



Enough is enough! The case for a Mandatory Central Provident Fund System is settled – only implementation remains

For a city as wealthy as Macau, one of the richest jurisdictions globally by income per capita, the greatest long-term risk is not a lack of resources but the failure to convert them into lasting security. With GDP per capita exceeding US\$75,500 last year – the second highest in Asia – and, according to Fitch Ratings, no outstanding government debt, Macau’s prosperity is undeniable.

Yet prosperity alone does not guarantee resilience. Macau also faces one of the most challenging demographic profiles globally. Recent data show that fertility has fallen to a historic low of around 0.47 births per woman in 2025, far below the 2.1 births required for generational replacement. At the same time, Macau is projected to become a “super-aged society” by 2029, meaning more than 20 per cent of its population will be aged 65 or above.

All this leads to a structural reality: a shrinking workforce supporting a larger and longer-living retired population. In such conditions, reliance on voluntary retirement savings is not simply inefficient – it is unsustainable.

Macau’s retirement framework is formally structured as a two-tier system: a basic public pension under the Social Security System – which applies broadly and on a mandatory basis to most employees – and the Non-Mandatory Central Provident Fund, designed to complement it. The latter operates through both contributory schemes – based on employer and employee participation – and government-funded allocation mechanisms. In policy terms, this structure is often described as a three-pillar model, with voluntary private savings forming a third layer.

In principle, this is a sound design. In practice, however, the second tier – which constitutes the core of employment-based retirement savings – remains non-mandatory and coverage is uneven. Public sector workers benefit from statutory pension protection, and employees of gaming concessionaires are covered by robust employer-sponsored

schemes driven by concession obligations. Outside these segments, participation depends largely on employer initiative, leaving a structural gap in retirement savings.

While participation in the provident fund has increased over time, it still covers only part of the workforce. A significant proportion of employees – particularly in small and medium-sized enterprises and non-gaming sectors – are not building sufficient long-term savings and may therefore continue to rely predominantly on the basic social security system. This fragmented model is not a sustainable, or at least not sufficient, foundation for a high-income, rapidly ageing society.

Our neighbour’s experience illustrates what a fully developed system can achieve. In Hong Kong, the Mandatory Provident Fund (MPF) has become a standard feature of employment since its introduction in 2000, with millions of scheme members, hundreds of thousands of participating employers, and substantial accumulated assets (around 85 per cent of the formal employed population is covered by MPF or other schemes like ORSO). This clearly demonstrates that a mandatory system can coexist with a dynamic economy while building significant long-term savings capacity.

The legal framework reinforces this argument. Law No. 7/2017, in force since 2018, expressly envisaged the evolution of the provident fund system. Section 59 mandated a review within three years, establishing a clear pathway toward reassessment and potential transition.

That process has already taken place, twice... Reviews conducted in 2021 and 2025 both confirmed the system’s effectiveness and pointed in the same direction: a shift to a mandatory model.

Eight years on, however, the transition has yet to materialise (without any clear indication as to when this may happen). What was designed as a transitional framework risks becoming permanent, despite consistent policy conclusions supporting a clear change of direction.

The independent entities’ analyses are unequivocal.

The 2021 review found the system operationally sound and ready to move toward mandatory implementation, subject only to temporary pandemic-related uncertainty. The 2025 review went further, confirming broad social acceptance and a positive impact on retirement protection, while reiterating that mandatory contributions would not impose undue pressure on employers.

In substance, both reviews converge on a single conclusion: the transition is viable, manageable, and widely supported. Yet the 2025 report introduces an additional layer of caution, proposing an “indicator-based” approach tied to economic recovery, participation rates, and system readiness.

I believe this approach deserves careful reconsideration.

The report places notable emphasis on potential short-term pressures on employers – particularly SMEs (which is understandable) – while giving comparatively less weight to the system-wide benefits. But a mandatory provident fund scheme is not merely a labour cost adjustment. It is a core mechanism for long-term financial security across the entire workforce.

This is particularly important given the report’s own findings. If mandatory contributions are not expected to impose undue pressure on employers, then the policy focus should naturally shift to the benefits – improved retirement adequacy, reduced inequality in coverage, and the accumulation of long-term savings across the Macau population.

Demographic change does not wait for economic indicators to improve. Every year of delay reduces the effectiveness of a future mandatory system by shortening the period over which savings can accumulate.

Delay is therefore not neutral. It carries costs!

The introduction of a mandatory central provident fund system is not only a matter of social protection – it is also a strategic economic decision.

Macau’s economy remains heavily concentrated on its gaming industry, and, while diversification has long been a stated mantra for successive governments, progress has been uneven. In this context, the development of a pension fund and asset management ecosystem represents a practical and achievable opportunity to strengthen the financial sector.

Mandatory contributions generate long-term, stable pools of capital. These funds must be managed, invested, and regulated, supporting the development of insurance,

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pension funds, asset management, and other related financial services.

For Macau, this represents a pathway toward economic diversification and the reinforcement of its financial ecosystem. However, scale is of the essence! A voluntary system will always struggle to generate sufficient asset accumulation to support meaningful financial sector expansion. A mandatory system, by contrast, creates the basis to achieve the scale required.

And the framework is already in place. We have a fully developed insurance industry, with the expertise, willingness, and necessary political will to embrace this task and implement this new reality.

Macau now faces a choice that is increasingly difficult to defer.

It can continue to study and reassess while demographic pressures intensify. Or it can act while it still has the fiscal strength, institutional capacity, and policy flexibility to implement reform in a controlled and effective manner. The evidence is already available. The system is already in place. Public acceptance has already been established (both 2021 and 2025 reviews show exactly that).

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The infrastructure and the stakeholders to assist with these government policy changes are already in place. What are we waiting for? How many more studies will we have to commission? Macau no longer lacks evidence, consensus, or capacity – only the resolve to move from analysis to action.

Enough is enough! ■