



HONG KONG 2020 - THE BIG PICTURE :

SOCIAL ISSUES



**Business and Professionals
Federation of Hong Kong**
香港工商專業聯會

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ACKNOWLEDGEMENTS

We gratefully acknowledge the support given to this report by the following individuals:

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SOCIAL ISSUES CONFRONTING HONG KONG

Our Social Institutions

1. Hong Kong has been very fortunate post Second World War in terms of economic development. Because of the congregation of China's then best entrepreneurs, cheap and hard working workers, an inflow of capital, and an open society with extensive connections with the developed countries, Hong Kong experienced phenomenal economic growth almost uninterrupted for more than four decades after the War. By the 1970s, Hong Kong became one of the better off cities in Asia. The people of Hong Kong has been enjoying a rising standard of living and the public coffer was brimming with surplus year after year.
2. It was in such circumstances, the then Sir Murray McLehose was sent to Hong Kong to serve as Governor for ten years between 1972 and 1981. He arrived in Hong Kong where millions of people then were living in extensive squatter and slum settlements. Some parents still thought twice before sending their daughters to receive higher education; and public hospitals were perennially filled with temporary beds. To ensure social and political stability, there was burning need for Hong Kong to develop social institutions commonly found in other developed economies.
3. The then Sir Murray McLehose was sent by a Labour Government of the United Kingdom. One of his achievements was to build for Hong Kong then modern social institutions befitting the rising prosperity of the city. Free nine year education, heavily subsidised public housing of a massive scale, heavily subsidised medical and welfare services have since become part of a modern Hong Kong with which the people of Hong Kong are familiar. To help the dejected, a basic social security network was put in place, which is now known as the Comprehensive Social Security Assistance (CSSA).
4. One common feature of the then social policy was that the Government decided to fund all these social initiatives by way of general tax revenue. Similar to many places during a period of sustained high economic growth, the Hong Kong Government then enjoyed rising levels of revenue and was able to take on all these new public funding commitments. There was no plan to introduce contributory schemes to finance any of these services. Co-payment for social services was not seriously considered either as the Hong Kong Government continued to enjoy a healthy financial position.
5. Since 1982, Hong Kong's top political leadership has devoted considerable efforts and time in putting in place the constitutional and political framework essential for the successful setting up of the Hong Kong Special Administrative Region (SAR) under Chinese sovereignty. These issues include: the future of Hong Kong, the drafting of the Basic Law, the transitional arrangement for transfer of sovereignty, the setting up of the SAR Government, and the development of political institutions in accordance with the provisions in the Basic Law. These no doubt are all core issues as Hong Kong's continued prosperity and stability are dependent on their successful resolution and implementation.

6. It is therefore not surprising that only incremental improvements to our social institutions have been made during the period. Although Hong Kong has experienced much socio-economic changes, our social institutions have in general maintained their basic shape and characteristics. While the existing institutions have served Hong Kong well in the past three decades, there is a need to review, refine or reform our social institutions to enable Hong Kong to continue to function smoothly in the 21st century.

Changing Demographic and Family Structure

7. Hong Kong has undergone tremendous socio-economic changes in the past three decades. Population growth has slowed down, mainly due to a rapid and drastic decline in birth rate. Following a period of sustained decline in birth rates since the 1970s, the population structure of Hong Kong now assumes the shape of a trapezium. A high proportion of our population is aged between 35 and 55, but the number of young people has been in steady decline.
8. Family size has hence been declining. While many families in the 1960s had six to eight children, the majority of families in Hong Kong now have one or no child. Smaller family size has tremendous social policy implications in the coming years.
9. Based on traditional Chinese values, family has been a successful functional unit in our society. Most families play an important role in giving support to their members, such as caring for their elderly members financially and otherwise. When individual members encounter financial or other difficulties, other members of the extended family often would be willing to help.
10. According to Government's projection, more than 26% of Hong Kong's population will be older people aged 65 or above in 2036. By then, Hong Kong will have the most serious ageing problem in the world. The situation is more acute in Hong Kong than in other cities throughout the world, because Hong Kong is the only major city in the world which has in place such an effective system in preventing younger people from migrating into the city from its hinterland.
11. Unfortunately, these future older people will not have the good fortune of enjoying the same degree of family support as their elderly parents now. Instead of having several grown up children to rely on, the next generation of older people will have at most one or two grown up children to look to for support. Almost 40% will be on their own as they chose to bear no child when they were young. The ability of family in giving care and support to its members, elderly or otherwise, will inevitably diminish.
12. Social values have also been changing. Social surveys have shown that the younger generation is less willing than the baby boomers to give financial support to their elderly parents. They often choose to live separately from their elderly parents when they possess the means. Such change in values and behaviour would further undermine the role of the family in caring for its members.
13. To cope with the care and financial needs of a rapidly ageing population in the next few decades, there is a need to overhaul our social institutions in the fields of financial support,

