WORKING PAPER No. 41
MODIFIED POPULATION AND EMPLOYMENT ASSUMPTIONS UNDER STAGE 4 REFERENCE SCENARIO

Purpose

1. The purpose of this paper is to present and explain modified population and employment assumptions under the Reference Scenario, which will be used as a basis for the formulation of a Preferred Development Option under Stage 4 Study.

Assumptions under Stage 3

2. Population and employment assumptions under the Reference Scenario in Stage 3 were derived on the basis of broad trends up to 2001 as well as Hong Kong’s long-term vision targets, as summarised in the following table.

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resident Population</strong></td>
<td>6.7 million</td>
<td>7.6 million</td>
<td>8.5 million</td>
<td>9.2 million</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>3.3 million</td>
<td>3.6 million</td>
<td>3.9 million</td>
<td>4.0 million</td>
</tr>
</tbody>
</table>

3. The assumed population figures as shown above were higher than the 2001-based projections made by the Census and Statistics Department (C&SD) (i.e. 8.7 million by 2031) mainly due to assumptions for higher intake of talent and skilled workers to meet the needs of a growing and increasingly knowledge-based economy and to replenish the shrinking working population as a result of the ageing phenomenon.
New Circumstances

Public Views

4. In Stage 3 Public Consultation, we have received a number of comments on the assumptions adopted in the Study. Many regarded the assumptions to be on the high side. Reasons for such commentaries included the trend for more Hong Kong people living or working across the boundary, and the likelihood of over-estimation of Mainland children with right of abode in Hong Kong. There was a concern that over-estimation of population growth could lead to over-provision of infrastructure and facilities and therefore wastage in public resources.

Updated Trends

5. Indeed, latest trends captured by C&SD gave a base-year population for 2003 which was lower (about 1%) than that projected in 2001. Two factors were particularly notable: (a) the net movement turned out to be considerably lower in 2003 and the assumptions in this regard have therefore been revised down slightly for future years; and (b) the level of fertility also turned out to be considerably lower in 2003 and the extent of rebound in fertility rate in future years is now expected to be smaller. By the end of the 30-year projection period, the cumulative difference in population level between the two sets of projections (i.e. 2001-based and 2003-based) will be about 5%, giving a new projected population of 8.4 million by 2033 (8.3 million by 2030).

6. Another significant trend noted in another exercise (the Cross-Boundary Travel Surveys) has been the increase in the number of cross-boundary workers (CBWs), including both Hong Kong Usual Residents working in the Mainland, and Mainland residing Hong Kong people who have jobs in Hong Kong. The latest survey conducted in 2003 recorded a rise of 36% in persons living in the Mainland travelling to Hong Kong for work purpose as compared to the 2001 Survey. Although the actual number (about 17,000) was still minor compared to the overall size of the workforce, as living conditions in the Mainland and cross-boundary transport infrastructure improve, more people are expected to opt for this mode of living. While these people, being residents in the Mainland, will no longer be included in Hong Kong’s census counts, they do contribute to the “daytime

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1 Refer to C&SD’s Hong Kong Population Projections 2004-2033 released in June 2004. This paper has not made reference to C&SD’s 2006-based population projections which are not yet available.
population” in Hong Kong and will have demand for transportation and other facilities. On the other hand, improved economic conditions in the Mainland will continue to offer job opportunities for Hong Kong people. While the tendency is for these workers to move to where the jobs are and become either Mobile Residents\(^2\) or “Short-stay Hong Kong Permanent Residents”\(^3\), some may still opt to remain in Hong Kong and make daily north-bound work trips. There is a need to monitor growth in these categories.

**Impact of Policies**

7. The first report of the Task Force on Population Policy was issued in February 2003. As the key objective of the population policy is to secure and nurture a population which sustains Hong Kong’s development as a knowledge-based economy, the report recommends a number of policy measures related to immigration, education/training, social welfare as well as fiscal matters.

8. Some of these recommendations have been implemented, e.g. admission of investment immigrants, relaxation in the portability of welfare benefits etc. Statistics recorded so far have not been significant enough to alter the broad population figures. It may take a longer period to perceive true results of these changes.

