programmes that promote active and healthy aging; to develop a sustainable financial support system for the needy elderly.*

## **Growing Transient Population: Foreign Domestic Helpers**

5.50 Since its introduction in the 1970s, the policy on the admission of FDHs has by and large remained intact. As discussed in Chapter II, we have to include the FDH policy as part of this study due to the substantial size of this transient population and its continuing growth. Having reviewed the existing policy, the Task Force considers that a number of improvements should be made to enhance the integrity of the mechanism for admitting FDHs, with a view to minimising abuse and displacement of local jobs by FDHs.

5.51 We recommend that a monthly levy of the same amount (now at \$400) as that imposed under the Supplementary Labour Scheme should be introduced. This will remove the disparity of treatment between these two groups of employers. The income generated will be used for training/retraining purposes. The levy will be paid by employers and will apply to new contracts or renewal of contracts. At the current level, i.e. \$400 per month, the proposed levy will generate annual income of \$1.14 billion. The levy will be imposed under the Employees Retraining Ordinance. The Ordinance also stipulates that if the imported employees fail to arrive in Hong Kong having been granted visas or having arrived fail to complete their contracts of employment, there will be no refund of the levy paid, but the Director of Immigration

will take into account the relevant balance if a fresh application for an imported employee is submitted by the employer within four months.

5.52 The minimum allowable wage (MAW) for FDHs has not been adjusted since February 1999. It is proposed that a cut of \$400 be made to reflect downward adjustments in various economic indices since the last adjustment in 1999 (e.g. CPI(A) has fallen by around 10% since early 1999 and the median monthly employment earnings of workers in the elementary occupations by around 16%). This will take effect on 1 April 2003.

5.53 To improve the existing mechanism for admitting FDHs and to prevent exploitation of the migrant workers, the terms and conditions of the standard employment contract, including the live-in requirement, provision of adequate accommodation and MAW, will be strictly enforced by requiring both employers and FDHs to sign an undertaking to the Government when entering into new contracts. If they are found to be violating the undertaking, the employers concerned could be debarred from employing FDHs while the FDH might not be allowed to work in Hong Kong again.

5.54 To protect local employment opportunities, relevant Government departments have stepped up enforcement action to crack down on illegal employment in non-domestic work and fraudulent practices such as underpayment of wages. The Labour Department has just re-deployed resources to set up a new unit to investigate offences under the Employment Ordinance, including wage offences. As part of its effort to promote employment opportunities for LDHs, the Employees Retraining Board (ERB) has increased its training capacity for LDH courses to a total of 14 000 in 2002/03, and introduced the Integrated Scheme for LDHs in March 2002 to facilitate job matching for prospective employers and LDHs. It is worthwhile to note that the number of placements has gone up in recent months. The Labour Department has also adopted a proactive approach in developing the LDH job market. Promotional activities are launched regularly to canvass LDH vacancies and enhance public awareness of the Department's employment services for LDHs.

*Recommendations regarding FDHs: To introduce a levy for the employment of FDHs, set at the same level (i.e. \$400 per month) as that imposed under the Supplementary Labour Scheme. The levy will be paid by employers and will apply to new contracts or renewal of contracts. The levy will be imposed under the Employees Retraining Ordinance. The Ordinance also stipulates that if the imported employees fail to arrive in Hong Kong having been granted visas or having arrived fail to complete their contracts of employment, there will be no refund of the levy paid, but the Director of Immigration will take into account the relevant balance if a fresh application for an imported employee is submitted by the employer within four months; to reduce the MAW of FDHs by \$400 on 1 April 2003; to step up enforcement action against abuse of the FDH system and to prevent exploitation of the workers; to promote employment opportunities for LDHs.*

## **Eligibility for Public Benefits**

5.55 Chapter III highlights the anomaly that exists in the eligibility criteria of various subsidized benefits in terms of length of residence in Hong Kong. Among the major benefits, a “seven-year” residence rule is applied to public rental housing applicants (except children under the age of 18). In the case of CSSA, a “one-year” residence rule is applied. No such rule is implemented for users of public health and hospital services; they are not even subject to means test. As pointed out in Chapter III, because of rising public expenditure in providing various highly subsidized services, the implications for public finances have become an issue of major concern to the SARG and the community. Many of our interlocutors have urged that the Task Force must urgently address this matter in the context of the population policy.

5.56 In approaching this complex issue, we have to strike a very fine balance between the interests of various sectors of the community and giving due regard to the long-term sustainability of our social services within limited financial resources. Given the complexity of the issue and our tight time-table, we have focused our deliberation on CSSA and public health and hospital services for this exercise, since together they account for some 21% of our total public expenditure in

2001/02. After careful consideration, the Task Force considers that there is a strong case for removing the anomaly that exists in the eligibility criteria for major subsidized benefits, and for applying a uniform seven-year residence rule for providing all heavily subsidized social services including CSSA and public healthcare benefits. Eligibility based on a seven-year residence requirement reflects the contribution a resident has made towards our economy over a sustained period of time in Hong Kong. A seven-year residence is also normally required for the grant of permanent resident status in Hong Kong, for which additional rights are prescribed in the laws of Hong Kong.<sup>21</sup>

5.57 In applying this “seven-year” rule to CSSA applicants, we believe that children under the age of 18 should be exempted as in the case of public housing. For exceptional cases, the Director of Social Welfare, of course, will have discretionary power to grant CSSA on compassionate grounds waiving the residence rule. These measures should take effect from a future date. Current residents in Hong Kong will not be affected.

