

**Minutes of the
Social Welfare Advisory Committee (SWAC) Meeting**

**14 April 2016 (Thursday) at 3:00 p.m.
Conference Room 3, G/F, Central Government Offices**

Present

Mr Vincent LO Wing-sang	(Chairman)
Ms Anna May CHAN Mei-lan	
Dr Roy CHUNG Chi-ping	
Mr David FONG Man-hung	
Mr Laurence HO Hoi-ming	
Mr IP Wai-ming	
Mr Hansen LEE Hong-kong	
Dr Annissa LUI Wai-ling	
Mr Joseph MAN Hung-yee	
Prof Steven NGAI Sek-yum	
Ms Cindy PUN Siu-fung	
Ms Theresa TAO Chee-ying	
Dr Janice TSANG Wing-hang	
Ms Sania YAU Sau-wai	
Mr Kelvin MA	(Secretary)

In Attendance

Labour and Welfare Bureau

Miss Annie TAM	Permanent Secretary for Labour and Welfare
Mr Donald CHEN	Deputy Secretary for Labour and Welfare (Welfare)2
Mr Kenneth CHENG	Principal Assistant Secretary for Labour and Welfare (Welfare)1

Social Welfare Department

Ms Carol YIP	Director of Social Welfare
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Policy & Project Co-ordination Unit/ Chief Secretary for Administration's
Private Office

Ms Doris HO

Head, Policy & Project Co-ordination Unit

Absent with apologies

Dr Crystal CHENG Lai-ling

Mr Laurence LI Lu-jen

Ms Christina Maisenne LEE

Mr Edmond LEE Man-bun

Ms Anthea LO Wing-sze

Mr Daryl NG Win-kong

Dr Loretta YAM Yin-chun

Mr Charles YANG Chuen-liang

Discussion Item 1: Public engagement on retirement protection

Members were briefed on the consultation document on retirement protection. Members asked the following questions/offered the following comments –

- (a) The basis for determining that about 140 000 out of 290 000 elderly people below the poverty line were without financial needs, and that for setting \$80,000 as the asset ceiling under the simulated “those with financial needs” option;
- (b) The implications if the asset ceiling of \$80,000 under the simulated “those with financial needs” option was raised to \$400,000;
- (c) Discussion on retirement protection should not be confined to the dichotomy as laid down in the consultation document. A balanced solution should be worked out, taking into account the needs of the middle class as well;
- (d) Consideration should be given to specifically catering to the medical and housing needs of elderly people;

- (e) Tax should perform the function of wealth redistribution in supporting the less privileged, and a cross-bureau platform should be set up to examine the issue of retirement protection as a whole;
- (f) Given that the gross domestic product would naturally decrease as the population continued to age, broadening the tax base would be inevitable if the Government was to implement retirement protection;
- (g) Raising taxes would not only be a significant burden to young people, but would also adversely affect the competitiveness of Hong Kong vis-à-vis other economies;
- (h) If the Government was to make regular payments to all elderly people as retirement protection, it would run the risk of bankruptcy as life expectancy rose. A retirement protection fund linked to the revenue generated from public utilities (e.g. MTR and tunnels) and to one's income at working age should be created;
- (i) Many elderly people were cautious about spending as they were concerned about outliving their resources. A provident fund mechanism could be established for non-working people. As a principle, adequate support should be provided to facilitate families to build their own reserves;
- (j) More measures, such as cooling-off period and provision of professional advice, should be put in place by the Government to protect elderly people from investment risks;
- (k) It would be desirable to enhance the quality of services for the elderly and to ensure that individuals could receive monthly payments upon retirement;
- (l) The younger generation was facing a challenge in preparing for their retirement in the absence of Government-guaranteed return. They should be facilitated to understand clearly the tradeoffs associated with retirement protection for the purpose of informed discussion;

- (m) The “regardless of rich or poor” option was supported as the less privileged were usually incapable of saving money given the high costs of daily necessities;
- (n) Importation of labour would not be an effective solution due to the cultural differences between the Mainland and Hong Kong;
- (o) The Government should find ways to raise the birth rate and expand the workforce;
- (p) The offsetting mechanism was an obstacle to the full portability of the Mandatory Provident Fund (MPF) and the Government should bring together employers and employees to resolve the issue;
- (q) It would be vital to review the relationship between retirement protection and Comprehensive Social Security Assistance (CSSA);
- (r) Retirement protection was not a basic right but a form of social security serving to address the needs of those elderly people who could not support themselves. Every person should plan ahead for their retirement;
- (s) It would be unfair to impose special taxes on large corporations for the purpose of achieving universal retirement protection, since these corporations in general offered better remuneration packages and fringe benefits for their employees; and
- (t) It was not defensible to raise the profits tax rate from 16.5% to 17.5% as proposed by some members of the public, given the potential economic downturn and the undue financial burden to be borne by the commercial sector.

2. The Government gave the following response –

- (a) The setting aside of \$50 billion as announced in the Policy Address was an indication of the Government’s commitment to improving the retirement protection for the elderly in need;

- (b) The number of elderly people below the poverty line with or without financial needs was derived from the data collected by the Census and Statistics Department in its regular General Household Survey using a standard questionnaire;
- (c) The Government would like to highlight two fundamentally different principles in terms of coverage, adequacy, resource allocation, etc that might be considered by the community in pondering the way forward. The interface of any proposal with existing social security programmes such as CSSA would be looked into;
- (d) The public was welcomed to propose an alternative if the simulated \$80,000 asset limit under the “those with financial needs” option was considered too low;
- (e) Any tax hikes might impact on our economic competitiveness relative to our regional competitors and the international trend was to lower profits tax rates to attract foreign investment. It was possible for some European states to charge higher profits taxes without seriously undermining their economic growth as their economies were driven by industries with considerably high profit margins, which was not the case in Hong Kong;
- (f) Consideration should be given to developing more financial tools such as public annuity scheme to release their equity value and generate steady income for them upon retirement;
- (g) There was some positive sign in recent months that key stakeholders such as employers, unionists and academics had put forth more specific proposals as to how the offsetting issue concerning MPF might be addressed, including rationalising the functions of long service payment/severance payment and MPF, as well as the role that could be played by the Government in facilitating the emergence of a solution acceptable to the employers and employees;
- (h) The Government had been endeavouring to explain to the young people the different perspectives surrounding retirement protection through school talks and other fora;

- (i) The Government would continue to step up child care and family friendly initiatives to create a more favourable environment for childbearing;
- (j) The daily quota of 150 One-way Permit places for people in the Mainland to come to Hong Kong for family reunion had not been completely filled in recent years. We could also optimise our population structure through encouraging more foreigners to live and work here; and
- (k) To overcome the local manpower constraints, Hong Kong might need to import more labour from outside to meet skills demands unmet by local people but this might not be welcomed by some quarters of the community.

SWAC Secretariat
April 2017