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Feasibility Study of Old Age Pension Scheme in Hong Kong:

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Abstract

Due to the rising concern about the problems of population ageing and old-age poverty, there have been heated debates on enhancing retirement protection and introducing a universal pension scheme to Hong Kong. Cost-benefit analysis has been used to assess the adequacy, sustainability, affordability and robustness of various possible pension schemes proposed by different political parties and concerned bodies. This research project aims to assess the feasibility of a universal pension scheme from the employees' point of view.

1,389 employees were successfully interviewed and invited to complete a survey on their willingness to pay for the introduction of a monthly pension of $3,000 for all Hong Kong permanent residents reaching the age of 65. During the interview, each respondent was asked about his/her willingness to accept a preset tax rate, which was based on the report on the future development of retirement protection in Hong Kong released in August 2014 by Professor Nelson Chow. The preset tax rates were progressive between 1% and 2.5% among different income groups, except that employees with monthly income lower than $6,500 were not required to pay any tax. It was found that 72.21% of the respondents with monthly income of $6,500 or above accepted the preset tax rate. A respondent's willingness to accept the preset tax rate was found to vary with the respondent's (1) monthly income, (2) age, (3) education level, (4) gender, and (5) expectation on reduction in financial burden on dependent elderly with the implementation of the proposed pension scheme. This study also tried to investigate the employees' attitude to retirement protection issue. It was found that almost all respondents considered retirement protection an important social issue, which may also explain the high acceptance rate of the preset tax rate. Finally, this study was able to explain the refusal to pay the preset tax rate with the respondents' low satisfactory level for the pension amount, minimum eligible age requirement for receiving the pension, and the nature of non-means testing.

For further pragmatic discussions on the issue of retirement protection, the findings of this study provide the policymakers and the public with useful information about (1) the determinants of employees' willingness to accept the preset tax rate among different income groups, (2) the employees' attitude to retirement protection issue, and (3) the factors of refusal to pay the preset tax rate.

摘要

香港社會人口老化及老年貧窮問題日益嚴重，社會上有不少就加強退休保障以及引入全民養老金的討論。不少政治及政策團體均以成本效益角度分析個別養老金計劃的可持續性及承受能力，本研究則以僱員角度探討香港實施全民養老金計劃的可行性。

本研究以問卷形式成功訪問了1,389名僱員，問及他們對於向全港所有年滿65歲長者發放每月3000元養老金的預設稅率支付意願(養老金金額及稅率均以周永新教授於2014年的《香港退休保障的未來發展》研究報告作參考)，除了按月收入低於6,500元的僱員之外，預設稅率根據不同僱員的按月收入以累進方式設定。在按月收入為6,500元或以上的受訪者中，本研究發現高達72.21%的僱員願意接受預設稅率，而預設稅率的支付意願與受訪者的(1)按月收入，(2)年齡，(3)學歷，(4)性別，和(5)對該計劃能否節省養老開支的預期之間存在不同關係。本研究亦嘗試探討僱員對退休保障議題所持的態度，發現絕大部分受訪者均認為退休保障是一項重要社會議題，這有助解釋受訪者對預設稅率的高接受率。最後，本研究發現部分受訪者對建議養老金計劃的養老金金額、最低受惠年齡及免資產審查的特質給予較低評分，並嘗試以這角度提供拒絕接受預設稅率的原因。

本研究所得之結果，可為政策制定者及大眾提供更多有關退休保障的資訊，如(1)對預設稅率願意支付的程度在各收入群組僱員中的決定因素，(2)僱員對退休保障議題所持的態度，及(3)僱員不願意支付預設稅率的原因。

Chapter 1: Introduction

1.1 Population Ageing and Old-age Poverty in Hong Kong

Hong Kong has been facing the challenges of population ageing due to the low fertility rate and high average life expectancy. According to the report on Hong Kong's Population Projections (2015 – 2064) published by Census and Statistics Department in September 2015, Hong Kong has the lowest fertility rate among many low fertility economies, such as Singapore, Japan, Sweden, Norway, etc.[1,2] The total fertility rate, which is defined as the number of live births per 1000 women, is projected to fall from 1234 in 2014 to 1182 in 2064. A low fertility rate is expected to become a trend in the next 50 years as women receive better education and play more important roles in the workplace. The report also projects that a male and a female born in 2064 will live 5.8 and 5.6 years longer than those born in 2014 respectively. While the expectation of life at birth for males will rise from 81.2 in 2014 to 87.0 in 2064, the expectation of life at birth for females will rise from 86.9 in 2014 to 92.5 in 2064. With further medical advancement and socio-economic development, Hong Kong is expected to enjoy low mortality in the next 50 years as other low mortality economies do.

As projected in the report, the proportion of the population aged 65 and above will rise dramatically from 15% in 2014 to 33% in 2064. The elderly dependency ratio, which is defined as the number of persons aged 65 and over per 1000 persons aged 15 – 64, will rise from 198 in 2014 to 567 in 2064. In other words, each retiree was supported by 5.05 working age adults in 2014 while the figure will decline substantially to 1.76 in 2064.

It is likely that the population ageing problem could worsen the situation of old-age poverty in Hong Kong. According to the 'Hong Kong Poverty Situation Report 2015' released by the Census and Statistics Department in October 2016, even with the government recurrent poverty alleviation measures (i.e. Comprehensive Social Security Assistance (CSSA), Old Age Living Allowance (OALA), Old Age Allowance (OAA), Guangdong Scheme (GS) and Disability Allowance (DA)), 30.1% of the 1,025,000 elders were still living in poverty in 2015.[3] Although only 14% of these elders received CSSA, another 12.1% of them living in non-CSSA households claimed to have financial needs.

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[1] Census and Statistics Department (2015). *Hong Kong Population Projections 2015 – 2064*.
[2] Asher, M. G., Nandy, A. (2009). Managing Prolonged Low Fertility: The Case of Singapore. *Journal of Asian Public Policy*, 2, 4-16.
[3] Census and Statistics Department (2016). *Hong Kong Poverty Situation Report 2015*.

1.2 Current Retirement Protection System in Hong Kong

The current retirement protection system in Hong Kong basically covers the four of the five pillars of old age protection introduced by the World Bank in 2005.[4] While CSSA, OALA, OAA, GS, and DA serve as publicly managed, tax-financed social security schemes (zero pillar), the Mandatory Provident Fund (MPF) is a mandatory, privately managed, fully funded contribution scheme (second pillar). The third and the fourth pillars comprise voluntary savings and family and other informal supports respectively.[5]

The Social Security Allowance (SSA) Scheme in Hong Kong aims to provide financial support to the Hong Kong residents who are disabled or reach the age of 65. It includes CSSA, OALA, OAA, GS, and DA. CSSA and OALA are means-tested schemes and cover 10.8% and 39.5% of all 1,025,000 elders in 2015 respectively, whereas OAA, GS and DA are non-means-tested schemes, from which 23.3% of all elders receive benefits.[6] DA has nearly the same eligibility criteria with OAA, except that the recipients could reside in Guangdong, rather than in Hong Kong, during receipt of allowance.

Since December 2000, Hong Kong has been practicing the Mandatory Provident Fund (MPF) Scheme, in which the employer and each employee with monthly salary higher or equal to $7,100 are required to contribute 5% of employee's monthly salary, capped at $1,500, to the employee's individual account. For those employees with salary less than $7,100, the contribution only comes from the employer. Under this MPF system, the retirement benefits must be preserved in the individual account until the employee reaches the age of 65 or ceases employment and reaches the age of 60.

According to the Mandatory Provident Fund Schemes Statistical Digest issued in September 2016, 73% of the employed population joined the MPF schemes, and 12% of the employed population joined the other retirement schemes (i.e. Occupational Retirement Schemes Ordinance (ORSO) and statutory pension or provident fund schemes) as at 30 September 2016. The average total contributions, including mandatory, voluntary and special voluntary, received in the MPF schemes in the previous four quarters from Q4 2015 to Q3 2016 is $17,546.25 million per quarter, while the average benefits paid is $5,550.75 million per quarter.[7]

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[4] Holzmann, R., Hinz, Richard. (2005). Old-Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform. Washington, D.C.: The World Bank.
[5] Yu, W. K. (2008). Pension Reforms in Hong Kong: Using Residual and Collaborative Strategies to Deal With the Government's Financial Responsibility in Providing Retirement Protection. *Journal of Aging & Social Policy, 20*(4), 493-510.
[6] Census and Statistics Department (2016). *Hong Kong Poverty Situation Report 2015*.
[7] Mandatory Provident Fund Schemes Authority (2016). *Mandatory Provident Fund Schemes Statistical Digest*.

