



# Report of the Task Force on Population Policy

*Summary of Recommendations*

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On 1 July 2002, the Chief Executive announced in his Inaugural Speech: “There is an urgent need for development of a comprehensive population policy, and we will work on this within this year. This population policy will be designed to fit Hong Kong’s long-term social and economic development, will complement family requirements, and will address the interests of different sectors in our community.”

2. Following the Chief Executive’s announcement, the Chief Secretary for Administration, who was tasked to oversee the development of the proposed population policy, set up a Task Force on Population Policy which he chaired with members from all relevant Bureaux and Departments.

3. Various policies impact directly or indirectly on the HKSAR’s demography. The immediate tasks of the Task Force focus on identifying the major challenges to Hong Kong arising from its demographic trends and characteristics, setting the objective of a population policy and recommending a set of coherent policy initiatives which the Administration can explore in the short and medium term. Population is a highly complex subject. The Task Force has worked to a very tight time schedule that does not allow it to delve deeply into some of the recommendations. The Task Force has identified the issues for more detailed examination under less time pressure.

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## Hong Kong's Population: Characteristics and Trends

### Our Population

4. In 2001, Hong Kong's total fertility rate reached an extremely low level of 927 children per 1 000 women, well below the replacement level of 2 100 children per 1 000 women. At the same time, life expectancy at birth is projected to reach 82 for men and 88 for women in 2031, one of the longest in the world.

5. Hong Kong's population is aging. A quarter of its population is expected to be aged 65 or above by 2031. More significantly, the size of the workforce will shrink as the prime working age population declines.

6. In terms of education attainment, some 52% of the population aged 15 and over had at least upper secondary school education, and some 13% had tertiary education in 2001.

### Population Flow

#### *Inflow*

#### **New Arrivals from the Mainland – the One Way Permit Scheme**

7. From 1997 to 2001, new arrivals from the Mainland admitted under the One Way Permit (OWP) Scheme made up some 93% of our population growth. In the period between 1983 and 2001, a total of over 720 000 Mainland new arrivals were admitted under the scheme, which was equivalent to about 11% of the population of 6.72 million in 2001.

8. According to data provided by the Mainland authorities, the total number of applicants under the OWP Scheme was around 168 000 as at August 2002.

9. We do not have the details of these applications. An analysis of the profiles of new arrivals admitted from 1997 to 2001 shows that the majority of them were children with right of abode in Hong Kong and Mainland spouses. Among them, more were of working age (20-59) than aged 19 and below. The adult new arrivals were generally not well educated and possessed little working experience. On the other hand, they provide a steady supply to the labour force, contributing to some 30% of the annual growth from between end-1999 and end-2001. They made up 2.1% of the total labour force in the third quarter of 2002. As far as the overall unemployment rate is concerned, there is little difference whether it is calculated with or without the unemployed new arrivals due to their relatively low number.

10. An academic study found that there were few significant differences in university attendance between native-born children and Mainlanders who came to Hong Kong before the age of nine. This suggests that the younger a Mainland child is admitted, the easier he or she will adapt to Hong Kong's education system.

#### **Skilled Immigrants**

11. Various schemes admit people from the Mainland and overseas. For the admission of foreign professionals, there are no quota or job sector restrictions. Successful applicants are allowed to bring along their dependants. Admission schemes for Mainlanders are more restrictive.

## Transient Population: Foreign Domestic Helpers and Imported Workers Under the Supplementary Labour Scheme

12. Hong Kong has a significant transient population composed of imported workers employed predominantly as domestic helpers. The proportion of foreign domestic helpers (FDHs) in the total labour supply leaped from 1% in 1982 to 7% in 2001. There is no clear indication that the admission of FDHs has been affected by the economic downturn in the past few years.

13. A survey in October 2000 found that FDHs and local domestic helpers (LDHs) constituted two distinct markets in terms of supply and demand, with LDHs preferring part-time jobs and households requiring full-time domestic helpers preferring FDHs.

### Outflow

#### Emigration

14. The number emigrating from Hong Kong per year has declined from 66 200 in 1992 to just 10 500 in 2002. The accuracy of these figures have to be treated with caution as an unknown but certainly significant number have since returned, and these Hong Kong residents can readily re-emigrate as they already have their foreign passports or permanent resident status elsewhere. However, the recent rising unemployment does not seem to have given rise to increased emigration.

15. A considerable proportion of the emigrants from Hong Kong was made up of the highly educated and the skilled.

## Hong Kong Residents Moving to the Mainland

16. Another outflow is the growing number of Hong Kong residents living, working or retiring in the Mainland, particularly in the Pearl River Delta. But there is no evidence that retiring across the boundary has become a significant trend, although this may change in the future.

## Concerns and Challenges

### Quantity-related Demographic Problems

17. When fertility drops to a particularly low level below replacement and the mortality rate remains low, the pace of population aging inevitably quickens. The overall dependency ratio is projected to rise from 381 in 2002 to 562 in 2031. The elderly dependency ratio is expected to increase gradually from 158 in 2002 to 198 in 2016, followed by a marked rise to 380 in 2031.

18. The Census & Statistics Department's population projections projected more deaths than births each year from 2023 onwards. The population would then experience negative natural increase (i.e. more deaths than births) and de-population would arise if there were *no net inward migration*. This scenario implies (a) an accelerated "greying" of Hong Kong; and (b) the onset in 2023 of a very painful process of de-population that could well last longer than half a century, resulting in a smaller and older population with significantly weaker economic potential.

