

OPTIONAL RETIREMENT: BETTER CHOICE



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Background


- To maintain HK's long term competitiveness, it is vital to have an experienced working population
- Ageing population is a global issue, and Hong Kong is no exception
- Challenge for HK government, businesses, and individuals
- Elderly today are more healthy, active, and better educated
- **How to help government, businesses, and individuals turn the challenges of ageing into opportunities?**

Demographic Changes

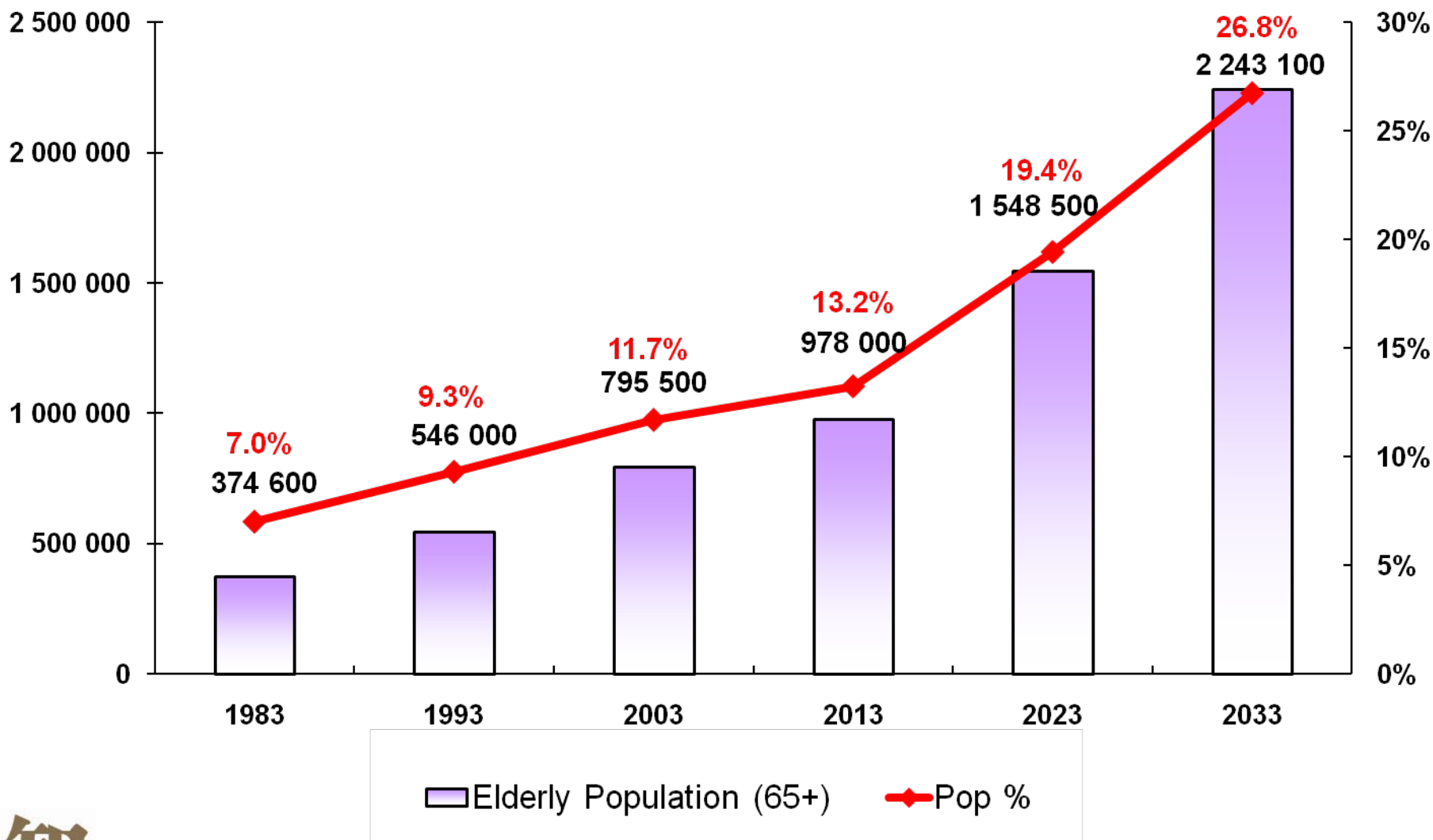
Low birth rate

- 0.89 children per couple in 2007
- The world average is 2.6 children
- Well below the replacement rate of 2.1 children