Since the amount of benefits received by an employee after retirement depends on the contributions made in her working life and the investment returns under her MPF account, the employee has to bear the risks of her choice of investment. It is therefore argued that the MPF does not necessarily benefit the retirees.[8] Also the MPF provides no or few benefits to those who have not made contributions, such as housewives and hawkers, and those who have made few contributions. It explains why some people have to work or financially rely on their families in their old age.[9] Hence, it is questionable whether the MPF may provide adequate financial protection to retirees and reduce their reliance on the CSSA and other social security assistance schemes in the long run.[10] Alongside the above criticisms of the MPF scheme, the current social security system in Hong Kong has still been considered effective for its sustainability. However, it is suggested that the social security system in Hong Kong has to be enhanced by concentrating more public resources on the elderly with no or little protection from the MPF.[11]

1.3 Universal Pension Scheme

Unlike the MPF, the social security system that the United States practices is the pay-as-you-go (PAYG) system. Under this PAYG system, each employee and the employer have to make contributions of 6.2% of employee's annual salary, capped at US$7,886.40 in 2017, and the Social Security benefits are paid to all elderly people as welfare payments.[12] One of the important features of PAYG is the amount of benefits received by elderly people does not depend solely on the contributions made in their working life, which implies those who have not made contributions and who have made few contributions could be protected under the PAYG system.

Compared to the MPF scheme, it is believed that the PAYG system does a better job in income redistribution from high-income groups to low-income groups within the same generation, which alleviates poverty.[13] However, the intergenerational redistribution of income raises the issue of unsustainability of the system. With falling fertility rates and rising

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[8] Lin, H. Y. (2012). The Retirement Provisions in China, Hong Kong, Singapore and Taiwan: Perspectives on Policy Inputs and Social Outputs. *Asian Social Work and Policy Review, 6*(2012), 163-191.

[9] Chan, C.K. (2003). Protecting the ageing poor or strengthening the market economy: The case of Hong Kong Mandatory Provident Fund. *International Journal of Social Welfare, 12*, 123-131.

[10] Commission on Poverty (2015). *Retirement Protection Forging Ahead: Consultation Document.*

[11] Chow, N. W. S. and Chou, K. L. (2005). Sustainable pensions and retirement schemes in Hong Kong. *Pensions,* 10(2), 137-143.

[12] Social Security Association of USA. (2017). Contribution and Benefit Base. Retrieved from: https://www.ssa.gov/OACT/COLA/cbb.html

[13] Liebman, J. B. (2002). Redistribution in the Current U.S. Social Security System. In Feldstein, M. and Liebman, J. B. (Eds.), *The Distributional Aspects of Social Security and Social Security Reform,* 11-48. Chicago: University of Chicago Press.

life expectancies in most countries, population ageing has become a global problem.[14] There will be three possible consequences as the size of the working population keeps decreasing, coupled with an increase in the number of retirees. First of all, the ratio of retirees to workers will rise, which implies that each worker will have to bear a larger financial burden in supporting the needs of retirees. In order to maintain the same amount of benefits received by the retirees, the workers will surely have to pay a higher payroll tax. The second possible consequence will be a reduction in the amount of retirement benefits. If the payroll tax paid by each worker remains constant, the retirement incomes received by each retiree will drop. Finally, if a society facing the problem of population ageing wants to keep both the payroll tax and the retirement benefits stable, the government might suffer from fiscal deficit as it will have to sustain the PAYG system by injecting more money.[15,16,17] A number of countries are trying to avoid falling into the same trap that many western countries, such as the United States, France, Sweden and Germany, are now facing. If the Hong Kong government intends to introduce a universal pension scheme, which is basically operated as a PAYG system, financial sustainability of the system will be one of the major concerns.

1.4 'Future Development of Retirement Protection in Hong Kong'

In August 2014, Professor Nelson Chow Wing Sun and his research team from the University of Hong Kong released a research report on future development of retirement protection in Hong Kong.[18] This report discussed and evaluated various pension systems proposed by different political parties and concerned bodies from the perspectives of adequacy, sustainability, affordability and robustness. After considering the suggestions from those political parties and concerned bodies, Professor Chow recommended the Hong Kong government setting up a universal demo-grant scheme, in which all Hong Kong citizens aged 65 and older are eligible to receive a monthly amount of $3,000. The demo-grant was suggested to be financially sustained by the contributions from the government, employers and employees. Besides the contribution of a one-off fund of $50 billion from the government, employers and employees would have to pay from 1% up to 2.5% of the employees' salaries based on the salary level as a payroll old-age tax. It was suggested that the tax should be progressive. The employees with salary at $6,500 to below $10,000 have to

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[14] Congressional Budget Office (CBO). (2005). *Global Population Aging in the 21ˢᵗ Century and Its Economic Implications.* Washington, DC: US Government Printing Office.
[15] Diamond, P. A. and Gruber, J. (1999). Social Security and Retirement in the United States. In Gruber, J. and Wise, D. A. (Eds.), *Social Security and Retirement Around the World*, 437-473. Chicago: University of Chicago Press.
[16] Feldstein, M. and Samwick, A. (2002). Potential Paths of Social Security Reform. In Poterba, J. M. (Ed.), *Tax Policy and Economy,* 16, 181-224. Cambridge: MIT Press.
[17] Herbertsson, T. T. and Orszag, J. M. (2001). Policy Options and Issues in Reforming European Supplementary Pension Systems. *Journal of Pensions Management*, 7, 117-130.
[18] The University of Hong Kong (2014). Future Development of Retirement Protection in HK.

pay tax at 1% of the salary. The employees with salary at $10,000 to below $20,000 have to pay tax at 1.5% of the salary, and those with salary at $20,000 and above (capped at $120,000) pay tax at 2.5% of the salary.

Since the demo-grant scheme will bring additional financial burden to employees by imposing a new tax, as Professor Chow's research team proposed, it is expected to arouse opposition from the general public. However, the contribution from employee is essential for the sustainability of the demo-grant scheme. Therefore, Professor Chow suggested that while considering the possibility of implementing the proposed demo-grant scheme, the government should widely seek consultation of public views on setting the acceptable tax rate.

1.5   Objectives of this Study

i.   To investigate employees' willingness to pay a preset tax rate for a universal pension scheme of $3,000 for all Hong Kong permanent residents reaching the age of 65.

ii. To study the relationship between an employee's willingness to pay a preset tax rate and
   ➢   the employee's income level;
   ➢   the employee's age;
   ➢   the employee's education level;
   ➢   the amount of assets the employee possesses;
   ➢   the employee's ownership of owner-occupied residential property;
   ➢   the employee's expected reduction in expenditure on dependent elderly with the implementation of the proposed pension scheme;
   ➢   the employee's expected future income after retirement; and
   ➢   the employee's expected future expenditure after retirement.

iii. To find out the reasons why some employees refuse to pay the preset tax rate.

iv. To estimate the acceptable tax rates for the employees who refuse to pay the preset tax rate.

Chapter 2: Methodology

2.1 Questionnaire Design

The research is built on a sample survey for quantitative analysis. The questionnaire consisted of three parts. The first part was "Personal Information". Key questions included employment status, residential status, age, gender, occupation, education, financial status and housing condition. The objective of these questions was to control for general demographic factors of the respondents. The second part was "Financial Burden and Retirement Plan", in which questions concerning the number of elderly members in family, expected retirement income and expected retirement expenditure were asked to elicit the financial conditions of the respondents. The last part was "Comment on Retirement Protection Policy". Respondents were asked to report their monthly income, and they were assigned with different sets of questions concerning about the willingness to accept the preset tax rate for the pension scheme based on their reported income level. Respondents with higher income level would be assigned with a higher set of preset tax rates and vice versa. Respondents were also asked if they believed retirement protection was an important issue and whether they had paid attention to the recent news reports on retirement protection issue in the previous three months. These questions were used to control for the information background concerning about the retirement protection issue of the respondents. Lastly respondents were asked to disclose their preference to different features of proposed pension scheme (including the amount of pension, the age requirement and the non-means test) and their satisfactory level on the current old age welfare system and MPF/ORSO scheme. The questionnaire used in the survey is shown in Appendix 1.

2.2 Sampling Method

The focus of this study is to investigate employees' attitude to the proposed pension scheme. Our sample targeted employees who aged 15 or above from different income groups. As the income distributions among different geographical locations are quite uneven, we employed the geographical cluster sampling method. The surveys were conducted in the eighteen districts of Hong Kong based on the population density in each district. We also employed simple systematic sampling method, which required the interviewers to conduct survey by selecting every 10th person in a preset area for each district. The first pilot survey was conducted in early June 2016. None of the filled questionnaires in the pilot study were included in the final sample as the questionnaire was further modified based on the feedback from the interviewers. The survey with the finalized questionnaire was conducted from late June 2016 to August 2016. Our interviewers successfully approached 1,791 respondents. Out

of 1,791 respondents 1,505 reported they were full-time employed, part-time employed or self-employed while the remaining 286 respondents reported they were not employed. Among the 1,505 employed respondents, 116 refused to answer some of the key questions (such as monthly income or willingness to accept the preset tax rate) which led to a further reduction in the sample size. The final sample contained 1,389 respondents.

