**SCMP Article**

**Focus on giving genuinely poor a decent pension**

The government launched a public consultation exercise on retirement protection last month, publishing a detailed 113-page consultation document, a smaller-format 60-page executive summary and a basic leaflet.

The main document contains pages of detailed charts and graphs. Even the graphics and relatively simple data from the leaflet are quite complex. Our existing retirement framework is already complicated, with such elements as the Mandatory Provident Fund, social security and subsidised services like health care. The introduction of a bigger and more comprehensive pension is bound to be difficult. I think we should focus on the basics.

I believe it is time to address this challenge and move on to a system that better meets the needs of our elderly. It is shameful that a wealthy city like Hong Kong still has old people living in poverty. We can do something to fix it, and we should.

But at the same time, such a change must also meet the needs of the wider population and the long-term well-being of our economy. In short, it must be sustainable.

The consultation document presents two basic approaches. One is a universal pension, which officials call the “regardless of rich or poor” option. The other is a targeted pension system, or the “those with financial needs” option.

Critics accuse the government of bias against a universal system. Perhaps the names used for the two options look that way. But I wonder whether the names are perhaps actually in tune with public thinking.

Supporters of a universal pension take an idealistic approach and see across-the-board protection as a basic right. They say it would be administratively less complex and less potentially humiliating than a means-tested benefit. That sounds reasonable.

The problem is that officials and – I am pretty sure – quite a few taxpayers and others are concerned about the financial sustainability of a universal system. They are right to be. Experience in other developed countries shows that such systems can become bigger burdens than anyone expects. Rising life expectancy has increased the number of recipients, while politicians eager for votes push for payments to go up faster than economic growth or inflation.

Critics complain that the government has somehow rigged this consultation process by offering just two misleading choices: a universal option with “scary” implications for taxes and the economy, and a means-tested option that would help only the very poorest elderly. To be fair, the government’s options are simply examples – people are free to suggest their own alternatives.

Many of the academics and other supporters are themselves proposing a system that is problematic. The most prominent group is demanding a system that gives rich and poor alike a pension of HK$3,230 a month. Officials say this will push up taxes too much in the long run. Some opposition figures counter that we should divert funds from infrastructure or tax the rich more. This raises a key question. Even if we made more revenue available through higher taxes or diverted infrastructure spending, and we gave all retirees a pension, would it make sense? Why give money to old rich people rather than to public pre-school services, public hospitals or cleaning up the environment?

But I would go further and say that we are still missing an essential point: HK$3,230 a month does not actually help the elderly poor. By putting a priority on a pension for all elderly, the academics and activists end up suggesting a level of financial support that is too low to live on. Rather than boycott the consultation, people who sincerely want to tackle elderly poverty should produce a proposal that ensures a realistic (more than HK$3,230) minimum income for the elderly. It would involve hard work on defining retirement age, asset levels and a minimum income. It would require some sort of means test, but it should be possible to devise a humane process.

A universal pension may seem right in principle. But it inevitably means leaving the genuinely poor elderly with too little. They should be the focus.