

## **Research Assessment Exercise 2020**

### **Impact Case Study**

**University:** [The Education University of Hong Kong |

**Unit of Assessment (UoA):** [25 Political science (incl. public policy & administration & international relations) |

**Title of case study:** [Income protection and poverty reduction in the aged population |

#### **(1) Summary of the impact**

[Despite its relative prosperity, Hong Kong is a rapidly aging society with an exceptionally high rate of poverty in old age, due to an underdeveloped retirement income protection system. Addressing this has become a major priority for policy makers so that the well-being of elderly people can be improved while the burden on public finances can be managed in a sustainable manner. Prof CHOU Kee Lee's research on poverty in old age led to more understanding among policymakers and the general public of the limitations of the current official poverty line, for example by highlighting that it did not take assets into account, or consider other measures based on expenditure and standard of living. Moreover, his research findings on pension reform provide a more balanced view on the debate on the pros and cons of universal and more targeted pension schemes, and influenced the introduction of public annuity benefiting at least 9,140 older persons in the first year so that their retirement income security could be enhanced. |

#### **(2) Underpinning research**

[World Bank figures in 2018 show Hong Kong has one of the highest per capita GDPs in the world – ahead of countries such as Finland and Canada. However, research led by Prof Chou Kee Lee, Chair Professor of Social Policy with the Department of Asian and Policy Studies, has highlighted a particularly high prevalence of poverty among its elderly population. Specifically, in 2011 about 389,000 (41.4%) out of 0.94 million older persons were found to be living in poverty [see Section 3, R1]. His research has not only identified the scale of the problem [R1], but also points to more suitable measurement of the poverty problem among the elderly [R2, R3, R4] and highlighted the consequence of living in poverty on the psychological well-being of the aged population [R3, R4].

Using survey data and macro-simulation, in 2016, Prof Chou evaluated how the newly introduced Old Age Living Allowance (OALA) would reduce old-age poverty rates and its financial sustainability [R5]. The team found the old-age poverty decreased from 32.5% to 27.1% after the introduction of OALA but that the expenditure of OALA would be increased more than three times from US\$1,258 million in 2020 to US\$3,974 million in 2064. Further research was based on a survey of more than 5,000 households and used a self-developed micro-simulation modelling computer program. From this, Prof Chou evaluated the anti-poverty effect of three pension reform options: 1) universal pension (all adults aged 65 and older eligible to receive a monthly payment of HK\$3,000); 2) increasing the OALA Scheme to HK\$3,000; and 3) enhancing the provisions under the old-age category of the Comprehensive Social Security Assistance (CSSA), by increasing its take-up rate (the percentage of eligible individuals receiving the benefit) to 80%. The team found that the cost-effectiveness in anti-poverty effect is the greatest for the enhanced CSSA (option 3), followed by improved OALA, and lowest for universal pension.

In both 2014 and 2016 Prof Chou and his team conducted further research on pension reform before and after the government's retirement income protection public engagement exercise, held December 2015 to June 2016. Two phone surveys were used to measure public attitude to the reform before and after the public engagement. They found that 70%-80% of participants supported the

universal pension while about 50% supported the means-tested one. In further research conducted in 2015-2016 Prof Chou and his colleagues conducted a discrete choice experiment of 500 middle-aged adults and a survey of another 1,067 middle-aged adults. In the choice experiment, they found that the most popular annuity was one with a fixed annual income, without intra-year bonus payments, and with a 10-year guarantee period while almost one-third of participants reported that they preferred to buy annuity rather than self-manage the MPF savings when they retired [R6]. Chou conducted the above research [R1-R6] with Lee, Chan and Kuchner et al., mentoring junior scholars in his team to contribute as first authors. |

### (3) References to the research

[R1] Lee, S.Y. and Chou, K.L. (2016). Trends in elderly poverty in Hong Kong: A Decomposition Analysis. *Social Indicators Research*, 129, 551-564.

[R2] Chan, L.S., and Chou, K.L. (2018). A survey of asset poverty among older adults of Hong Kong. *Social Indicators Research*, 138, 605-622.

[R3] Lee, S.Y. and Chou, K.L. (2018). Assessing the relative contribution of social exclusion, income-poverty, and financial strain on depressive symptoms among older people in Hong Kong. *Aging and Mental Health*, 23(11), 1487-1495.

[R4] Cheung, K.C.K. and Chou, K.L. (2017). Poverty, deprivation and life satisfaction among Hong Kong older persons. *Ageing and Society*, 39, 703-721.

[R5] Kuehner, S. and Chou, K.L. (2018). Poverty alleviation, coverage and fiscal sustainability: Investigating the effect of a new social pension in Hong Kong. *International Journal of Social Welfare*, 28, 89-99.

