

Class Activities Worksheets

The relationship between population changes and public finances

Relevant module and page number: Module 2.3 Public Finance of Hong Kong (P.18)

Refer to P.18 of the textbook, “Interactive Learning Activities”

Learning objectives: Learn about factors that the government will consider when managing public finance and understand how they utilise public finance to address the issue of an aging population.

Knowledge Review

Refer to P.5,7,14,18 of the textbook and use the knowledge to fill in the correct answers in the blanks.

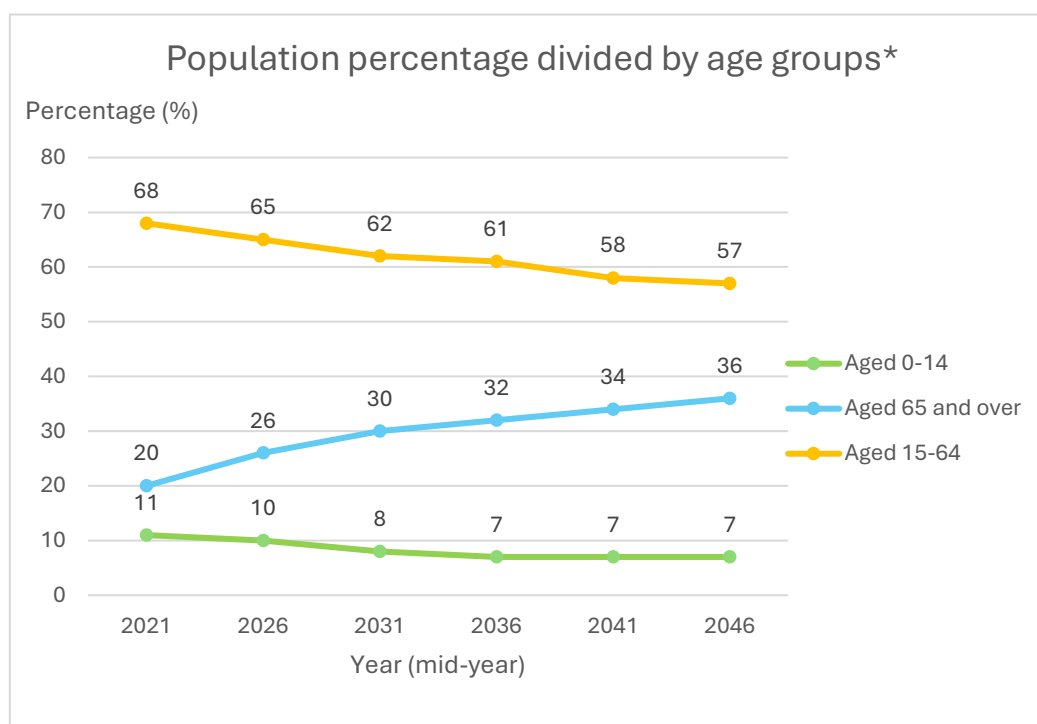
1. The main sources of tax revenue for the Hong Kong government are profits tax and _____.
2. The government uses its income to provide a range of _____ and services for the elderly, including Old Age Allowance and elderly services.
3. _____ means that the government uses taxes or fiscal expenditure to transfer wealth from certain people to vulnerable groups based on the principle of “_____”. Its purpose is to narrow the wealth gap and ensure that everyone in society can _____.
4. The demand for _____ has significantly increased due to the _____ number of elderly persons. The government provides elderly allowances, Health Care Vouchers, and subsidises the training of professionals in the elderly care and medical

sectors.

Learning Activities

P. 18 “Interactive Learning Activities”

- Students form groups of 2 and read the following chart together.



- According to the source, what challenges will the Hong Kong population face?

- With reference to the above question, how will this phenomenon affect the government's long-term fiscal revenue and expenditure?

(Hint: Think about the features of Hong Kong's tax system. Also, consider what long-term impact the phenomenon reflected in the source will have on the government's tax revenue.)

Thinking Question

What policies can the government implement using its income to alleviate the issue of an aging population? Please indicate how these policies may impact the government's long-term fiscal revenue and/or expenditures.

Extending retirement age	
Promoting childbirth	
Attracting foreign immigrants	

Self-Assessment

- ☐ I have learned about the relationship between an aging population and public finance.
- ☐ I understand how the government responds to social needs through managing public finance.

Suggested Answer

Knowledge Review

1. salaries tax
2. social welfare
3. Re-distributing income, affordable users pay, share economic benefits
4. rising, elderly and healthcare services

Learning Activities

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Population aging: The proportion of people aged 65 and above was 20% in 2021, and is expected to rise to 36% by 2046, an increase of 16 percentage points.

3

In terms of government revenue, Hong Kong's main income sources rely on profits tax and salaries tax. Population aging will reduce the working-age population, weakening salaries tax revenue. It will also lower economic vitality, impacting corporate profits and reducing profits tax revenue. On the expenditure side, the elderly population will have higher healthcare demands, and the government will need to provide more financial assistance, such as elderly allowances and public transport discounts. This will significantly increase the burden on healthcare and social welfare.

Thinking Question

Free answer. Suggested answer:

Extending retirement age	Increasing the retirement age can extend the working years in the labor market, thereby boosting the government's profits tax and salaries tax revenue, reducing expenditures on elderly and medical services, and ultimately alleviating the aging population issue in the long run.
Promoting childbirth	By providing childcare subsidies, maternity leave, and other support measures, encouraging childbirth can increase the birth rate, lower the

	proportion of elderly population, thus reducing government expenditures on elderly and medical services, and ultimately easing the aging population issue in the long run.
Attracting foreign immigrants	Hong Kong can attract young immigrants to fill the labor gap, driving local economic development. In the long run, this can alleviate social issues arising from aging population and increase government's revenue.