2.3 Data Analysis

In traditional contingent valuation method, the bid rate (tax rate) is randomly assigned to the respondents and the willingness to pay can be elicited based on the acceptance rate on different bid rate.[19,20,21] However, instead of eliciting the willingness to pay, our study focuses on finding out the fundamental factors which affect the employees' willingness to accept the preset tax rate proposed in Future Development of Retirement Protection Report.[22] There were four preset tax rates which were assigned to respondents based on their monthly income level. The preset tax rate for respondents with income lower than $6,500 would be 0%. If the respondents' income was ranged from $6,500 to $9,999, then the preset tax rate would be 1%. If the income of respondents was ranged from $10,000 to $19,999, then the preset tax rate would be 1.5%. For respondents whose income was above $20,000, the preset tax rate for them would be 2.5%. In the survey, we first introduced the above tax rate structure to the respondents. Then we asked the respondents if they were willing to accept the preset tax rate based on their current income level. To elicit more information from the respondents, we employed a method similar to double-bound dichotomous choice valuation method to find the acceptable range of tax rate.[23,24] Respondents who rejected the preset tax rate would be asked a follow up question of the willingness to accept a new tax rate that was 0.5% lower than the original preset tax rate. On the other hand, respondents who accepted the original preset tax rate would be asked whether they were willing to accept a new tax rate that was 0.5% higher than the original preset tax rate. For example, if a respondent with an income more than $20,000 rejected to accept the preset tax rate of 2.5% (First bid), he/she would be asked if a new tax rate of 2.0% (Second bid) would be acceptable. On the other hand, if a respondent with income between $10,000 and $19,999 accepted the preset tax rate

[19] Liu, J. T., Hammitt, J. K., Wang, J. D. and Liu, J. L. (2000). Mother's Willingness to Pay for Her Own and Her Child's Health: A Contingent Valuation Study in Taiwan. *Health Economics,* 9(4),319-326.

[20] Bärnighausen, T., Bärnighausen, T. Liu, Y. L., Zhang, X. P. and Sauerborn, R. (2007). Willingness to Pay for Social Health Insurance among Informal Sector Workers in Wuhan, China: A Contingent Valuation Study. *BMC Health Services Research*, 7:114.

[21] Van Der Star, S. M. and Van Den Berg, B. (2011). Individual Responsibility and Health-risk Behaviour: A Contingent Valuation Study from the Ex-ante Societal Perspective. *Health Policy*, 101, 300-311.

[22] The University of Hong Kong (2014). Future Development of Retirement Protection in HK.

[23] Gelo, D. and Koch, S. F. (2015) Contingent Valuation of Community Forestry Programs in Ethiopia: Controlling for Preference Anomalies in Double-bounded CVM. *Ecological Economics*, 114, 79-89.

[24] Hammitt, J. K. and Zhou, Y. (2006). The Economic Value of Air-Pollution-Related Health Risks in China: A Contingent Valuation Study. *Environmental & Resource Economics*, 33, 399–423.

of 1.5% (First bid), he/she would be asked if a new tax rate of 2% (Second bid) would be acceptable. For respondents with an income lower than $6,500, the treatment would be different. If he/she rejected to receive the pension with the preset tax rate of 0% (First bid), no follow up question concerning the second bid would be asked. If he/she accepted the first bid of 0%, he/she would be asked if a new tax rate of 0.5% would be acceptable. If he/she also accepted the new tax rate of 0.5%, he/she would be asked if a new tax rate of 1% would be acceptable.

We employed the regression analysis to analyze the relation between willingness to accept the preset tax rate for the proposed pension scheme and a list of demographic factors and financial factors of the respondents, including age, education level, current asset holdings, ownership of property, expected retirement income and expected retirement expenditure. As the dependent variable, Willingness to accept the preset tax rate, is a dummy variable (equals 1 if the respondent was willing to accept the preset tax rate, zero otherwise), Probit regression was used to investigate the relationship.

$$
\begin{aligned}
\Pr(\text{Willingness to accept the preset tax rate pension scheme}_i) \\
= \alpha_0 + \alpha_1 \text{Income}_i + \alpha_2 \text{Age}_i + \alpha_3 \text{Education}_i + \alpha_4 \text{Asset}_i \\
+ \alpha_5 \text{Onwership of property}_i + \alpha_6 \text{Expected retirement income}_i \\
+ \alpha_7 \text{Expected retirement expenditure}_i + \varepsilon
\end{aligned}
$$

We also conducted T-test to analyse whether the mean value of the willingness to accept the preset tax rate between the respondents who believed the pension scheme could reduce their financial burden on dependent elderly and those who did not was significantly different.

Apart from the relationship between the above variables and the willingness to accept the preset tax rate, this study also aimed to investigate the respondent's feedback to the features of the pension scheme. There are three important features of the proposed pension scheme. Firstly, the amount of pension is set at $3,000 per month (regardless of individual's income) and will be adjusted according to the inflation rate to ensure the purchasing power of the pension is equivalent to $3,000 today. Secondly, the proposed pension is eligible to anyone who is a permanent resident of Hong Kong with an age of 65. Lastly, the proposed pension scheme does not require any income test or asset test to apply for. Respondents were asked to rank each feature respectively with a scale from 0 - 10, with 0 indicates the least satisfied and 10 indicates the most satisfied. We used the summary statistic to compare the satisfactory level among the different features. The individual Ordered-Probit regressions were run to investigate the relation between the satisfactory level of each pension scheme feature and a list of variables including age, income, education, attitude of respondent to retirement protection issue and how frequent the respondent paid attention to recent news reports

concerning about retirement protection issue.

$$
\begin{aligned}
\text{Preference to the feature of the pension scheme} \\
= \beta_0 + \beta_1 \text{Income}_i + \beta_2 \text{Age}_i + \beta_3 \text{Education}_i \\
+ \beta_4 \text{Importance of Retirement Protection}_i \\
+ \beta_5 \text{Frequency to Pay Attention}_i + \epsilon
\end{aligned}
$$

Lastly, we also conducted T-test for each feature to analyze if the mean value of the scale between the respondents who accepted the preset tax rate and those who didn't was significantly different.

Chapter 3: Findings of Questionnaire Survey

3.1 Characteristics of Respondents

Table 1 shows the demographic factors, including employment status, residential status, age, gender and education background of the respondents. The final sample contains 1,389 observations, of whom 77.75% had a full-time job, 17.93% worked part-time, and 4.32% were self-employed. 98.56% of the respondents were permanent residents of Hong Kong, while 1.44% were non-permanent residents. The largest and the second largest age groups of the respondents were 20-29 and 30-39 respectively. 65.87% of the respondents were composed of the two largest age groups. 25.05% of the respondents aged between 40 and 59, whereas 3.02% aged 60 or above. Among all respondents, 52.05% were males, and 47.95% were females. 71.92% of the respondents received tertiary education or above, among which 42.91% were undergraduate degree holders, and 11.23% were postgraduate degree holders. 28.08% of the respondents received secondary education or lower.

Table 1 Demographic factors

	Frequency	Percentage
Employment status		
Full-time	1,080	77.75%
Part-time	249	17.93%
Self-employed	60	4.32%
Residential Status		
Permanent Resident	1,369	98.56%
Non-permanent Resident	20	1.44%
Age Group		
15 - 19	84	6.05%
20 - 29	549	39.52%
30 - 39	366	26.35%
40 - 49	198	14.25%
50 - 59	150	10.80%
60 – 64	32	2.30%
65 or above	10	0.72%
Gender		
Male	723	52.05%

Female	666	47.95%
Education		
Primary or below	26	1.87%
Secondary or diploma	364	26.21%
Associate degree or high diploma	247	17.78%
Degree	596	42.91%
Master or above	156	11.23%

Table 2 shows the financial status, including monthly income, current assets, housing status and monthly saving of the respondents. As for the question concerning monthly income, 9.07% of the respondents had less than $6,500, 7.13% had $6,500 - $9,999, 35.71% had $10,000 - $19,999, and 48.09% had $20,000 or above. Among all respondents, 42.40% of them had current assets worth less than $100,000, 34.41% had $100,000 - $499,999, and only 23.19% had $500,000 or above. There were only 376 respondents who owned a residential property, which only took up 27.07% of the sample. 71.63% of the respondents were either renting a private or public residential property or living with their family or friends. The mean value of the monthly saving for the 1,389 respondents was $8,377.29.

Table 2 Financial status

	Frequency	Percentage
Monthly Income		
Less than $6,500	126	9.07%
$6,500 - $9,999	99	7.13%
$10,000 - $19,999	496	35.71%
$20,000 - $39,999	456	32.83%
$40,000 - $79,999	159	11.45%
$80,000 - $119,999	31	2.23%
$120,000 or above	22	1.58%
Current Assets		
Less than $100,000	589	42.40%
$100,000 - $499,999	478	34.41%
$500,000 - $999,999	154	11.09%
$1,000,000 - $3,999,999	168	12.10%
$4,000,000 or above	0	0%
Housing		

Renting a private residential property	140	10.08%
Renting a public residential property	218	15.69%
Provided by employer/Housing allowance	7	0.50%
Bought a property (on mortgage)	211	15.19%
Bought a property	165	11.88%
Family/friends' property	637	45.86%
Others	11	0.79%

Monthly Saving	Amount
Mean	$8,377.29
Median	$5,000.00
25 percentile	$2,000.00
75 percentile	$10,000.00

Table 3 shows the status of dependent family members of the respondents. 21.31%, 42.83% and 28.40% of the respondents had at least one financially dependent family member who aged 14 or below, between 15 and 64, and 65 or above respectively. Among those 991 respondents who did not have any dependent family members aged 65 or above as the interview was conducted, 715 of them expected to have at least one in the future. There were in total 1,108 respondents (80.06%) who had or expected to have at least one financially dependent family member aged 65 or above.