medical and long term care. Taking advantage of the expertise and experience of its members, the Working Group has chosen these subjects as its focus of study.

Other Changing Socio- economic Conditions

14. Another very important socio-economic development impacting Hong Kong in the past two decade is the changing employment situation. The people of Hong Kong were very fortunate post war as we always enjoyed full employment except during periods of cyclical downturn. That is, we never had a problem of structural unemployment. Wages at all levels of the labour market went up during the boom years, bringing an improvement to the standard of living of all sectors in society.
15. Hong Kong started experiencing structural employment in the 1990s after the entire manufacturing industry migrated across the border in an attempt to lower the cost of production. Downward pressures on wages at the lower end of the labour market were severe. Recently even the salaries earned by the middle class have remained stagnant. For a change the fruits of economic development are not enjoyed by all.
16. The gap between the rich and the poor has widened so much that Hong Kong's Gini coefficient is now one of the highest in the world. At the same time, we can witness a problem of working poverty taking root in this prosperous city. Working poverty is another obvious social issue that should be addressed if we are concerned with the long term social stability of Hong Kong. Due to limited time and resources, it is with much regret that the Working Group has given up its ambition to study and address the issue. We hope the Government will tackle the problem seriously.

Financial Support for Older People- Current Institutions

Family

17. Family has always been the main pillar of financial support for older people in Hong Kong. In 2001 there were about 600,000 older people aged 65 or above in Hong Kong. A study conducted by the Census and Statistics Department in 2001 showed that 1.68 million adults in Hong Kong gave financial support to their elderly parents. That is many older persons received financial support from more than one grown up children.
18. It is estimated in the same study that in 2001 a total of \$62 billion was transferred from the grown up children to their elderly parents. This amount was almost 6 times the combined CSSA and OAA expenditure claimed by elderly recipients in 2001.

Formal Retirement Protection

19. Formal retirement protection arrangement used to be the privilege of a small group of older people in Hong Kong, including former civil servants, former employees of the subvented sector, or the few large commercial enterprises that offer retirement pensions for their staff. According to the 2001 census, only about 17% of older people in Hong Kong enjoy occupation

related retirement benefits. Many of them would have raised a family and have the benefit of receiving financial support from their grown up children on top of their pension benefits. They are the fortunate group.

Comprehensive Social Security Assistance

20. There has always been a small group of poor older people in Hong Kong who do not have a family to rely on. They never married and did not raise a family. The elderly component of the CSSA Scheme has been providing financial support to them.
21. This group of older people used to be a small minority. Official statistics show that throughout the 1980s only 8% of our older people received CSSA. It is however disturbing to observe that this figure rose steadily since the early 1990s and reached 23% by 2007.
22. Along with the rising take up rate, CSSA expenditure paid to elderly recipients rose from about \$0.5 billion in 1990/91 to more than \$6 billion at the end of the decade, and more than \$9 billion in 2008/09. In fact, inflation and the rising take up rate of CSSA by older people and other categories were the two main factors behind the steeply rising CSSA expenditure observed in the last two decades, not the commonly held belief that the population has been ageing rapidly.