## **Adverse Economic Effects of Having a Large Elderly Population Group**

**19.** One serious economic problem caused by an accelerated increase in the number of elderly people in the population is social security payments. More than 600 000 persons aged 60 or above receive financial assistance through either the Comprehensive Social Security Assistance (CSSA) or the Old Age Allowance (OAA). Both schemes are funded entirely from General Revenue and non-contributory. Steep increases in healthcare expenditure form another serious economic problem caused by an aging population.

**20.** As society spends more resources on caring for its elderly population, fewer resources can be devoted to productive investment or to the younger members of society. The result will be a prolonged period of slower economic growth, frustrated expectations and declining competitiveness against other economies with younger populations.

## **Economic Adversities Likely to Arise in a Process of De-population**

**21.** The process of de-population implies certain significant, though not always obvious, losses of economic efficiency. It will also imply a drop in private and public investment in many markets. A shrinking population will make it difficult to accumulate certain kinds of high-end human capital that require a critical mass to be functional. This will be much to the detriment of our efforts to nurture a knowledge-based economy.

## **Quality-related Demographic Problems**

**22.** The growth of our population relies much on immigration, the bulk of which is admitted through the OWP Scheme. As a scheme mainly devised to facilitate family reunion, it is neither appropriate nor feasible to impose screening criteria. We have very little control over the quality of our intake. The task of training and upgrading the skills of adult new arrivals to meet the demand of our economy poses a serious challenge for Hong Kong.

**23.** Notwithstanding vast expansions in basic and higher education, quality is also a problem for the local or indigenous population. With the advent of a knowledge-based economy, ensuring that Hong Kong's human capital can meet the changing needs of the economy is key to Hong Kong's future success.

**24.** Although Hong Kong adopts an open door policy towards talent and professionals from overseas, our policy on the entry of Mainland talent and professionals is still rather restrictive. The restrictions have been blamed for the very small number of successful admissions so far.

## **Eligibility for Subsidized Public Services**

**25.** Many public services in Hong Kong are heavily subsidized. While some require prospective applicants to meet a residence requirement, others do not. For public healthcare services, the heavily subsidized services are available not only to permanent residents, but also foreign domestic helpers, migrant workers and Two Way Permit holders who are spouses or children under 11 years of age of Hong Kong Identity Card

holders. There is considerable discrepancy in the eligibility for various privileges among residents with different lengths of residence.

**26.** We need to ensure that there is a rational basis on which our social resources are allocated, in particular against our current austere fiscal situation when available resources are increasingly limited and demand is continuously rising.

### Family Unity and Social Integration

**27.** The discrepancy in the arrival times in Hong Kong between the Certificate of Entitlement (CoE) children and their Mainland parents often gives rise to separated families. The situation has to be properly addressed. Similarly, many immigrants of non-Chinese ethnicity envisage their future and that of their families as being in Hong Kong. The Government will, in collaboration with NGOs, continue to identify and address their special needs.

**28.** From a wider perspective, the growing proportion of immigrants born outside Hong Kong will inevitably have a profound impact on the social and economic structure of Hong Kong. It is imperative that efforts be made not only by the Government, but also by every quarter of the community, to promote closer integration of new immigrants into society.

### Policy Objective

**29.** The report published by the Commission on Strategic Development in 2000 has articulated the vision of Hong Kong. It says: *“The implementation of Hong Kong’s long-term vision should also be guided by a number of overarching goals, including enhancing income and living standards for all members of society; ensuring that Hong Kong becomes the most attractive major city in Asia in which to live and work; developing a socially cohesive and stable society that recognises that the community’s diversity strengthens its cosmopolitan outlook; contributing to the modernisation of China while also supporting Hong Kong’s long-term development.”* The key objective of Hong Kong’s population policy is to secure and nurture a population which sustains our development as a knowledge-based economy.

**30.** We believe that the proposed population policy should strive to improve the overall quality of our population to meet our vision of Hong Kong as a knowledge-based economy and world-class city. In this context, we should also aim to redress population aging, foster the concept of active and healthy aging, promote social integration of new arrivals, and most of all, ensure the long-term sustainability of our economic growth. We believe the achievement of these goals will lead to a steady improvement of the standard of living of our people.

**31.** We consider that any population policy for the HKSAR should move away from the idea that there is a simple optimum population both in terms of size and composition. It will be more useful to ensure that there is sufficient

flexibility built into the future policy formulation and implementation processes for Hong Kong to respond quickly to changing demographic conditions and market situations. Further, policy interventions which seek to influence either the level or quality of population usually take effect over a long period. Any population policy cannot produce immediate effects.

## Policy Recommendations

32. In the light of the concerns raised in Chapter III and within the limited time available, the Task Force has attempted to review all relevant policies which directly or indirectly impact on Hong Kong's demography 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. Details of the Task Force's recommendations are summarised below.

### The One Way Permit Scheme

#### *Recommendations:*

- ◆ 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 familiarise 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

### *Recommendations:*

- ◆ 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

### *Recommendations:*

- ◆ 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

### *Recommendations:*

- ◆ 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

### *Recommendation:*

- ◆ 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

### *Recommendations:*

- ◆ To continue with our current family planning programmes emphasising healthy, planned parenthood.
- ◆ To encourage the Family Planning Association of Hong Kong 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

### *Recommendations:*

- ◆ 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

### *Recommendations:*

- ◆ 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 minimum allowable wage 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

### *Recommendations:*

- ◆ 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**

### *Recommendations:*

- ◆ 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**

### *Recommendation:*

- ◆ 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.