



香港公開大學

THE OPEN UNIVERSITY
OF HONG KONG

人文社會科學院 *School of Arts and Social Sciences*

The Issue of Ageing Population and Retirement Protection in Hong Kong

Charles C L Kwong

Dean and Professor of Economics
Director, Public and Social Policy
Research Centre
School of Arts and Social Sciences
The Open University of Hong Kong



Population Ageing in Hong Kong

- Between 2018 and 2038, the size and share of the elderly population will almost double from 1.27 million and 17.9% to 2.44 million and 31.9% respectively (Table 1).

Table 1 Population Ageing in Hong Kong

Population in Age Groups	2018	2028	2038	2048	2058	2066
65 or above	1.27* (17.9)**	1.97 (26.4)	2.44 (31.9)	2.62 (34.5)	2.66 (36.3)	2.59 (36.6)
18-64	4.83 (67.8)	4.43 (59.2)	4.28 (55.9)	4.09 (54.0)	3.80 (51.9)	3.68 (52.0)
Below 18	1.02 (14.4)	1.08 (14.4)	0.93 (12.1)	0.87 (11.5)	0.86 (11.8)	0.81 (11.5)
Median Age	45.3	48.4	51.5	53.7	53.3	54.4

*Population in million

**Figures in parentheses are the respective percentage share in total population.

Source: Wong and Yeung (2019)



Population Ageing in Hong Kong

- About one third of the population will be elders (aged 65 or above) in 2038.
- People aged 75 or above will increase considerably from 0.57 million to 1.40 million (or from 7.9% to 18.3% of the total population).
- In contrast, the share of population aged 18-64 will decline remarkably from 67.8 percent in 2018 to 55.9 in 2038.
- The share of population of children and young people aged 18 or below are expected to decrease from 14.4 percent in 2018 to 12.1 percent in 2038.
- The ageing patterns will continue throughout the projection period up to 2066



Population Ageing in Hong Kong

- Population ageing is attributable to the rise of life expectancy and shrinking fertility rate.
- Life expectancy in Hong Kong is among the longest in developed economies. In 2017, the expectancy of life at birth for men and women was 82 years and 88 years respectively, representing an increase of some 8 years respectively when compared with 30 years ago (Census and Statistics Department 2019).
- Hong Kong's fertility rate exhibits a declining trend over the past 36 years. After reaching the historic low of 901 live births per 1,000 women in 2003, the total fertility rate once rebounded to 1,285 in 2012, but dropped again to 1,125 in 2017. During the whole period, the total fertility rate of Hong Kong has been consistently below the replacement level of 2,100.
- Any fertility rate below the replacement rate of 2.1 would cause the population of a certain group of people to decrease over time. A population's fertility rate falls below the replacement rate would mean that adults fail to produce enough offspring to even replace themselves.



Population Ageing in Hong Kong

- The sub-replacement fertility rate is generally considered to be anything below the replacement fertility rate of 2.1 children per woman in developed countries (The Hindu 2019).
- If each woman gives birth to 2.1 children, it is adequate to sustain its population. The closer a country gets to replacement fertility, the less the country will encounter either a population explosion or a collapse (Smith 2015).
- The replacement rate varies among different countries. In general, the replacement rate is higher in developing countries where the infant mortality rate is higher than in the developed countries due to medical, hygienic and nutrition factors.
- Hong Kong's low fertility is resulted from a bundle of factors such as high economic costs of raising children, change in social values, rising age of women giving birth to first baby, and inadequate pro-child policy.



Economic Implications of Population Ageing

- The elderly support ratio (number of persons aged 18-64 per elder aged 65 or above) will decrease substantially from 3.93 in 2018 to 1.83 in 2038 and further to 1.48 in 2066.
- Provided that the younger generation is increasingly productive and the growth of real income is higher than the growth of aged population, it would otherwise mean that a heavier burden on future generations to support the elderly.

Table 2 Labour Productivity Growth* in Hong Kong 2010-2017

Year	Labour Productivity Growth
2010	3.97
2011	4.03
2012	0.97
2013	1.78
2014	3.97
2015	1.55
2016	2.10
2017	4.18

*Measured by real output per worker.

Source: Calculated based on the data from Trading Economics (2019)



Economic Implications of Population Ageing

- Growth of labour productivity, which is real output per worker, slows down after the 2008 Global Financial Crisis (GFC).
- It is likely caused by declining total factor productivity (TFP) growth, which is the portion of output increases not directly contributed by the amount of factor inputs, such as capital and labour.
- TFP captures how efficient the factor inputs are used. It can also reflect the level of technological and institutional changes.
- TFP grew by an average 2.7% annually for the period of 2000–2013. Using GFC as a watershed, the average annual TFP growth was markedly high at 4.0% before 2009, but taper off to an average annual growth rate of 2.6% after 2009 (Ng, Wong and Yuen 2016).
- If labour productivity growth cannot catch up with ageing population, it will probably insert heavy fiscal pressure on providing services and support the livelihood of the aged.



Old-age Poverty in Hong Kong

- Hong Kong's poverty line is set at 50% of the median household income. In money term, it is \$4,000 for a single person household, \$9,800 for a two-person household and \$15,000 for a three-person household, according to government's statistics in late 2018.

Figure 3 Poor population and poverty rate of the elderly (aged 65 or above), 2009-2017

Year	Pre-intervention	Post-intervention
2009	44.8* (366)**	34.6 (283)
2010	45.1 (377)	44.1 (291)
2011	44.1 (378)	34.1 (292)
2012	43.5 (388)	33.3 (297)
2013	44.9 (420)	30.5 (285)
2014	44.6 (436)	30.0 (294)
2015	44.8 (459)	30.1 (308)
2016	44.8 (478)	31.6 (337)
2017	44.4 (495)	30.5 (340)

*Elderly poverty rate in percentage.

**Elderly poor population in thousand

Source: Office of the Government Economist
(2018: 39)



Old-age Poverty in Hong Kong

- Elderly poverty has become more acute in Hong Kong as living costs have risen and the establishment of a universal retirement pension remains out of sight.
- Intergeneration transfer to next generation may intensify elderly poverty.
- Mandatory Provident Fund only started in 2000 and most accounts could not accumulate adequate funds for retirement. Some aged persons even do not have a MPF account.
- Pre-intervention elderly poverty rate remains high, ranging from 43.5 to 45.1, from 2009 to 2017. The post-intervention figures reached a historic high of 44.1 in 2010 and have declined gradually to 30.5 in 2017. It may imply that intervention policies can effectively reduce the poverty rate.



Old-age Poverty in Hong Kong

- Apart from welfare support, the Labour Department expands its Employment Programme for the Middle-aged by the end of 2018 to provide subsidies to employers of unemployed jobseekers or retirees aged above 60. It is the government's latest effort to promote re-employment of the elderly.
- Under the expanded programme, eligible employers would be subsidized HK\$4,000 per month for six to 12 months.
- As at the end of 2017, 363,800 individuals aged above 60 – or more than 20 per cent of the population group – were working, among which more than one-third were aged above 65, according to the statistics department.
- The number of workers aged above 60 increased by nearly 1.7 times over the past decade and by more than half (59 per cent) over the period 2013-2018 (Su 2018).
- Higher labour participation rate of aged person implies better health and work ability of the elderly as well as the need for financing their retirement expenses.



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