[R6] Lee, S.Y., Chou, K.L., Chan, W.S., and van Kippersluis, Hans (2018). Consumer preferences and demand for annuities: Evidence from Hong Kong. *Journal of Aging and Social Policy*, 31(2), 170-188.

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### (4) Details of the impact

Prof Chou's research has had impact in two main areas: (i) changing the nature of public debate and perceptions and (ii) impacts on policy and policy debates.

**i) Changing the nature of the debate and perceptions:** Prof Chou's 2014 research on policy options that would best alleviate poverty among the elderly population served to remind the public and policy makers that one of the most important functions of retirement income protection is to keep old-age poverty low. By prompting discussion in the media and more widely in Hong Kong he changed perceptions and improved understanding of different pension schemes and income protection options, including annuities – a relatively new concept to Hong Kong. Before that, supporters of a universal pension argued that such a pension should be perceived as a basic human right and a due recognition of elderly persons' contribution to society, but not focus on one of major functions for a retirement income protection system, the alleviation of poverty in old age.

Prof Chou was invited to present his findings to the Commission on Poverty at a meeting in September 2014 and to Legislative Council Subcommittee on Retirement Protection, Panel on Welfare Service, in October, 2014 [See Section 5, C1]. Former Legislative Council member Peter Kwok-che Cheung affirmed that Prof Chou had provided “an important alternative perspective ... We cited his findings

*in our Legislative Council meetings because of the impartiality of his investigation on retirement income protection..... Professor Chou's effort to address poverty issues in Hong Kong is well-known and highly respected.*" [C4]. The findings were released to the public in a press conference held in August 2014 and were covered in primetime television news programmes, the radio and all major mass circulation newspapers, including TVB, RTHK, Apple Daily, among others, [See Section 5, C5], reaching TV audiences of more than 5 million, newspaper audiences of more than 4 million, and radio audiences of more than 1 million, based on the Nielsen Media Index for mid-2014.

The 2014 and 2016 survey findings, on Retirement Income Protection Reform, once again guided the pension reform debate by identifying the contrasting public views that the majority of the general public supported the universal pension. The survey findings were quoted by Legislative Council member Mr. Peter Kwok-che Cheung in a Council meeting on February 18, 2016 [C1] as well as another Council member Dr Fernando Cheung Chiu-Hung in his newspaper op-eds [C6]. In another Council meeting on February 11, 2015, Bill Ka-piu Tang mentioned that Prof Chou is a scholar the Government valued at that time [C1]. Throughout the period of review Prof Chou has maintained a high profile in the mass media, as an expert on pension reform and the poverty situation among the elderly. He wrote 23 op-ed articles since 2013 (to be updated) including 10 for Mingpao; 8 for Hong Kong Economic Journal and 4 for Hong Kong Economic Times) and was featured on the TV and radio discussing these issues. This was affirmed in testimony from H.M Tsui, editor of Now TV, who shared that Prof Chou's research "*gave us insights on the influence of the different retirement schemes....Prof Chou helped us to see clearly the influence of the different models. ....the public received more information and analysis from Professor Chou's research... Now TV news and program always cover the research done by Prof Chou*" [C7]. Oxfam Hong Kong Programme Manager Wong Shek Hung affirmed the significance of this public influence: "*Oxfam Hong Kong considered Prof Chou's researches contributed to the debate on universal and means-tested elderly poverty policy. Prof Chou's work has shown that elderly poverty has multi-facets, could be understood from income, asset and consumption angle.*" [C8]

**ii) Impacts on policy and policy debate:** Prof Chou's work has been used as a key source of evidence to support policy change and to inform policy debate and discussion. This has been through three main avenues. Firstly, Prof Chou was invited to present his findings on the relative popularity of different types of annuity scheme to the Secretary for Labour and Welfare Bureau, HKSAR Government; Managing Director of Mandatory Provident Fund Authority; and Chairman of the Elderly Commission in April 2017. This influenced decision-making and policy development by making the policy formulation process more balanced by taking the views of the public into account. On July 5, 2018, the Hong Kong Mortgage Corporation Annuity Limited officially launched a public annuity plan with an initial issue limit of HK\$10 billion. Connie Law, Chief Manager (External Affairs) of the Hong Kong Mandatory Provident Fund Scheme, affirmed: "We are pleased to say that we have looked at some of your studies on retirement protection in the past and they were of good reference value to us" [C9]. By November 2018, at least 9,140 people had signed up to this new scheme so that their retirement income security could be enhanced.