Table 3 Dependent family members

	Frequency	Percentage
Dependent family members who aged or below 14		
Yes	296	21.31%
No	1,093	78.69%
Dependent family members who aged 15 - 64*		
Yes	594	42.83%
No	793	57.17%
Dependent family members who aged 65 or above*		
Yes	393	28.40%
Currently no, but yes in the future	715	51.66%
Currently no, and no in the future	276	19.94%

* 2 respondents did not reveal whether they have dependent family members who aged 15 – 64.

  5 respondents did not reveal whether they have dependent family members who aged 65 or above.

Table 4 shows the respondents' expectation on retirement, including their expected retired monthly income and expected monthly expenditure. While 48.89% of the respondents expected to have monthly income of less than $3,000 after they are retired, 60.18% expected to have monthly expenditure of $3,000 or above.

Table 4 Expectation on retirement

	Frequency	Percentage
Expected retired monthly income (excluding transfer payments)		
No income	235	16.92%
$1 - $2,999	444	31.97%
$3,000 - $9,999	429	30.89%
$10,000 - $19,999	266	19.15%
$20,000 - $39,999	12	0.86%
$40,000 - $59,999	3	0.22%
Expected retired monthly expenditure		
Less than $3,000	553	39.81%
$3,000 - $9,999	597	42.98%
$10,000 - $19,999	226	16.27%
$20,000 - $39,999	12	0.86%
$40,000 - $59,999	1	0.07%

3.2 Respondents' Attitude to Retirement Protection Issue

Table 5 shows the respondents' attitude to the retirement protection issue. Respondents were asked to rate themselves the importance of retirement protection issue and how often they followed the news on such issue. These questions were rated with a scale of 0 − 10, where 0 indicates least important/least often and 10 indicates most important/most often. A rating with lower or equal to 4 indicates not important/seldom, a rating with 5 indicates neutral, and a rating with 6 or higher indicates important/often. 92.45% of the respondents considered retirement protection an important issue. However, only 57.53% of the respondents frequently followed the news of retirement protection from the media in the three months before the interview was conducted.

Table 5 Respondents' attitude to retirement protection issue

	Percentage
Level of importance on retirement protection issue	
Important (rating 6 - 10 marks out of 10)	92.45%
Neutral (rating 5 marks out of 10)	5.98%
Not important (rating 0 - 4 marks out of 10)	1.57%
How often the respondent followed the news	
Often (rating 6 - 10 marks out of 10)	57.53%
Neutral (rating 5 marks out of 10)	20.09%
Seldom (rating 0 - 4 marks out of 10)	22.38%

3.3 Expectation and Preference for Proposed Pension Scheme and Current Social Security System

Table 6 shows the respondents' expectation on whether the proposed pension scheme could reduce their financial burden on dependent elderly who aged 65 or above. Among those 1,108 respondents who had or expected to have at least one dependent family member aged 65 or above, 71.03% of them believed that the proposed pension scheme could reduce their financial burden on elderly. 62.52% of this group of respondents expected that the proposed scheme could help them reduce the financial burden by less than $3,000 per month, while 37.48% of them expected to be $3,000 or above.

Table 6 Expectation on proposed pension scheme

	Frequency	Percentage
Whether the pension scheme could reduce respondent's financial burden on dependent elderly		
(among those who had or expected to have dependent elderly)		
Yes	787	71.03%
No	321	28.97%
By how much		
Less than $1000	77	9.78%
$1,000 - $1,999	264	33.55%
$2,000 - $2,999	151	19.19%
$3,000	265	33.67%
More than $3,000	30	3.81%

Table 7 shows the respondents' preference for the features of the proposed pension scheme in three aspects: the pension amount ($3,000), the minimum eligible age requirement (Age 65) and the nature of non-means testing. 61.42% of the respondents were neutral or satisfied with the suggested amount of the monthly pension ($3,000). For those who were not satisfied, 94.61% of them considered $3,000 insufficient, while 5.39% of them preferred a pension amount lower than 3,000. Also, 75.22% of the respondents were neutral or satisfied with the minimum eligible age requirement of 65. 78.64% of those who were not satisfied would like to have a lower eligible age, and 21.36% of them preferred an eligible age higher than 65. The proposed pension scheme recommended all Hong Kong citizens aged 65 and above to receive the monthly pension regardless of their financial status. Only 35.45% of the respondents were found dissatisfied with the non-means-tested scheme.

Table 7 Preference for proposed pension scheme

	Percentage
Preference for the pension amount of $3,000*	
Satisfied (rating 6 – 10 marks out of 10)	36.82%
Neutral (rating 5 marks out of 10)	24.60%
Not satisfied (rating 0 - 4 marks out of 10)	38.58%
Reason of not satisfying:	
More than sufficient	5.39%
Insufficient	94.61%
Preference for the minimum eligible age requirement of 65*	
Satisfied (rating 6 – 10 marks out of 10)	55.57%
Neutral (rating 5 marks out of 10)	19.65%
Not satisfied (rating 0 - 4 marks out of 10)	24.78%
Reason of not satisfying:	
Too high	78.64%
Too low	21.36%
Preference for non-means testing*	
Satisfied (rating 6 – 10 marks out of 10)	48.21%
Neutral (rating 5 marks out of 10)	16.34%
Not satisfied (rating 0 - 4 marks out of 10)	35.45%

* 15 respondents did not reveal their preference for the pension amount of $3,000.

   5 respondents did not reveal their preference for the minimum eligible age requirement of 65.

   18 respondents did not reveal their preference for non-means testing.

Table 8 shows the respondents' satisfactory level for the current social security allowance (SSA) scheme and the current MPF/ORSO scheme in Hong Kong. 52.22% of the respondents were not satisfied with the current SSA scheme and 99.57% of them suggested that the current social welfare for elderly is insufficient. For the current MPF/ORSO scheme, only 16.40% of the respondents were satisfied with the current system.

Table 8 Satisfactory level for the current social security system

	Percentage
Satisfactory level for the current SSA scheme*	
Satisfied (rating 6 – 10 marks out of 10)	24.15%
Neutral (rating 5 marks out of 10)	23.63%
Not satisfied (rating 0 - 4 marks out of 10)	52.22%
Reason of not satisfying:	
More than sufficient	0.43%
Insufficient	99.57%
Satisfactory level for the current MPF/ORSO scheme*	
Satisfied (rating 6 – 10 marks out of 10)	16.40%
Neutral (rating 5 marks out of 10)	19.20%
Not satisfied (rating 0 - 4 marks out of 10)	64.40%

* 43 respondents did not reveal their satisfactory level for the current SSA scheme.

66 respondents did not reveal their satisfactory level for the current MPF/ORSO scheme.

3.4 Willingness to Accept a Preset Tax Rate

Table 9 shows the willingness to accept the preset tax rate for the respondents with income below $6,500. Among 1,389 respondents, 126 of them had a monthly income below $6,500. Recommended by the proposed pension scheme, this group of respondents was not required to pay any tax. However, it was found that 74.60% of this group of respondents were willing to pay a tax rate of 0.5% of their monthly income, and 85.11% of those who accepted the tax rate of 0.5% were willing to pay a tax rate of 1.0%.

Table 9 Willingness to accept the preset tax rate for income group below $6,500

	Frequency	Percentage
Willing to receive the pension for free		
Yes	119	94.44%
No	7	5.56%
Total	126	100.00%

Willing to pay 0.5% income tax		
(among those who were willing to receive the pension for free)		
Yes	94	78.99%
No	25	21.01%
Total	119	100.00%

Willing to pay 1.0% income tax		
(among those who were willing to pay 0.5% income tax)		
Yes	80	85.11%
No	14	14.89%
Total	94	100.00%

Table 10 shows the willingness to accept the preset tax rate for the respondents with income between $6,500 and $9,999. Among the 99 respondents whose income fell into this group, 76.77% of them were willing to accept the preset tax rate of 1.0% of their monthly income. 86.84% of the respondents who accepted the preset tax rate of 1.0% were willing to pay a higher tax rate of 1.5%, but 78.26% of those who rejected the present tax rate of 1.0% also rejected a lower tax rate of 0.5%.

Table 10 Willingness to accept the preset tax rate for income group $6,500 - $9,999

	Frequency	Percentage
Willing to accept 1.0% preset income tax		
Yes	76	76.77%
No	23	23.23%
Total	99	100.00%
Willing to pay 1.5% income tax		
(among those who accepted 1.0% preset income tax)		
Yes	66	86.84%
No	10	13.16%
Total	76	100.00%
Willing to pay 0.5% income tax		
(among those who rejected 1.0% preset income tax)		
Yes	5	21.74%
No	18	78.26%
Total	23	100.00%

Table 11 shows the willingness to accept the preset tax rate for the respondents with income between $10,000 and $19,999. 496 respondents fell into this group, of which 78.02% were willing to accept the preset tax rate of 1.5% of their monthly income. While 78.29% of those who accepted the preset tax rate of 1.5% were willing to pay a higher tax rate of 2%, 63.30% of those who rejected the preset tax rate of 1.5% rejected to pay a lower tax rate of 1.0%.