Longer life expectancy *

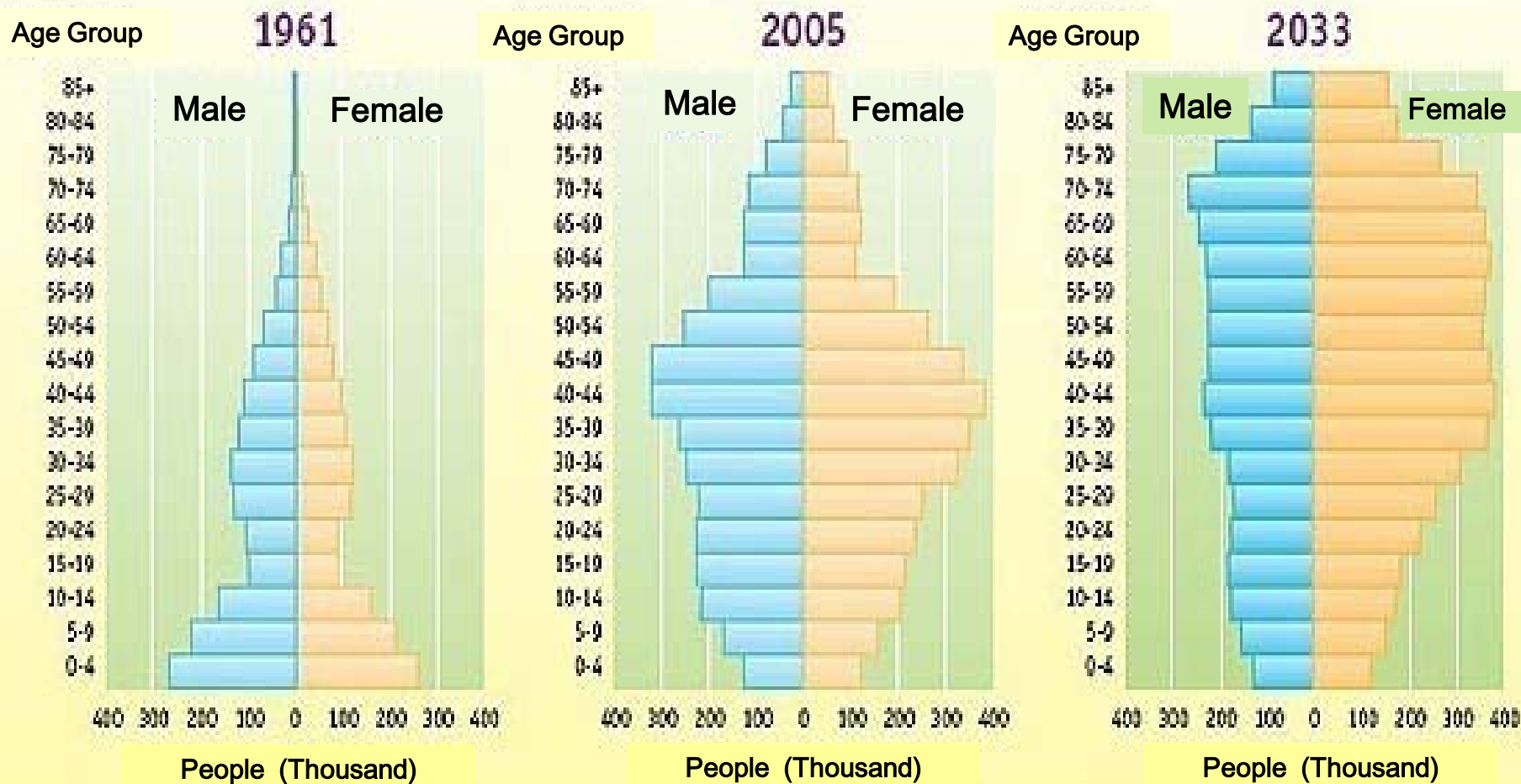
- Male: 79.5 year-old (2006)  82.7 year-old (2036)
- Female: 85.6 year-old (2006)  88.3 year-old (2036)

Hong Kong Ageing Trends: Number & Rates



Source: based on Census and Statistics Department, *Hong Kong Population Projections 2007-2036* (Hong Kong: Demographic Statistics Section, Census and Statistics Dept., 2007) and "Population by Age Group and Sex" tables on the website of the Census and Statistics Department.

Hong Kong Population Pyramid



Source: Council for Sustainable Development, *Enhancing Population Potential for a Sustainable Future* (Hong Kong, June 2006), p. 43.

What Is the Implication of Demographic Changes?

- In 2006, every 1,000 working age adults (aged 16-64) were supporting 168 people aged 65 or above
- In 2036, every 1,000 working age adults (aged 16-64) will have to support 425 people aged 65 or above

Possible Scenarios

- Manpower shortage will stymie economic growth
- Public expenditure will increase
- Lower proportion of working population means that the tax revenue may not cover the public expenditure, creating budgetary pressure for the government

Probable Solutions

- **OR** allows people to work longer, to continue earning income and having medical coverage from employers
- **OR** relieves the burden on public expenditure
- **OR** can address the issue of manpower shortage so as to maintain HK's long term competitiveness in the global economy
- **OR** is one of the policies that proactively responds to the demographic changes
- **OR** can benefit older workers

Optional Retirement (OR)