9. Currently, further studies to improve the population policy are being pursued. The Committee on Social Development and Quality of Life of the Commission on Strategic Development (CSD) deliberated earlier on the population policy issue, and the Council for Sustainable Development (the Council) launched a four-month community engagement exercise in June 2006 with the issue of the Invitation and Response document “Enhancing Population Potential for a Sustainable Future”, engaging the community in a dialogue exploring the options for a sustainable population policy. Taking public feedback into account, the Council will make recommendations to the Government on the way forward for a sustainable population policy for Hong Kong. The population policy will be reviewed on the basis of the recommendations of the CSD and the Council.

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\(^2\) Mobile Resident is defined as Hong Kong permanent Residents who have stayed in Hong Kong for at least one month but less than three months during the six months before or for at least one month but less than three months during the six months after the reference time-point, regardless of whether they are in Hong Kong or not at the reference time-point.

\(^3\) Short-stay Hong Kong Permanent Residents is defined as Hong Kong Permanent Residents who have stayed in Hong Kong for less than one month during the six months before or for less than one month during the six months after the reference time-point.
Modified Assumptions

10. In the light of the above circumstances, population and employment assumptions for the Reference Scenario have been modified as follows:

**Population Assumptions:**

- Revised base-year population and projection trends to tally with C&SD’s latest update¹
- A higher intake of talent and skilled workers (together with their families) after 2021 to fill shortage in the working population against projected employment

**Employment Assumptions:**

- Growth rates for individual industry groups (based on higher GDP growth rates) adjusted, especially to reflect higher growth in “pillar industries” – thus regaining the loss in 2003⁴ at a faster pace
- Higher worker participation rates of upper-end age groups
- Growth of in-bound cross-boundary workers postulated on the basis of past trends noted in the cross-boundary travel surveys, and the number of such workers is not expected to be significant against the total. (Note: a higher proportion of CWBs will be assumed under one of the What If Scenarios (see Working Paper No. 42)

11. With these adjustments, the population assumption for 2030, compared to Stage 3’s assumptions, will be scaled down by 0.8 million, or about 9%, giving a working population (supply) of 3.9 million. The employment (demand) assumptions will however remain similar for 2030 (i.e. 4.0 million), but slightly lower in the intervening reference years.

12. The shortfall in supply by 0.1 million is considered acceptable for two reasons. Firstly, some of these job places will be filled by CBWs. Secondly, we can assume that there will be a higher worker-to-job ratio. That is to say, as worker productivity improves, the working hours per job will decrease, making a shorter working week possible. Some people may take this opportunity to pursue a better balance between work and personal life, while others may choose to take up more than one job. Job sharing, too, may become more common, as already

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¹ The employment estimates compiled by the PlanD for 2003 (i.e. 3,007,000) is considered to be on the low side because of the impacts of SARS. Therefore, the 2002 employment estimates (i.e. 3,174,000) is used for deriving the employment assumptions under Stage 4 Reference Scenario.
experienced in many advanced economies.

13. Given the minor increase of CBWs by 2030 assumed under the Reference Scenario, the difference between the usual resident population and the “daytime population” would be insignificant and would not generate significant difference in demand for transportation and other facilities. The modified assumptions are shown in the table below.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>2003</th>
<th>2010</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Population</td>
<td>6.8 million</td>
<td>7.2 million</td>
<td>7.8 million</td>
<td>8.4 million</td>
</tr>
<tr>
<td>Daytime Population</td>
<td>6.8 million</td>
<td>7.2 million</td>
<td>7.8 million</td>
<td>8.4 million</td>
</tr>
<tr>
<td>Working Population (Supply)</td>
<td>3.2 million</td>
<td>3.6 million</td>
<td>3.8 million</td>
<td>3.9 million</td>
</tr>
<tr>
<td>Employment (Demand)</td>
<td>3.0 million</td>
<td>3.5 million</td>
<td>3.7 million</td>
<td>4.0 million</td>
</tr>
</tbody>
</table>

PLANNING DEPARTMENT
MARCH 2007