Old Age Allowance

23. To complement family financial support for the older people, the Government introduced the Old Age Allowance (OAA) in the 1970s. It has never been intended as a main source of income for the older people. The original purpose of the Allowance was to enable the recipients to have another source of income so that they do not have to ask for money from their grown up children every time they wish to spend a few dollars, such as buying their favourite fruits. Hence it is commonly known as fruit money.
24. Access to OAA is universal for Hong Kong citizens aged 70 and above, but applications from citizens aged between 65 and 69 inclusive are subject to means testing. Single older people in possession of assets valued at \$151,000 or above and elderly couples with assets valued at \$280,000 or above will not be eligible. As a matter of fact, more than 90% of the elder people aged 70 or above who are not on CSSA are receiving the benefit. Even with means testing, about 65% of older people aged between 65 and 69 inclusive who are not on CSSA are beneficiaries.
25. Historically at a few hundred dollars a month, the complementary nature of OAA is obvious. There is however anecdotal evidence to show that, for some older people who are receiving scanty family financial support, OAA becomes a major source of income. It is an important supplement to the small amount of work income they are earning. Seen in this perspective the strong demand to raise the OAA to \$1,000 a month can be understood.
26. We spent \$6.2 billion on OAA in 2008/09.

Summary

27. In summary, there are at present, three and a half pillars of financial support for older people in Hong Kong. **Family support** is by far the most important. **Formal pension benefits** are enjoyed only by a small proportion of the older people. **CSSA** is the third pillar and its importance has been rising, as its take up rate by the older people increased from 8% to 23% in the past two decades. **OAA** serves as a half pillar as it provides a supplementary source of income for the great majority of older people.
28. The total cost of CSSA paid to older people and OAA at more than \$15 billion a year accounts for some 5% of the recurrent budget, or less than 1% of GDP. The low cost of the current social security net is possible because of the strong family support being enjoyed by the current generation of older people.

Observations

Social Stigma of CSSA

29. The suitability of CSSA to serve as one of the main pillars of financial support for the older people has been called to doubt by many who understand the situation of older people. CSSA carries a social stigma. Many older people are simply too proud to apply for CSSA even though their financial disposition is such that they would be eligible for assistance if they file an application.
30. Stories of older people collecting scrap materials such as cartons for resale are genuine. There has even been a tragedy where an older woman pushing along a handcart filled with card boards was killed by traffic. Visits to poor single older persons living alone would show that, in this very prosperous city, many older people live in very miserable conditions. They would be eligible for CSSA if they file an application. But they refuse to do so.
31. A Government that cares should not turn a blind eye to the plight of its older people.

Rising Take-up Rate

32. The suitability of CSSA as a long-term pillar of financial support for older people will be called further in doubt because of the changes in our society. The original policy objective of the CSSA was to help the very poor. As it was then expected that only a small number of older people would need the assistance, it would be financially viable for Government to fund the scheme with general revenue.
33. As a non-contributory scheme, the rising take up rate of CSSA from 8% to 23% in the past two decades is disturbing from a public finance point of view. Because of its rising take up rate, CSSA expenditure rose by almost 17 times (1690%) from 1990/91 to 2008/09. Together with OAA and the Disability Allowance, social security expenditure accounted for two-thirds of total welfare expenditure, crowding out expenditure on other much needed services such as care

services for older people, the mentally ill, and children with learning difficulties, just to name a few.

34. In most other countries, there have been social institutional reforms that mandate or encourage their citizens to put aside savings for retirement protection. The setting up of the MPF in Hong Kong lagged behind similar efforts of other countries by decades. It will be another two decades or so before the MPF matures. And even then, unless we raise the contribution rates soon, the amount of savings that would have accumulated in individual accounts would be insufficient. Its effectiveness as the main pillar of financial support for individual retired people will only be of short duration.
35. In such circumstances, the take up rate of CSSA by older people is expected to rise. Furthermore, the baby boomers turned older people will be much more forthcoming than their parents in applying for welfare benefits, pushing the take up rate for CSSA by older people even higher. The financial implication of this increase could be quite frightening because the above social trends are riding on the back of a rapidly ageing population in the next 2 decades.
36. There has been call for an overhaul of the elderly component of CSSA for years. If the above social and demographic trends are understood, the Government should proceed with the review soonest.

The Outdated OAA

37. Similar to CSSA, OAA as a social institution is also outdated. Before the recent political saga, OAA rates at six or seven hundred dollars a month was far too low for older people who are receiving insufficient family support. The new rate of \$1,000 a month is socially more acceptable, but it is paid out to everyone aged 70 or above indiscriminately.
38. As the majority of the current generation of older people does not enjoy any employment related pensions, OAA as a universally accessible supplementary source of income can be justified. In future, when 80% of older people will either have a MPF account or enjoy employment related pension benefits, the policy objective and eligibility criteria of OAA should be reviewed.
39. With the benefit of the experience of the recent OAA saga, there is no intention to underestimate the political sensitivities of any proposal to apply means testing to OAA applications. A greater chance of success is to review the elderly component of CSSA together with OAA.