Table 11 Willingness to accept the preset tax rate for income group $10,000 - $19,999

	Frequency	Percentage
Willing to accept 1.5% preset income tax		
Yes	387	78.02%
No	109	21.98%
Total	496	100.00%
Willing to pay 2% income tax		
(among those who accepted 1.5% preset income tax)		
Yes	303	78.29%
No	84	21.71%
Total	387	100.00%
Willing to pay 1.0% income tax		
(among those who rejected 1.5% preset income tax)		
Yes	40	36.70%
No	69	63.30%
Total	109	100.00%

Table 12 shows the willingness to accept the preset tax rate for the respondents with income $20,000 or above. In our sample, most of the respondent (668 respondents) fell into this group. The suggested pension scheme recommended that people in this income group had to pay a tax rate of 2.5% of their monthly income, but the monthly tax payment should not exceed $3,000. This group of respondents had the lowest acceptance rate of the preset tax rate among all income groups. 67.22% of the respondents in this income group were willing to accept the preset tax rate of 2.5%. Among those who accepted the preset tax rate of 2.5%, 75.95% of them were willing to pay a higher tax rate of 3%, but 79.00% of those who rejected the preset tax rate of 2.5% were not willing to pay a lower tax rate of 2%.

Table 12 Willingness to accept the preset tax rate for income group $20,000 or above

	Frequency	Percentage
Willing to accept 2.5% preset income tax		
Yes	449	67.22%
No	219	32.78%
Total	668	100.00%
Willing to pay 3% income tax		
(among those who accepted 2.5% preset income tax)		
Yes	341	75.95%
No	108	24.05%
Total	449	100.00%
Willing to pay 2.0% income tax		
(among those who rejected 2.5% preset income tax)		
Yes	46	21.00%
No	173	79.00%
Total	219	100.00%

3.5 Determinants of Respondents' Willingness to Accept the Preset Tax Rate

Table 13 contains the results of Probit regression between willingness to accept the preset tax rate for the pension scheme and the demographic factors of the respondents. The dependent variable Answer1 is a dummy variable that equals 1 if the respondents accepted the preset tax rate, zero otherwise. Figures in parenthesis are standard errors. *, ** & *** denote significance at 1%, 5% and 10% level, respectively.

Table 13 Single Bound Dichotomous Choice Test

	(1)	(2)	(3)	(4)
VARIABLES		Answer1		
Income	-0.185***	-0.203***	-0.183***	-0.200***
	(0.0434)	(0.0594)	(0.0463)	(0.0601)
Age	0.0708*	0.0887**	0.0743*	0.0923**
	(0.0383)	(0.0428)	(0.0390)	(0.0437)
Education	0.203**	0.217**	0.185*	0.199**
	(0.0981)	(0.0992)	(0.0983)	(0.0993)
Gender	0.131*	0.135*	0.128*	0.132*
	(0.0767)	(0.0769)	(0.0774)	(0.0776)

Assets	-0.0211		-0.0188	
	(0.0512)		(0.0516)	
Housing	-0.0781		-0.0854	
	(0.0974)		(0.0978)	
Saving	3.69e-06		3.46e-06	
	(3.90e-06)		(3.87e-06)	
Elders at home	-0.0418		-0.0464	
	(0.0790)		(0.0791)	
Retired Income			0.0629	0.0634
			(0.0453)	(0.0458)
Retired Expenditure			-0.0853	-0.0842
			(0.0621)	(0.0624)
Constant	0.661***	0.740***	0.650***	0.730***
	(0.153)	(0.223)	(0.176)	(0.241)
Respondents	1,263	1,263	1,263	1,263

There are four equations in Table 13. The key regression is equation 4, while equations 1 to 3 are used for robustness purpose. The analysis for the regression results are discussed as follows:

Income: As shown in each equation, the variable is negative and statistically significant, which provides strong evidence that the respondents with higher income were less likely to accept the preset tax rate for the pension scheme. One of the possible reasons is that the respondents with higher income were required to pay a higher preset tax rate, which implies there is a wealth redistribution effect from the high income group to the low income group.

Age: This variable is positive and statistically significant, suggesting that the older respondents were more likely to accept the preset tax rate than the younger respondents. The main reason is that the older respondents are closer to the eligible age for pension, which implies the tax burden to the older respondents is smaller than that to younger respondents.

Gender: This variable is a dummy variable that equals 1 if the respondent is male, zero otherwise. The variable is statistically significant only at 10% level, suggesting that respondents' gender had a very weak effect on their willingness to accept the preset tax rate for the pension scheme.

Education: This variable is a dummy variable that equals 1 if the respondents had an undergraduate degree or above, zero otherwise. This positive and statistically significant

variable suggests that the education background of the respondents had a significant impact on their choice. It is possibly due to the fact that the respondents who were more educated were more informed of the seriousness of the ageing problem and hence the urgency for a pension scheme.

Assets, Housing and Saving: These variables related to respondents' financial status are not statistically significant. The finding suggests that the effects of income and financial status were not the same. One of the possible explanations is that the preset tax rate was based on income instead of financial status. A better financial status had no impact on the willingness to accept the preset tax rate.

Elders at Home: This variable is a dummy variable that equals 1 if there was no elderly aged 65 or above in respondents' family, zero otherwise. It is not statistically significant, suggesting that whether the respondents had elderly family members was not a concern to affect the respondents' decision on whether to accept the preset tax rate for the pension scheme.

Expected Retired Income and Expected Retired Expenditure: These variables related to respondents' expectation on their financial status upon retirement are not statistically significant. It can be explained by the difficulties in estimating the future income and expenditure.

We have also constructed the Double Bound Dichotomous Choice Test for robustness purpose as shown in Table 14. This Biprobit regression shows the relationship between willingness to accept the preset tax rate for the pension scheme and the demographic factors of the respondents. The dependent variables in column (1), (3), (5), (7) are dummy variables that equal 1 if the respondents accepted the preset tax rate in the first bid, zero otherwise. The dependent variables in column (2), (4), (6), (8) are dummy variables that equal 1 if the respondents accepted the preset tax rate in the second bid, zero otherwise. Figures in parenthesis are standard errors. *, ** & *** denote significance at 1%, 5% and 10% level, respectively. The results are consistent with the Single Bound Dichotomous Choice Test. The variable Income is negative and statistically significant, while Age and Education are positive and statistically significant.

Table 14 Double Bound Dichotomous Choice Test

VARIABLES	(1) Answer1	(2) Answer2	(3) Answer1	(4) Answer2	(5) Answer1	(6) Answer2	(7) Answer1	(8) Answer2
Income	-0.183***	-0.170***	-0.210***	-0.198***	-0.184***	-0.176***	-0.208***	-0.200***
	(0.0436)	(0.0420)	(0.0600)	(0.0576)	(0.0465)	(0.0449)	(0.0608)	(0.0579)
Age	0.0662*	0.0343	0.0847**	0.0426	0.0709*	0.0420	0.0896**	0.0508
	(0.0379)	(0.0354)	(0.0428)	(0.0395)	(0.0387)	(0.0357)	(0.0438)	(0.0400)
Education	0.208**	0.176*	0.223**	0.188**	0.188*	0.149	0.202**	0.161*
	(0.0970)	(0.0922)	(0.0982)	(0.0928)	(0.0972)	(0.0928)	(0.0984)	(0.0933)
Gender	0.136*	0.158**	0.142*	0.161**	0.132*	0.148**	0.137*	0.152**
	(0.0762)	(0.0733)	(0.0764)	(0.0735)	(0.0770)	(0.0740)	(0.0771)	(0.0742)
Assets			-0.0156	-0.0183			-0.0141	-0.0189
			(0.0512)	(0.0489)			(0.0515)	(0.0493)
Housing			-0.0883	-0.0142			-0.0962	-0.0254
			(0.0970)	(0.0925)			(0.0973)	(0.0927)
Saving			4.36e-06	4.18e-06			4.05e-06	3.71e-06
			(4.21e-06)	(3.94e-06)			(4.15e-06)	(3.88e-06)
Elders at home			-0.0550	-0.0347			-0.0599	-0.0420
			(0.0789)	(0.0758)			(0.0790)	(0.0760)
Retired Income					0.0741	0.103**	0.0739	0.102**
					(0.0457)	(0.0433)	(0.0461)	(0.0437)
Retired Expenditure					-0.0879	-0.0990	-0.0868	-0.0984
					(0.0621)	(0.0602)	(0.0625)	(0.0604)
Constant	0.663***	0.486***	0.770***	0.585***	0.637***	0.421**	0.746***	0.526**
	(0.153)	(0.147)	(0.224)	(0.215)	(0.177)	(0.168)	(0.242)	(0.231)
Respondents	1,263	1,263	1,263	1,263	1,263	1,263	1,263	1,263

Table 15 contains the results of the T-test for mean value for accepting the preset tax rate between those who believed the pension scheme could reduce their financial burden on dependent elderly and those who did not. Group 1 denotes the group who believed the pension scheme could reduce their burden, and Group 0 denotes the group who did not believe the pension scheme could reduce their burden. There were 68.36% of respondents who believed the pension scheme could reduce their burden accepted the preset tax rate, which is statistically higher than the group who did not believe the pension scheme could reduce their burden, with only 59.50% of respondents were willing to pay the preset tax rate. The result implies that the respondents who believed the pension scheme could reduce their burden were more likely to accept the preset tax rate than those who did not. A possible

reason is that the respondents who believed the pension scheme could reduce their burden considered at least part of the pension received by their elderly family member(s) their own benefit.