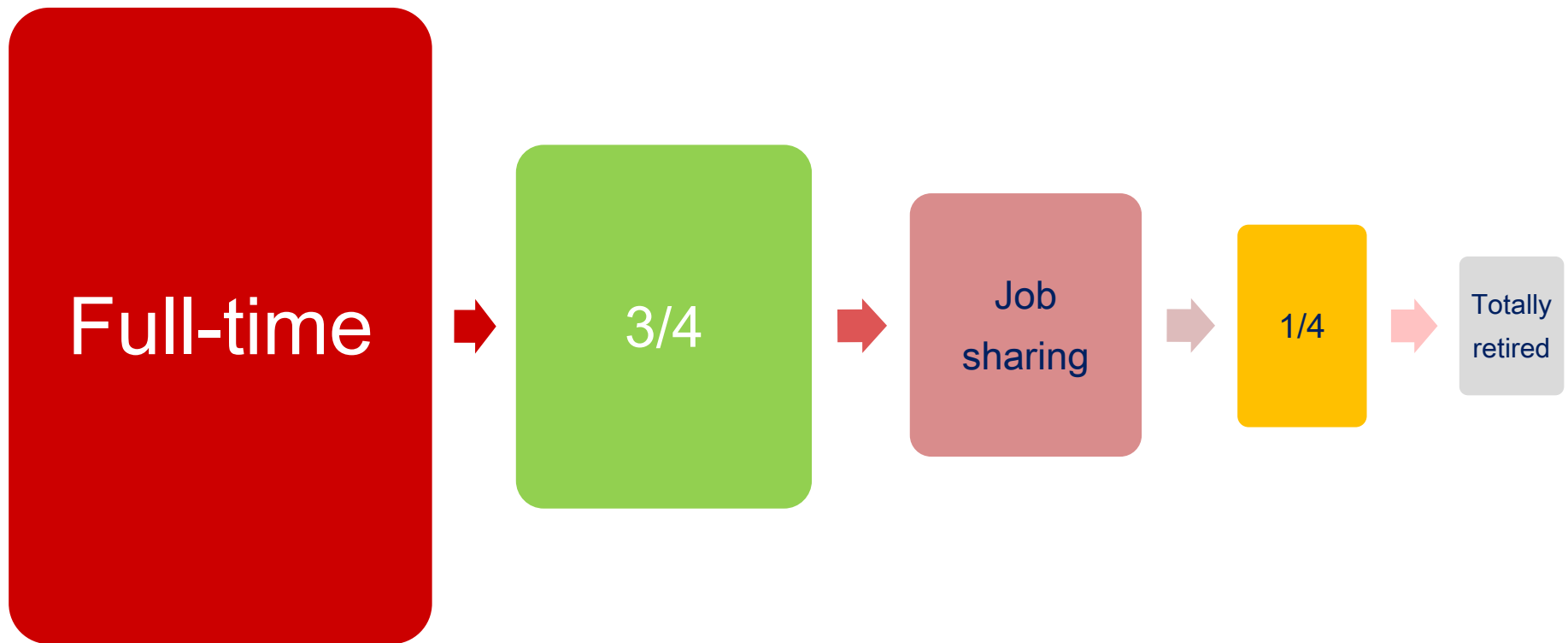
Mutual agreement between employees and employers to

- continue working after reaching retirement age*
- have earlier, partial withdrawal from work before the retirement age

** Current retirement age is 60 for most companies and civil servants*

Optional Retirement (OR)

- Gradual phasing out from work:



Maintain HK's Competitiveness in the Global Economy

- Higher elderly labor participation will alleviate the manpower shortage problem
- Increase economic growth which could result in more employment opportunities for all
- Human capital is the most valuable asset in this knowledge-based economy
- Experienced staff can mentor junior staff and transfer valuable knowledge to them
- OR can retain the skilled and experienced older worker, at a fraction of cost so that companies and organizations can remain competitive

For Older Workers, What Will Be their Benefits?

Financial:

- OR allows them to accumulate more savings and continue to receive medical insurance coverage
- Avoid the scenario of running out of pension and personal saving

Social:

- Socially active and connected, promote active ageing
- Be an important part of the community

How Should We Move Forward?

- Government should provide public education about the impacts of an ageing population, the benefits of the OR scheme and contribution of the elderly to society
- Set up an office of the Commissioner to incorporate ageing into different policies
- Government should encourage more private businesses and NGOs to implement OR pilot scheme
- OR scheme can gradually be implemented in government, based on different departments' contexts and needs

Examples from different industries

- Health care industry:
 - retired doctors are rehired by universities for teaching
 - retired nurses/doctors are rehired on part-time basis
- Insurance industry: 60 years+ employees can extend their contracts on an annual basis, with flexible work schedule
- Banking industry: retired employees are rehired as consultants

Conclusion

- Ageing population in Hong Kong is a foreseeable trend
- OR helps maintain Hong Kong's long-term competitiveness in the global economy
- OR offers choices and flexibility for employees and employers
- OR can turn the challenge into opportunities

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Thank You!