A Comprehensive Retirement Protection Net

40. There is already a movement in the community spearheaded by the civic society to ask Government to put in place a comprehensive retirement protection net for Hong Kong. Indeed Hong Kong may be the only developed economy where the fundamental social institution of

comprehensive retirement protection is lacking. As it will impact the welfare of every citizen, it could be another politically sensitive issue.

41. Instead of resisting or delaying indefinitely the social movement, it would be wise for the Government to provide leadership in the discussion. Building on our social values which always place emphasis on individual and family responsibilities, the Government should try to articulate a case for a protection net which is built upon primarily personal and societal savings. Redistribution of income between different sectors of society and between generations probably would be necessary because of income inequality in our society, but any such arrangement should be rigorously justified.

Long Term Care For the Frail Elderly

Care for the Frail Older People

42. In every population there is always a small percentage (about 5%) of older people whose health conditions have deteriorated to such an extent that they lose their self-caring ability in daily life. Provision of long term care service for the frail elderly is therefore an essential part of any health care system.
43. In Hong Kong, family used to be the main provider of such care. Very often, the female, including the wife of the older person, his/her daughter, and in some cases his/her daughter-in-law is the main care-giver. If the older person is the surviving spouse of an elderly couple, the caring responsibility will fall on the shoulder of the younger generation. In such event, the full employment of the younger generation has made it difficult for families to provide full time care for their frail elderly members. The family will have to face a hard choice between asking one of its members to quit her job or send the frail older member to a residential care home. For the more fortunate families that could afford, they could employ overseas maid to help.
44. When the older person becomes very frail, residential care becomes almost the only long term option unless the family is very well off and can afford to employ full time nurses working on shift.

Rising Demand for Residential Care

45. The demand for long term care services has been rising rapidly since the 1980s due to several reasons. Emigration of Hong Kong people in large numbers in the 1980s and early 1990s undermined families' ability to care for their frail older members. At the same time, the home help service subvented by the Government was operated by welfare NGOs without support from the health care system. Only a limited range of services was then provided such as delivery of meal, home cleaning, etc. which can be provided without health care expertise.
46. As a result, there has always been a long waiting list for subvented residential care services. Waiting time often exceeds 36 months and many frail older people died while waiting for

admission to the service. The Government is often subject to criticism for not doing enough for its frail older citizens.

47. Home care services were strengthened during C.H.Tung's administration. The policy objective was to endow welfare NGOs with resources so that they could provide a full range of home care services for the frail older people. It was hoped that frail older people could choose to stay at home with the support of home care services. At the same time, a formalised care need assessment system was put in place to ensure that only the very frail would be admitted to residential care. For a few years during C.H. Tung's administration, the waiting list for residential care actually shortened and the waiting time was reduced to less than 24 months.
48. In the past few years, the pressure for increased productivity of home care teams has undermined their ability to care for the very frail. In consequence, frail older people are again applying for admission to residential care. The waiting time is now 36 months. It is again a subject of criticism by the politicians and within the sector.

Subsidised Residential Care Homes

49. It has always been the Hong Kong Government's policy to provide premises and heavy recurrent subsidy to non-profit-making NGOs to provide welfare services to those in need of the service. There is usually no means testing for admission to the service, and the fee income is insignificant. Traditionally, provision of residential care for the elderly has always been seen as a welfare service. Its level of supply therefore depends on how much funding the Government is prepared to commit to the service.
50. In its financial management, the Government has put in place a strict resource allocation system to allocate new services. If the Director of Social Welfare wishes to build new residential care homes for the elderly, he will have to bid for new funding through a competitive system. The competition for funds is usually so fierce that the supply of residential care places always falls short of demand by a huge margin. In 2008, a total of 23,800 residential care places were provided by non-profit making NGOs with Government subsidy. Whereas a greater number of elderly people (24,600) were on the waiting list.