Table 15 T-test for mean value for accepting the preset tax rate

Group	Observations	Mean	Std. Error	Std. Deviation	95% Conf. Interval	
0	321	.5950156	.0274415	.4916554	.541027	. 6490042
1	787	.6836086	.0165884	.4653633	.6510458	.7161715
combined	1,108	.6579422	.0142584	.4746131	.6299658	.6859187
Diff.		-.0885931	.031333		-.1500719	-.0271142
					t = -2.8275	
					Ha: diff < 0	
					Pr(T > t) = 0.0024	

3.6 Determinants of Respondents' Preference for Proposed Pension Scheme

Table 16 contains the results of Ordered-probit regression between the preference for the pension amount of $3,000 and the demographic factors of the respondents. The dependent variable is a categorical variable ranged from 0 to 10 to indicate the respondents' preference for the pension amount of $3,000, with 0 indicates the least satisfied and 10 indicates the most satisfied. Figures in parenthesis are standard errors. *, ** & *** denote significance at 1%, 5% and 10% level, respectively.

Table 16 Determinants of preference for the pension amount of $3,000

	(1)	(2)	(3)
VARIABLES	Preference for Pension Amount of $3,000		
Income	-0.0837**	-0.0787**	-0.0841**
	(0.0329)	(0.0328)	(0.0330)
Age	0.0700**	0.0660**	0.0688**
	(0.0316)	(0.0313)	(0.0315)
Education	0.0153	0.00732	0.0124
	(0.0777)	(0.0779)	(0.0780)
Important Issue	-0.0495**		-0.0514**
	(0.0192)		(0.0203)
News		-0.00388	0.00488
		(0.0128)	(0.0136)
Observations	1,263	1,263	1,263

There are three equations in Table 16. The key regression is equation 3, while equations 1 and 2 are used for robustness purpose. The analysis for the regression results are discussed as follows:

Income: As shown in each equation, the variable is negative and statistically significant, which provides strong evidence that respondents with higher income were less satisfied with the pension amount of $3,000. One of the possible reasons is that the respondents with higher income usually had higher expenditure. A pension scheme of $3,000 was considered not sufficient to maintain their standard of living after retirement.

Age: This variable is positive and statistically significant, suggesting that the older respondents were more satisfied with the pension amount of $3,000 than the younger respondents. The main reason is that the older respondents were closer to the eligible age for pension, which implies that they might have more ideas about their retired lifestyle, and be able to make a more realistic judgment on the pension amount of $3,000.

Education: This variable is not statistically significant, suggesting that the education background of the respondents had no impact on their preference for the pension amount of $3,000.

Important Issue: This is a categorical variable ranged from 0 to 10 to indicate respondents' attitude to the level of importance on retirement protection issue, with 0 indicates the least important and 10 indicates the most important. This variable is negative and statistically significant, implying that the respondents who considered the retirement protection issue more important were less satisfied with the pension amount of $3,000. One possible way to explain this result is that the respondents who considered the retirement protection issue more important were those who had or expected to have larger financial needs.

News: This is a categorical variable ranged from 0 to 10 to indicate how often the respondents followed the news about retirement protection issue, with 0 indicates the least often and 10 indicates the most often. This variable is not statistically significant, implying that how often the respondents followed the news about retirement protection issue had no impact on their preference for the pension amount of $3,000.

Table 17 contains the results of Ordered-probit regression between the preference for the minimum eligible age requirement of 65 in the proposed pension scheme and the demographic factors of the respondents. The dependent variable is a categorical variable ranged from 0 to 10 to indicate the respondents' preference for the minimum eligible age

requirement of 65, with 0 indicates the least satisfied and 10 indicates the most satisfied. Figures in parenthesis are standard errors. *, ** & *** denote significance at 1%, 5% and 10% level, respectively.

Table 17 Determinants of preference for the minimum eligible age requirement of 65

VARIABLES	(1)	(2)	(3)
	Preference for the Minimum Age Requirement of 65		
Income	0.0720**	0.0651*	0.0702**
	(0.0343)	(0.0344)	(0.0342)
Age	0.0452	0.0409	0.0385
	(0.0303)	(0.0304)	(0.0303)
Education	0.0734	0.0615	0.0572
	(0.0779)	(0.0780)	(0.0782)
Important Issue	0.0623***		0.0519***
	(0.0190)		(0.0192)
News		0.0360***	0.0273**
		(0.0134)	(0.0136)
Respondents	1,263	1,263	1,263

There are three equations in Table 17. The key regression is equation 3, while equations 1 and 2 are used for robustness purpose. The analysis for the regression results are discussed as follows:

Income: This variable is positive and statistically significant, suggesting that respondents with higher income were more satisfied with the minimum eligible age requirement of 65. The major reason is that the respondents with higher income were more likely to have more savings and assets that could generate income after retirement, which implies that even if these respondents retire before the age of 65, they will be able to maintain their standard of living before they are eligible to receive the pension.

Age and Education: These variables are not statistically significant, suggesting that the age and the education background of the respondents had no impact on their preference for the minimum eligible age requirement of 65.

Important Issue: This variable is positive and statistically significant, which provides strong evidence that respondents who considered the retirement protection issue more important were more satisfied with the minimum eligible age requirement of 65. It suggests that the

minimum age requirement of 65 was widely accepted among those who thought retirement protection was an important issue.

News: This variable is positive and statistically significant, implying that the more often the respondents followed the news about retirement protection issue, the more satisfied with the minimum eligible age requirement the respondents were. It implies that the minimum age requirement of 65 was widely accepted among those who received more information about retirement protection from the media.

Table 18 contains the results of Ordered-probit regression between the preference for the nature of non-means testing and the demographic factors of the respondents. The dependent variables is a categorical variable ranged from 0 to 10 to indicate their preference for non-means testing, with 0 indicates the least satisfied and 10 indicates the most satisfied. Figures in parenthesis are standard errors. *, ** & *** denote significance at 1%, 5% and 10% level, respectively.

Table 18 Determinants of preference for non-means testing

VARIABLES	(1)	(2)	(3)
	Preference for Non-means Testing		
Income	-0.0272	-0.0407	-0.0296
	(0.0347)	(0.0346)	(0.0348)
Age	0.159***	0.154***	0.152***
	(0.0302)	(0.0302)	(0.0303)
Education	-0.105	-0.111	-0.123*
	(0.0741)	(0.0728)	(0.0738)
Important Issue	0.127***		0.116***
	(0.0187)		(0.0196)
News		0.0501***	0.0309**
		(0.0130)	(0.0136)
Respondents	1,263	1,263	1,263

There are three equations in Table 18. The key regression is equation 3, while equations 1 and 2 are used for robustness purpose. The analysis for the regression results are discussed as follows:

Income: This variable is not statistically significant, suggesting that the income level of the respondents had no impact on their preference for the nature of non-means testing in the proposed pension scheme.

Age: This variable is positive and statistically significant, suggesting that the older respondents were more satisfied with the non-means testing than the younger respondents. A possible reason for this result is that the respondents who were closer to the eligible age for pension expected to have larger benefits from the pension scheme than the younger respondents do, and a non-means-tested pension scheme guarantees that they receive the pension regardless of their financial status.

Education: This variable is negative and statistically significant only at 10%. The result shows that the higher educated respondents were less satisfied with the non-means testing than the respondents with less education background. It may be due to the fact that higher educated respondents were more aware of the sustainability and equity problems in a universal pension scheme and hence preferred a means-tested pension scheme.

Important Issue: This variable is positive and statistically significant, which provides strong evidence that respondents who considered the retirement protection issue more important were more satisfied with the non-means testing. The result suggests that whether the pension scheme is universal was one of the major concerns among those who thought retirement protection was an important issue, and most of them supported a non-means-tested pension scheme.

News: This variable is positive and statistically significant, implying that the more often the respondents followed the news about retirement protection issue, the more satisfied with the non-means testing the respondents were. One of the possible reasons is that the news about retirement protection reported in the media favor a universal non-means-tested pension scheme.

3.7   Reasons for Rejecting the Preset Tax Rate

Table 19 contains the results of the T-test for mean value of the preference for the pension amount of $3,000 between the respondents who accepted the preset tax rate and those who rejected. Group 0 denotes the group who rejected the preset tax rate and Group 1 denotes the group who accepted the preset tax rate. The satisfactory level for the pension amount of $3,000 ranges from 0 to 10, with 0 indicates the least satisfied and 10 indicates the most satisfied. For the respondents who accepted the preset tax rate, the mean value of the

preference for the pension amount of $3,000 was 5.03, which is statistically higher than the mean value of 4.59 for the respondents who rejected the preset tax rate. This result suggests that the pension amount of $3,000, which was considered insufficient by 94.61% of the respondents who were dissatisfied with the pension amount of $3,000 as shown in Table 7, provided one of the reasons to explain why some respondents rejected to pay the preset tax rate.