5.58 We further propose that, in principle, the same residence requirement should apply to users of subsidized public health and hospital benefits. We appreciate, however, the considerable impact on a very large number of people in Hong Kong, including residents with less than seven years of stay in Hong Kong, One Way Permit holders and migrant workers. The new arrangement should apply initially to Two Way Permit holders and other visitors. The Secretary for Health, Welfare and Food would need more time to consider how this policy could apply and be implemented for the rest of the population. For workers admitted under the Supplementary Labour Scheme and FDHs, their employers are required by contract to provide them with free medical treatment in the event of illness or injury, whether or not it is attributable to the employment. We believe a more comprehensive medical insurance coverage can be devised to meet the healthcare needs of this group of workers.

---

<sup>21</sup> Under the laws of Hong Kong, permanent residents have specific rights, including the right to vote and to stand for election under Article 26 of the Basic Law and to become the principal officials of the HKSAR in accordance with Article 61.

5.59 More and more residents of Hong Kong are moving to foreign countries or the Mainland to live and work nowadays. They probably contribute less to the local economy and are paying no local taxes. There is concern whether they should enjoy the same privileged access to subsidized public services as other residents once they return. The Task Force considers that this concern involves complex issues. Some residents, though away from Hong Kong for a long period of time, may still maintain close links with Hong Kong through property or other asset ownership, supporting the livelihood of residents (e.g. their relatives) in Hong Kong, charitable donations, etc. Time does not permit the Task Force to go into this matter in detail and come to a conclusive recommendation. We suggest that the Administration should review it later.

*Recommendations regarding Eligibility for Public Benefits:*

*To adopt the principle of “seven-year” residence requirement for providing social benefits heavily subsidized by public funds. To consider tightening up the eligibility criterion for CSSA so that such benefits should, from a future date, be available only to residents who comply with the seven-year residence rule (except for children under the age of 18; current residents in Hong Kong will not be affected by this rule); to apply the same principle in respect of public healthcare services to Two Way Permit holders and other visitors and to consider how this policy could apply and be implemented for the rest of the population; to review in the longer term access to subsidized benefits by residents absent from Hong Kong for a long period of time.*

## **Portability of Benefits**

5.60 Chapter II highlights the growing trend of Hong Kong people living, working and retiring across the boundary. While the number of cross-boundary trips has been increasing at a dramatic speed, there is as yet no evidence to show that retiring across the boundary has developed into a significant trend. During discussions with experts and other opinion leaders, some have raised the point that with the faster pace of integration with the Pearl River Delta, more people, particularly the elderly, would prefer to live across the boundary to take advantage of the cheaper cost of living and more spacious living environment.



The Government was asked to consider whether appropriate policies could be adopted to facilitate people to live and retire across the boundary.

5.61 We consider that moving to live in the Mainland is essentially an individual's decision. Depending on the pace and scope of our integration with the Pearl River Delta, this may develop into a trend. However, the HKSARG should not adopt policies which are perceived to be coercing people, particularly the elderly, to move across the boundary. CSSA payments for the elderly were made portable to Guangdong from 1997 to provide an additional option for elderly CSSA recipients who prefer to live there. Around 2 800 elderly receive the portable CSSA.

5.62 Whether to extend the concept of portability to other public benefits, such as welfare services, housing and education, requires very careful consideration. Because these benefits are heavily subsidized, extensive cost-benefit analysis has to be conducted to weigh the net effect of such a move to the HKSARG's fiscal position. Moreover, the leakage caused to the local economy as a result of this should also be critically assessed. Given the complexity of the issue and given the Task Force's tight time-table, we recommend that this issue should be addressed in the longer term, taking into account among other things our pace of economic integration with the Pearl River Delta.

*Recommendations regarding Portability of Benefits: To address, in the longer term, the issue of portability of public benefits taking into account the pace of our economic integration with the Pearl River Delta; to examine in detail the cost implications of portable benefits for the Government fiscal position and the local economy.*

## **Need for Regular Review**

5.63 Population is a highly complex issue with far-reaching implications. The Administration has only six months to work on this complex subject. In this Report, the Task Force seeks to identify the characteristics of HKSAR's population and analyse the main social and economic challenges which our demographic trends present to us. We



seek to set an objective towards which the population policy should aim to work, and to recommend a set of practical measures which should be explored in the short and medium term in pursuit of this objective. In drawing up these recommendations, we have not been able to address some of them in detail due to the constraints imposed by time. We have, nonetheless, attempted to identify all the key issues in this Report. We hope that by doing so the attention of the community can be drawn to these issues such that a fuller discussion and a more informed deliberation of them can follow.

5.64 Both experts and other parties with whom we have discussed strongly suggest that while it is important to formulate an overarching population policy for the HKSAR, it is even more important that the new policy, its instruments and measures, are subject to regular review. Reviews at regular junctures are imperative because, first, policy tools leading to demographic changes usually take effect over a long term. Secondly, many factors and conditions influencing demographic conditions are beyond the Government's control. As mentioned earlier in the Report, our growing linkages with the Pearl River Delta will have profound effects on demographic movements to and fro across the Hong Kong/Pearl River Delta boundary. These have to be monitored and assessed carefully so that timely adjustments can be made to policy measures.

5.65 In the light of these points, the Task Force recommends that there should be dedicated resources in the HKSARG to oversee the population policy, to follow up on the longer-term issues identified, to review its implementation regularly and to aim at publishing a report at regular intervals, say every two to three years.

*Recommendations regarding the Need for Regular Review:*

*To dedicate resources in the Administration to take forward the population policy and review annually the implementation of relevant decisions and programmes, with a view to publishing a report every two to three years.*