Private Residential Care Homes

51. To fill the gap, the private sector has started to provide residential care service to the frail elderly in the early 1980s. In 2008, about 40,000 beds were provided in the private sector, with overall occupancy at 60%. Most of those on the waiting list for subsidised services are living in private residential care homes while awaiting subsidised service.
52. The private sector is competing at a disadvantage with the subsidised sector because no land or premises are made available. A private sector operator has to rent and convert either unpopular commercial premises or residential flats on the lower floor of old buildings for the purpose. The operating cost of a private residential care home has to include, other than the usual operating cost of manpower and food, rent for the premises and a profit margin. But the

advertised basic fee of a private residential care bed is often lower than the subsidy per bed received by welfare NGOs.

53. To make ends meet, a private operator will have to find ways to cut cost and to increase revenue. In cutting down costs, the private sector residential care home might be criticised for compromising on its quality of service. To improve the commercial viability of the operation, an ingenious way of co-payment has been developed in the private sector. The basic fee is usually paid for by CSSA, whereas the family pays for extras, such as diapers, etc. It is estimated that 70-80% of those living in private residential care homes are receiving CSSA which is used to pay for the basic fee charged by the operator.
54. In an attempt to increase the supply of subsidised beds, the Government has introduced an Enhanced Bought Place Scheme. Private residential care homes taking part in the Scheme have to offer a higher standard of service as required by the Government. The system of the scheme however is also subject to funding availability and only 6,614 beds are now provided under the scheme from the private sector. That is the great majority of private beds operates outside the Scheme and is being financed by an informal co- payment system with Government contribution being paid through CSSA.

Observations

55. A very unsatisfactory situation can be observed in relation to the provision of residential care services for the frail elderly. The Government tries to contain public expenditure by way of a funding allocation system. The resulting shortfall in the supply of subsidised residential care beds however was made up by a spontaneous private sector. Because of cost constraints, the quality of service provided in the private sector usually falls short of those offered in the subsidised sector. The Government was criticised on both fronts; for the inadequate number of subsidised beds, and for the uneven standard of service in the private sector.
56. The effort to contain welfare expenditure for residential care was defeated on the ground because the frail older people living in private care homes almost always succeeded in applying for CSSA to pay for the basic fees. There is therefore an anomaly of Government paying for private residential care services that might be of uneven quality.
57. In other countries, where funding for long term care is provided on a per capita basis, private care homes will also receive public funding on admission of an eligible older person. In such event, the regulatory authority would usually take the opportunity to impose a higher standard of service requirement. Since CSSA payment for private residential care is not part of our formal funding system, the Government has missed this opportunity. The Government is therefore in an embarrassing situation of attracting criticism for failing in its responsibilities to care for the frail elderly, although money is spent.

Future Institutions of Financial Support for Older People

58. The inadequacy of the current institutions in providing financial support for the next generation of older people is obvious. While the great majority of baby boomers were raised in families with a large number of children, many choose to raise a small family with few or no children. The ability of the family in providing financial and caring support for its older members will be much reduced. In these circumstances, new institutions need to be put in place. But it would be most undesirable, both from the point of view of society and the individual older person, if the smaller family simply fails in its responsibility in caring for its older members. A range of policy initiatives is called for.

Small But Sweet Family

59. Where a baby boomer still raises a family, be it a small one, strongest support should be given to the family to enable it to continue to function as a basic social unit. Some important initiatives include –

- i) Our education system should place greater emphasis on moral education, so that the younger generation would obtain a proper understanding of their role in society and family. The traditional Chinese value of filial piety should be one of such social values that should be taught.
- ii) The Family Commission should be tasked to develop a coherent strategy to give support to families so that if they can continue to function as a effective social unit in caring for their members. In particular, family services should be expanded to give assistance to vulnerable families.
- iii) Homecare and support services should be enhanced where families have frail elderly members.
- iv) Tax incentives should be strengthened to encourage families to give financial support for older members.
- v) Tax incentives should be introduced to encourage families to live with and care for their older members.
- vi) Public housing policies should be refined further to encourage families to live with or near their older members.

60. This is not an exhaustive list. We recommend the Family and the Elderly Commissions to formulate a family friendly strategy that would encourage families to continue to shoulder the prime responsibility of giving financial and caring support for their older members.