Secondly, Prof Chou's research influenced policy through his extensive media appearances, in print, TV and radio, publicising and disseminating his evidence in the public sphere. This influenced policy as it changed the public perception of pension scheme to what would be the best policy to reduce poverty in Hong Kong – thus putting pressure on government to change direction. Mr Tsui, of Now TV, shared that Prof Chou's research "*carried certain influence on the policy formation of the Government as it influenced the views of the public.*" [C7] These efforts resulted in pressure on the Government to implement change.

Thirdly, Prof Chou's work has been used by NGOs, such as Oxfam, to advocate for the rights of the poor and ensure that there is income protection, specifically for the aged population, as affirmed by Oxfam's Ms Wong's testimony: "*This contributes to our work in advocating a more targeting elderly poverty alleviation policy, by differentiating the real elderly poor (elderly with asset poor).*" [C6] The former legislator Mr Cheung affirmed: "*He has persistently advocated how to improve our*

*official measurement of the poverty line and pushed the Government to refine it by considering both the asset and consumption patterns of older adults.” [C4, C10] Moreover, Prof Chou also helped AIA Pension and Trust Co Ltd (AIA MPF) to develop the Retirement Quotient that has been used to annually measure the retirement readiness of working population in Hong Kong since 2015 [C11] so that the public is better financially prepared for their old age.*

Most of the measures advocated by Prof Chou have indeed been adopted by the Government after being shared with and recognized by Government officials. In 2017, the Chief Executive of the HKSAR announced in her Policy Address that means-tested OALA will be enhanced by introducing a higher tier of assistance with higher benefits but with a stricter asset criteria, and the abolition of the need for family members to declare whether they provided financial support to their elderly family members applying for CSSA, which will increase the coverage of the old-age CSSA [C12]. At the end of 2017, 167,358 older adults aged 60 and older received CSSA and 428,363 older adults received the higher tier of OALA. The outcome of the implementation of these measures is the alleviation of elderly poverty in Hong Kong. |

## **(5) Sources to corroborate the impact**

[C1-C3] Legislative Council Official Record of Proceedings

[C1] Panel on Welfare Services. Subcommittee on Retirement Protection, Meeting on Saturday, 11 October 2014 LC Paper No. CB(2)18/14-15(01) (submission) and LC Paper No. CB(2)56/14-15(01) (PowerPoint presentation) [https://www.legco.gov.hk/yr14-15/english/panels/ws/ws\\_rp/agenda/rp20141011.htm](https://www.legco.gov.hk/yr14-15/english/panels/ws/ws_rp/agenda/rp20141011.htm)

[C2] Legislative Council Official Record of Proceedings, February 18, 2016 [Page 5368]. <https://www.legco.gov.hk/yr15-16/english/counmtg/hansard/cm20160218-translate-e.pdf>

[C3] Legislative Council Official Record of Proceedings, February 11, 2016. [Page 6305]. <https://www.legco.gov.hk/yr14-15/english/counmtg/hansard/cm20150211-translate-e.pdf>

[C4] Letter, Former Legislative Councilor Peter Kwok-che Cheung

[C5] Media coverage, 19.08. 2014, eg TVB: RTHK Universal Pension Alternative Suggested. 19.08.2014; SCMP: Expand Social Security, Study Says; and Apple Daily; Sing Tao; the Sun, Ta Kung Pao; The Standard, Commercial Radio, Sina (cuttings and recordings)

[C6] Dr Fernando Cheung, op-ed article, Sing Tao Newspaper. January 8, 2016

<http://cheungchiuhung.org.hk/chi/%E4%BD%9C%E7%82%BA%E7%A4%BE%E6%9C%83%E5%9F%BA%E5%BB%BA%E7%9A%84%E5%85%A8%E6%B0%91%E9%80%80%E4%BC%91%E4%BF%9D%E9%9A%9C/>

[C7] Letter, H.M Tsui, Editor, NOW TV

[C8] Letter, Wong Shek Hung, Hong Kong Programme Manager, Oxfam Hong Kong

[C9] Testimonial from Mrs Connie Law, Mandatory Provident Fund Schemes Authority

[C10] Supplementary Poverty Line Analysis: Expenditure Patterns of Poor Households in 2015 Information Paper. HKSAR Government. 2016 December

[C11] Media Release, AIA Pension and Trust Co Ltd, November 9, 2017. <http://www.aia-pt.com.hk/en/about-aia/media-centre/2017/aia-mpf-rq-release.html>

[C12] Policy Address of Chief Executive of the HKSAR (Paragraph 175), [https://www.policyaddress.gov.hk/2017/eng/policy\\_ch05.html](https://www.policyaddress.gov.hk/2017/eng/policy_ch05.html) |