Table 19 T-test: Preference for the pension amount of $3,000

Group	Observations	Mean	Std. Error	Std. Deviation	95% Conf. Interval	
0	351	4.589744	.1384525	2.593907	4.31744	4.862047
1	912	5.033991	.0772804	2.333817	4.882323	5.18566
Combined	1,263	4.91053	.0679846	2.416086	4.777155	5.043906
Diff.		-.4442476	.1513059		-.7410866	-.1474086
					t = -2.9361	
					Ha: diff < 0	
					Pr(T > t) = 0.0017	

Table 20 contains the results of the T-test for mean value of the preference for the minimum eligible age requirement of 65 between the respondents who accepted the preset tax rate and those who rejected. Group 0 denotes the group who rejected the preset tax rate and Group 1 denotes the group who accepted the preset tax rate. The satisfactory level for the minimum age requirement of 65 ranges from 0 to 10, with 0 indicates the least satisfied and 10 indicates the most satisfied. For the respondents who accepted the preset tax rate, the mean value of the preference for the minimum age requirement of 65 was 6.12, which is statistically higher than the mean value of 5.74 for the respondents who rejected the preset tax rate. This result implies that the minimum age requirement was one of the major concerns when the respondents decided whether to accept the preset tax rate. As shown in Table 7, since 78.64% of the respondents who were dissatisfied with the minimum age requirement of 65 considered the age of 65 too high, more respondents are expected to accept the preset tax rate if a lower minimum eligible age requirement is applied.

Table 20 T-test: Preference for the minimum eligible age requirement of 65

Group	Observations	Mean	Std. Error	Std. Deviation	95% Conf. Interval	
0	351	5.735043	.1283678	2.40497	5.482573	5.987512
1	912	6.118421	.0818288	2.471175	5.957826	6.279016
combined	1,263	6.011876	.0691645	2.458019	5.876186	6.147567
Diff.		-.3833783	.1540794		-.6856585	-.0810982
					t = -2.4882	

Ha: diff $<$ 0

Pr(T $>$ t) = 0.0065

Table 21 contains the results of the T-test for mean value of the preference for the nature of non-means testing between the respondents who accepted the preset tax rate and those who rejected. Group 0 denotes the group who rejected the preset tax rate and Group 1 denotes the group who accepted the preset tax rate. The satisfactory level for the non-means testing ranges from 0 to 10, with 0 indicates the least satisfied and 10 indicates the most satisfied. For the respondents who accepted the preset tax rate, the mean value of the preference for the non-means testing was 5.62, which is statistically higher than the mean value of 4.76 for the respondents who rejected the preset tax rate. However, there were only 35.45% of the respondents who were dissatisfied with the non-means testing, while 48.21% were satisfied as shown in Table 7. It implies that even if some respondents rejected the preset tax due to the nature of non-means testing, a means-tested pension scheme may not be supported by more respondents.

Table 21: T-test: Preference for non-means testing

Group	Observations	Mean	Std. Error	Std. Deviation	95% Conf. Interval	
0	351	4.760684	.1781261	3.337192	4.410352	5.111016
1	912	5.619518	.0984758	2.973903	5.426252	5.812783
combined	1,263	5.380839	.0872791	3.101788	5.209611	5.552067
Diff.		-.8588338	.1934041		-1.238263	-.4794046
					t = -4.4406	
					Ha: diff $<$ 0	
					Pr(T $>$ t) = 0.0000	

Chapter 4: Policy Implications and Recommendations

As suggested by the World Bank, a country should apply a five-pillar pension framework in order to provide retirement protection against the risk of old age poverty. [25,26] The existing retirement protection system in Hong Kong covers four of the five pillars with the lack of the first pillar, a mandatory publicly managed contributory scheme. This study has found that only 16.40% of the respondents were satisfied with the current MPF scheme in Hong Kong, which implies that the current MPF scheme provides insufficient protection to retired people, especially for the low-income. In addition, the MPF scheme does not provide any old age protection for the non-working population. Although the SSA scheme serves as a safety net to provide the elderly with basic protection, only 24.15% of the respondents were satisfied with the current SSA scheme in Hong Kong. A pension scheme financed on a pay-as-you-go basis may therefore provide one of the solutions to strengthen the existing retirement protection system in Hong Kong and alleviate the problem of elderly poverty.[27]

While there is always a public concern that people are not willing to contribute for an additional pension scheme on top of their contribution to the current MPF scheme, which hinders the introduction of a new contributory pension scheme in Hong Kong, one of the major findings in this study is that among the respondents who were asked to pay a tax rate between 1% and 2.5%, 72.21% of them were willing to pay an extra tax for retirement protection. It shows that nowadays Hong Kong people have higher consciousness about retirement protection as 92.45% of the respondents rated the retirement protection issue important, and 57.53% of the respondents often followed the news on such issue. Although the respondents in higher income groups had lower acceptance rate of the preset tax rate, there were still 67.22% of the respondents who were willing to pay the highest preset tax rate of 2.5%. 75.95% of this group of respondents even accepted a tax rate of 3.0%. It suggests that people in general do not strongly oppose a progressive tax for retirement protection.

This study also found that only 36.82% of the respondents were satisfied with the pension amount of $3,000. Among those who were dissatisfied with the amount of $3,000, 94.61% of those respondents regarded the pension amount of $3,000 insufficient for their retirement protection. Given 99.57% of the respondents who indicated dissatisfaction for the current SSA scheme believed that the current SSA scheme provides insufficient protection to people in their old age, the suggested pension amount of $3,000, which is only $435 higher than the

[25] Holzmann, R., Hinz, Richard. (2005). Old-Age Income Support in the 21st Century: An International Perspective on Pension Systems and Reform. Washington, D.C.: The World Bank.
[26] Holzmann, R., Hinz, R. P. and Dorfman, M. (2008). Pension Systems and Reform Conceptual Framework. Washington, D.C.: The World Bank.
[27] Midgley, J. (1993). Social Security and Third World Poverty: The Challenge to Policymakers. *Review of Policy Research*, 12: 133-143.

current payment of the OALA ($2,565 as in February 2017), was not supported by the majority of the respondents. Therefore, it is suggested that in order to introduce a contributory pension scheme with an amount higher than $3,000, the contributions from the government and the business sector (i.e. employer) are as crucial as the contributions from the employees. Also, further studies could be conducted on the employees' attitude to a pension scheme with a higher pension amount and higher tax rates.

Same as Professor Chow's suggestion in the research report on future development of retirement protection in Hong Kong,[28] we recommend the Hong Kong government setting up a seed money fund, which generates interest to alleviate the social security burdens on employees and business sector. The business sector is expected to play a role in providing adequate retirement protection to their employees. Therefore, we also recommend the government to liaise with the business sector and find consensus. A tripartite contributory scheme will enhance the retirement protection of the Hong Kong population, and make the system more robust and sustainable. To enable a more comprehensive study and analysis, it is suggested that further studies could be conducted to investigate the feasibility of introducing a universal pension scheme from employers' perspective.

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Appendix 1: Questionnaire

本問卷之目的為研究一項擬定全民退休保障政策的可行性，該政策假設政府將會確保每一名年滿 65 歲或以上的香港永久居民每月可獲發放相等於現時 3,000 港元購買力的生活津貼。

	Official Use
第一部份 － 個人資料	
Q1.) 就業狀況： 1□全職　2□兼職　3□自僱　4□沒有就業(問卷無須繼續)	01.) _____
Q2.) 請問你是： 1□香港永久居民　2□香港居民　3□非香港居民(問卷無須繼續)	02.) _____
Q3.) 年齡： a 出生年份：_____ 1□14 歲或以下(問卷無須繼續)　2□15-19 歲　3□20-29 歲 4□30-39 歲　5□40-49 歲　6□50-59 歲　7□60-64 歲 8□65 歲或以上	03.) _____ a_____
Q4.) 性別： 1□男　2□女	04.) _____
Q5.) 職業： 1□專業人士 2□經理/行政人員 3□白領人士 4□藍領人士 5□其他	05.) _____

	06.)
Q6.) 教育程度： 1□小學或以下 2□中學或文憑 3□副學士或高級文憑 4□學士 5□碩士或以上	_____
Q7.) 個人流動資產總值，例如<u>現金</u>、<u>存款</u>、<u>股票</u>、<u>債券</u>、<u>基金</u>及<u>非自住</u> <u>或非自用物業市值</u>(包括<u>住宅</u>、<u>車位</u>、<u>寫字樓</u>及<u>工廠</u>)： 1□\$100,000 以下 2□\$100,000 – \$499,999 3□\$500,000 – \$999,999 4□\$1,000,000 – \$3,999,999 5□\$4,000,000 或以上	07.) _____

Q8.)

現時居所類型：

租	買	其他
1□租住的私人樓宇 2□租住的公屋 3□租住學生宿舍 4□租住公務員/公司 宿舍或享有公司 租金津貼	5□仍需供款的名下物 業 (個人或聯名) 6□已無需供款的名下 物業 (個人或聯 名)	7□家人或朋友名下 物業 (無須繳交 租金) 8□其他

08.)