Continued Employment

61. In most developed economies, the retirement age has been set at 65 for some time. And many countries are extending it to 67 or even beyond. It really does not make sense to keep our retirement age for the public sector at 60 since Hong Kong people enjoys the second longest average life expectancy in the world.
62. We believe that many older people would like to remain gainfully employed beyond the age of 60. The fear that younger people's promotion prospect will be blocked can be addressed by innovative arrangements. Many older people prefer to move on to easier jobs, or start a new career in a different type of business in which they find greater interest. They are willing to earn a lower salary if they are to shoulder lesser responsibilities.
63. In Japan, there is much experience in encouraging older people to continue to work beyond the normal retirement age. The Elderly Commission should conduct study into the issue and put forward innovative proposals.

Enhanced Mandatory Provident Fund

64. The need to strengthen our social institutions to give financial support to the next generation of older people was recognised long time ago. After years of debate in the community, the Government introduced the Mandatory Provident Fund (MPF) in 1997. Workers earning more than \$5,000 a month have started making a contribution of 5% of their monthly salary to their MPF account since 2000. A similar amount was contributed by the employer.
65. The merit of the MPF is that it makes it clear that it is personal responsibility to put aside savings for one's own retirement. By making it mandatory, the Government ensures that all workers will have put aside some savings for the purpose.
66. Anyone knowledgeable about the design of the MPF knows that at the current level of income in Hong Kong, the contribution rates are too low for the scheme to be effective. Most workers would not be able to accumulate sufficient savings to support them throughout their post retirement life. According to people who are familiar with the situation, the contribution rate should at least be doubled in order to accumulate a meaningful sum for most workers. A longer working life would help.
67. Setting the ceiling at \$20,000 for monthly income on which MPF contribution is to be made is low and arbitrary. It should be reviewed with a view to raising it to a higher level.
68. We would not underestimate the political difficulties of any proposal to raise the contribution rates and ceiling of the MPF. Resistance from those earning marginally higher than \$5,000 a month should only be expected. There might be a need to consider tax and financial incentives depending on the financial position of the Government.
69. One feature of the MPF that has to be reviewed is that a worker is required to withdraw the entire amount of funds on his retirement. Whilst most workers would probably prefer to take out

a lump-sum on retirement, it is doubtful from the point of view of society whether they should be denied the option of partial initial withdrawal. Many workers possess only limited investment knowledge and experience to be able to manage their retirement funds successfully to give them sufficient financial support throughout their retirement life. The feasibility of allowing retired workers to retain part of his savings in his MPF account and to make regular partial withdrawals subsequently should be considered.

Additional Savings

70. It is common practice in many developed economies to encourage workers to set aside savings in addition to their contribution to the formal retirement protection scheme. Tax incentives are usually offered to make additional contribution tax deductible. If it is proved in a feasibility study that the Hong Kong Government can afford the tax breaks, we should consider introducing similar tax deductions.

A Revised Safety Net

71. The fragmentation of the public assistance schemes into CSSA and OAA was to serve societal needs prevailing more than 30 years ago. As analysed above, the following shortcomings of the two programs should be tackled, namely-

- i) The rising take-up rate of CSSA by older people on top of a rapidly ageing population would push up CSSA expenditure rapidly and to a very high level in the next two decades. As a non-contributory scheme funded entirely by general revenue, a high level of CSSA expenditure could have grave financial implications.
- ii) CSSA is an all or nothing scheme. If an older person is eligible, he will automatically be eligible for a full range of benefits other than SWD's cash payment, such as public housing, free medical services at public hospitals and clinics, etc. Whereas an older person who chooses to work at old age would not be automatically eligible for the other benefits. There is a problem of horizontal equity.
- iii) There is a gap between CSSA and OAA in their level of financial support for the recipients. That might continue to create pressure in the community to demand an upward revision of the OAA rate, although it is universally accessible for older people aged 70 and above.

72. There is not enough time and resources for the working group to study, formulate, and to put forward a detailed proposal on the new scheme.

73. We recommend that the Government should conduct a review of the two schemes with a view to amalgamating them. The new scheme should be removed from the CSSA and combined with OAA to provide different degrees of assistance to older people in possession of different means. A simple two or three tiered rate structure would be a great improvement to the current flat OAA rate. By paying a higher rate than the current OAA to older people in greater need, we hope to arrest the rising trend of CSSA take up rate of the elderly.