_____

第二部份 - 經濟負擔及退休預算	
Q9.) 現時家庭中的 14 歲或以下家庭成員數目為_____個。	09.) _____
Q10.) 現時家庭中需要供養的 15 歲至 64 歲家庭成員數目為_____個。	10.) _____
Q11.) 現時家庭中有沒有 65 歲或以上的長者？ 1□有： 　數目：_____ 　是否需要供養他/他們？ 　a□需要: 用於每位長者的平均每月開支為\$_____ 　b□現時不需要，但將來有機會需要 　c□現時不需要，將來也不需要 (請往 Q13) 2□沒有 　你預算將來有供養 65 歲或以上長者的需要嗎？ 　a□有 　b□沒有 (請往 Q13)	11.) _____ 1_____ 1a_____
Q12.) 假設你所供養的每位年滿 65 歲長者均獲得政府發放的 3000 港元退休金，該措施能否為你減少用於供養長者的開支？ 1□能夠，可減少開支： 　a□\$1 – \$999 　b□\$1,000 – \$1,999 　c□\$2,000 – \$2,999 　d□\$3,000 　e□\$3,001 或以上 2□不能夠	12.) _____

Q13.) 根據現時的物價水平，你預算將來退休後每月收入是多少？(包括資產回報收入，如租金、利息、股息、強積金及子女供養金額，但不包括儲蓄本金及政府資助，如生果金及長者生活津貼) 1□沒有收入 2□$1 – $2, 999 3□$3,000 – $9, 999 4□$10,000 – $19, 999 5□$20,000 – $39, 999 6□$40,000 – $59, 999 7□$60,000 – $79,999 8□$80,000 或以上	13.) _____
Q14.) 根據現時的物價水平，你預算將來退休後每月支出是多少？(包括住屋、醫療、飲食、交通及娛樂) 1□$3,000 以下 2□$3,000 – $9, 999 3□$10,000 – $19, 999 4□$20,000 – $39, 999 5□$40,000 – $59, 999 6□$60,000 – $79,999 7□$80,000 或以上	14.) _____

第三部份 – 對退休保障政策之意見	
Q15.) 你覺得退休保障是一個重要的議題嗎？ | 完全不重要				中立					非常重要 | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 99☐不確定	15.) _____
Q16.) 最近三個月你有留意傳媒對退休保障議題的報導嗎？ | 完全沒留意 | | | | 中立 | | | | | 非常留意 | | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 99☐不確定	16.) _____
Q17.) 現時每月平均工作收入為： 1☐$6,500 以下　　　　　(回答 Q18 後請往 Q19) 2☐$6,500 – $9,999　　　(回答 Q18 後請往 Q22) 3☐$10,000 – $19,999　 (回答 Q18 後請往 Q25) 4☐$20,000 – $39,999　 (回答 Q18 後請往 Q28) 5☐$40,000 – $79,999　 (回答 Q18 後請往 Q28) 6☐$80,000 – $119,999　(回答 Q18 後請往 Q28) 7☐$120,000 或以上　　　(回答 Q18 後請往 Q28)	17.) _____
Q18.) 平均每月個人儲蓄 (扣除衣食住行開支) 金額為$_____。	18.) _____

假設政府將會確保每一名年滿 65 歲或以上的香港永久居民每月可獲發放相等於現時 3,000 港元購買力的生活津貼,其代價是根據你的收入而收取相關稅款。
(如下表所列)

收入	稅率	稅款
$6,500 以下	0%	$0
$6,500 – $9,999	1%	$65 – $100
$10,000 – $19,999	1.5%	$150 – $300
$20,000 – $39,999	2.5%	$500 – $1,000
$40,000 – $79,999	2.5%	$1,000 – $2,000
$80,000 – $119,999	2.5%	$2,000 – $3,000
$120,000 或以上	2.5%	$3,000

Q19.) 假如這項退休保障能為你每位長者(無論是即時,還是將來於他們年滿 65 歲時)帶來 3000 港元退休金,同時也會於你年滿 65 歲時為你帶來 3000 元退休金,而你並不需要繳交任何稅款,你是否贊成政府推行這項退休保障計劃? 1□贊成　　　2□反對	19.) _____
Q20.) 如果你要繳交的稅率是 0.5%,你願意支付嗎? 1□願意 (請往 Q21) 2□不願意 (請往 Q31)	20.) _____
Q21.) 如果你要繳交的稅率是 1.0%,你願意支付嗎? 1□願意 (請往 Q31) 2□不願意 (請往 Q31)	21.) _____
Q22.) 假如這項退休保障能為你每位長者(無論是即時,還是將來於他們年滿 65 歲時)帶來 3000 港元退休金,同時也會於你年滿 65 歲時為你帶來 3000 元退休金,但其代價是政府會向你額外收取相當於你每月收入 <u>1%</u>的金額作為稅款(約每月 65 至 99 元),你願意支付這稅率嗎? 1□願意 (請往 Q23) 2□不願意 (請往 Q24)	22.) _____

Q23.) 如果你要繳交的稅率是 1.5%，你願意支付嗎？ 1□願意 (請往 Q31) 2□不願意 (請往 Q31)	23.) _____
Q24.) 如果你要繳交的稅率是 0.5%，你願意支付嗎？ 1□願意 (請往 Q31) 2□不願意 (請往 Q31)	24.) _____
Q25.) 假如這項退休保障能為你每位長者(無論是即時，還是將來於他們年滿 65 歲時)帶來 3000 港元退休金，同時也會於你年滿 65 歲時為你帶來 3000 元退休金，但其代價是政府會向你額外收取相當於你每月收入 <u>1.5%</u>的金額作為稅款(約每月 150 至 300 港元)，你願意支付這稅率嗎？ 1□願意 (請往 Q26) 2□不願意 (請往 Q27)	25.) _____
Q26.) 如果你要繳交的稅率是 2.0%，你願意支付嗎？ 1□願意 (請往 Q31) 2□不願意 (請往 Q31)	26.) _____
Q27.) 如果你要繳交的稅率是 1.0%，你願意支付嗎？ 1□願意 (請往 Q31) 2□不願意 (請往 Q31)	27.) _____
Q28.) 假如這項退休保障能為你每位長者(無論是即時，還是將來於他們年滿 65 歲時)帶來 3000 港元退休金，同時也會於你年滿 65 歲時為你帶來 3000 元退休金，但其代價是政府會向你額外收取相當於你每月收入 <u>2.5%</u>的金額作為稅款(即每 20,000 元收入需每月繳交 500 元稅款，但每月稅款不會多於 3000 元)，你願意支付這稅率嗎？ 1□願意 (請往 Q29) 2□不願意 (請往 Q30)	28.) _____

Q29.) 如果你要繳交的稅率是 3.0%，你願意支付嗎？ 1☐願意 (請往 Q31) 2☐不願意 (請往 Q31)	29.) _____
Q30.) 如果你要繳交的稅率是 2.0%，你願意支付嗎？ 1☐願意 (請往 Q31) 2☐不願意 (請往 Q31)	30.) _____
Q31.) 你滿意方案中所建議的每月 3000 港元津貼金額嗎？	31.) _____

Q31 scale:

完全不滿意					中立					完全滿意
0	1	2	3	4	5	6	7	8	9	10

99☐不確定
(如答案是 0 - 4，請往 Q32)
(如答案是 5 - 10，請往 Q33)

Q32.) 不滿意的原因是 3000 港元津貼金額 1☐太多 2☐太少	32.) _____
Q33.) 你滿意方案中所建議的 65 歲受惠年齡嗎？	33.) _____

Q33 scale:

完全不滿意					中立					完全滿意
0	1	2	3	4	5	6	7	8	9	10

99☐不確定
(如答案是 0 - 4，請往 Q34)
(如答案是 5 - 10，請往 Q35)

Q34.) 不滿意的原因是 65 歲受惠年齡 1☐太高 2☐太低	34.) _____

Q35.) 你滿意現有的老人福利(例如長者生活津貼及高齡津貼(生果金))嗎？ 完全不滿意　　　　　　　中立　　　　　　　完全滿意 0　1　2　3　4　5　6　7　8　9　10 99☐不確定 (如答案是 0 - 4，請往 Q36) (如答案是 5 - 10，請往 Q37)	35.) _____
Q36.) 不滿意的原因是現有的老人福利 1☐太多 2☐太少	36.) _____
Q37.) 你滿意方案中免資產審查的建議嗎？ 完全不滿意　　　　　　　中立　　　　　　　完全滿意 0　1　2　3　4　5　6　7　8　9　10 99☐不確定	37.) _____
Q38.) 你滿意現有的強積金或公積金制度嗎？ 完全不滿意　　　　　　　中立　　　　　　　完全滿意 0　1　2　3　4　5　6　7　8　9　10 99☐不確定	38.) _____
Q39.) 有沒有其他因素直接影響你是否接受建議中的全民退休保障計劃？ 1☐有：_____ 2☐沒有	39.) _____
- 問卷完成，謝謝！ -	