Future Shape of Long Term Care Services For the Frail Older People

Concept of Long Term Care

74. To improve the delivery of care services for the frail older people, the Government should recognise that frail older people who have lost their self-care abilities would be in multiple needs. They need a basket of, not just one type, of services. The basket would be different for different individuals. In providing this basket of services, the input and co-operation of professional groups from both the health and welfare sectors are required.
75. In many countries, the Governments set up a multi-disciplinary Long Term Care Agency to co-ordinate the planning and provision of services to the frail elderly. The Agency usually comprises administrators, health care and welfare professionals. Irrespective of their background, they are trained to become Long Term care (LTC) experts.
76. Because the care needs of each frail older person are different, the trained LTC expert will conduct a care need assessment for each older person and provide a basket of services accordingly. It is hoped that by providing a suitable basket of services, it would be possible for the frail older person to continue to age at home. In most cultures, older people prefer to remain at home, and it is usually the cheaper option for both the taxpayers and the family.
77. We recommend that the Government should set up a LTC Agency in Hong Kong.

Home/Community Care and Residential Care

78. Hong Kong's reliance on residential care, especially private residential care homes, the quality of service of which varies, is undesirable from the point of view of the users, their family, and the taxpayers.
79. If a properly constituted LTC Agency is set up, its professional staff should be able to rationalise and rebalance the service mix between residential care and home care.

Co-payment

80. It is clear from the experience of the self-financing and private care homes that most families are prepared to pay for at least part of the bill of their older members' care services. Many families are also prepared to pay a higher fee for better accommodation for their older members in residential care.
81. We believe that there is room for the Government to develop a policy of co-payment. This is important since the LTC cost in Hong Kong is set to rise rapidly in the next two decades as our population ageing trend accelerates.
82. There might be a need to mandate co-payment through means-testing in future. To start with, however, we should obey market forces of product differentiation. The service operator should, for the same type of care service, provide a range of differentiated products. For example, in

residential care, different room types should be provided from single, double to say, six-person room. Single room would charge a higher fee with no recurrent subsidy, whereas a six-person room would charge a lower fee with a high level of recurrent subsidy. The fee and the subsidy level for a double room would fall somewhere in between. A similar concept of product differentiation can be put into practice in meals-on-wheel service.

Rationalisation of the Funding Situation

83. Government subvention for elderly care service amounted to \$3.5 billion in 2008/09, of which some \$2.2 billion is spent on residential care. Through CSSA, it is estimated that the Government pays another \$1.8 billion for private residential care for frail older people awaiting admission to subsidised care. In total, the Government pays every year \$5.3 billion as subsidy for frail older people receiving personal care services.
84. Dividing the total amount of public expenditure (\$5.3 billion) by the total number of frail older people (60,000) receiving various types of personal care service in either the subsidised or private sectors, the Government is spending on average almost \$90,000 on each older person. We believe that with a reasonable voluntary co-payment arrangement, this is an adequate amount for Government to finance the entire LTC service for all frail older people in Hong Kong.

Summary of Recommendations

Financial Support

85. To give adequate financial support for the older people, we recommend that we should build for Hong Kong a five pillar safety net, comprising the following:
 - i) The family, though smaller in future, should be encouraged to continue to shoulder at least partial responsibility for giving financial support to their older members.
 - ii) Older people should be encouraged to remain gainfully active for as long as possible. The retirement age of 60 commonly observed in the civil service and the subvented sector should be extended. For those who have retired, opportunities should be made available for those in need to remain gainfully employed.
 - iii) The MPF should be enhanced in terms of contribution rates and ceiling.
 - iv) Individuals should be encouraged to put aside further savings for retirement protection.
 - v) A new safety net should be put in place by amalgamating and replacing the existing CSSA and OAA.

Long Term Care

86. To provide seamless LTC services for the frail older people, we have the following recommendations to make:
- i) A LTC Agency should be set up to plan and co-ordinate the provision of LTC services to the frail older people.
 - ii) To start with, a voluntary co-payment system should be developed based on the market principle of product differentiation. The need to introduce mean-testing should be kept in view.
 - iii) Government expenditure on LTC should be rationalised to make available adequate funding for the LTC Agency to provide comprehensive services for our frail older people.
 - iv) By channelling all public funding through the LTC Agency, a higher standard of service can be required of service operators who is in receipt of public funding.

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