



27 September 2023

The Hon John Lee Ka-chiu, GBM, SBS, PDSM, PMSM
The Chief Executive
Hong Kong Special Administrative Region
Chief Executive's Office
Tamar, Hong Kong

Dear Chief Executive,

Submission on Policy Address Public Consultation 2023

The Hong Kong Institute of Human Resource Management (HKIHRM) would like to take the opportunity of the above public consultation to proffer the following views and recommendations for your kind consideration in formulating the upcoming policy address.

1. Follow up on Previous HKIHRM Proposals on Policy Address 2022-23

- 1.1 HKIHRM welcomes the Government's allocation of HK\$100 million in the 2023-24 Budget for women's development as a positive response to our proposal for the Government to encourage female participation in the workforce. With the latest data¹ showing female labour force participation rate at 52.9% compared to 64.7% for male, highlighting the potential to attract more women to enter or re-enter the workforce via the two key approaches: a) narrowing the gender pay gap and b) encouraging more mother-friendly workplaces.
- 1.2 We also commend the increased tax deductions for employers' voluntary contributions to the Mandatory Provident Fund for employees aged 65 and above. This measure promotes elderly employment and aligns with our suggestion to re-employ retirees to address Hong Kong's talent shortage. To take it further, we recommend that the Government lead by example by hiring more older workers to fill non-civil service vacancies. For example, the Housing Authority may consider recruiting young retirees within the district to fill positions at public housing estates.
- 1.3 It is encouraging to see that funds have been earmarked for training and internship schemes under the Youth Development Blueprint, reflecting our advocacy for mandatory internships for tertiary students. To ensure such opportunities are accessible to all, we propose further measures, which are detailed in point 5.

¹ The Government of HKSAR Census and Statistics Department, Women and Men in Hong Kong - Key Statistics (August 2023). https://www.censtatd.gov.hk/en/wbr.html?ecode=B11303032023AN23&scode=180#section_5



- 1.4 We welcome the proposed amendment to the “418 Rule”, which addressed a concern raised by HKIHRM last year. This will close a loophole that allowed employers to evade employment benefits. While there have been different proposals regarding the total number of working hours within a four-week period that would qualify as a continuous contract, we believe a 72-hour threshold is appropriate as it balances both the interests of employers and employees but be mindful of potential unintended consequences.

2. Vision for Hong Kong’s Population

- 2.1 Hong Kong is facing a significant demographic shift. The fertility rate has reached a record low, with the average number of children per woman falling drastically from 1.3 in 2017 to 0.9 in 2022². This substantial decline, compounded by the recent wave of outbound immigration, poses pressing challenges for our city’s demographic sustainability and socio-economic development. With a shrinking and aging workforce, companies facing a shortage of workers may turn to other cities for talent or even relocate their regional headquarters elsewhere, potentially exacerbating an ongoing trend and undermining the city’s reputation as an international business hub.
- 2.2 In view of aforementioned risks, HKIHRM urges the Government to formulate a holistic vision for the city’s population with centrally orchestrated policies to ensure Hong Kong’s sustainable growth. It can be begun with a call for white paper to outline the strategies the Government should adopt, incorporating input from a diverse range of stakeholders. The HKIHRM recommends a multi-pronged approach that includes various measures to support family planning, customise immigration policies for targeted groups, enhance work-life balance, and provide childbirth incentives, such as tax benefits, extending welfare home care for the elderly family members and accessible childcare. Moreover, the lack of affordable housing options, which poses a significant barrier to childrearing and relocation decision for non-local talent, should also be addressed. Furthermore, the pronatalist measures should be complemented by an immigration policy to import labour in areas where shortages are anticipated. To that end, Hong Kong can position itself as an international education hub and leverage its world-class universities to draw in talented students and attracting them to remain in Hong Kong upon graduation.

3. Developing a Talent Blueprint

- 3.1 We welcome the various initiatives implemented to address labour woes, such as the Top Talent Pass Scheme and the Hong Kong Talent Engage from the Government in response to labour challenges. However, severe manpower gap remains a challenge for many employers and industries. A survey³ conducted in May 2023 among our members found that 85% of

² Family Planning Knowledge, Attitude and Practice in Hong Kong Survey 2022 (2023).
[https://www.famplan.org.hk/files/media/press-release/2023/Press@20230815v2%20\(final\).pdf](https://www.famplan.org.hk/files/media/press-release/2023/Press@20230815v2%20(final).pdf)

³ HKIHRM Quick Poll on Talent Shortage & Talent Admission Schemes (May 2023).
https://www.hkihrm.org/imgs/content/20230609015547_48_file_tc.pdf



companies faced significant challenges in filling vacancies with suitable talent in the past six months and 59% of them expressed dissatisfaction with the effectiveness of talent admission schemes in alleviating the labour shortage. 48% of our members find it easier to recruit locally in the view of the hindering of long processing time, complicated application procedures and the large amount of paperwork involved of the talent admission schemes.

- 3.2 Therefore, we urge the Government to develop a comprehensive talent acquisition blueprint that delineates the steps it will take in the short and long term, and how various schemes complement each other as part of a cohesive strategy. For instance, in the near future, Hong Kong should proactively bring in workers from outside of the city to address the acute shortage of labour in certain sectors. For the medium-term solution, collaborating with neighbouring cities to recruit and train workers in particular fields can offer a more sustainable approach to persistent labour shortages. In the long term, the key is to nurture local graduates and continue to attract and retain overseas talent, ensuring an adequate supply of labour with skillsets that align with employers' needs and expectations.
- 3.3 Since July 2023, the Government has initiated a new round of Manpower Projection to assess the manpower needs in key sectors. Concurrently, HKIHRM has conducted its "Future Workforce Study" with over 900 responses from employers, employees, and students which aims to identify the projected skills and capabilities required in the workforce in the next three to five years and pinpoint potential skills gap. The findings provide insights regarding technology's impact on job churns, evolving talent attraction strategy and employee's expectation on wellness and work-life balance. For instance, the Study revealed that 49% of the responding companies sought to recruit women returning to the workforce and 45% were interested in workers outside of Hong Kong, which aligns with our advocacy. The data can inform the Government about future needs and trends, enabling them to address the underlying causes of labour shortage and devise strategies to prevent potential crises and brain drain.
- 3.4 As part of the blueprint, the Government should consider the strategies adopted by other cities and states to attract specific global talent, particularly where Hong Kong has a special need. For instance, Singapore's Overseas Networks and Expertise Pass offers a flexible five-year work pass to foreigners earning at least S\$30,000 a month, allowing them to work for multiple companies simultaneously. Taking reference from their policy, we suggest extending the validity of the visas for Hong Kong's talent schemes to enhance its attractiveness. Moreover, Hong Kong may consider extending preferential treatment to talent working in certain sectors, such as the eight key areas outlined in the 14th Five-Year Plan. Additionally, in view of Hong Kong's higher cost of living, the Government may also consider offering talent apartments to retain international professionals, drawing inspiration from similar initiatives in mainland China, such as the Zhangjiang Nashi Talent Apartment in Shanghai, which was specifically established to meet the housing needs of individuals employed in Zhangjiang Hi-Tech Park. Similarly, the apartments in Shenzhen Bay High-tech Eco Park were designed to accommodate qualified individuals working for Qianhai-registered enterprises.



- 3.5 It is our members' view that, public release of data on the outcomes of the talent recruitment and labour import schemes, and measures on "Competing for Talents and Enterprises" can improve transparency and facilitate evaluation of their effectiveness. To protect and prioritise local employment, there should also be a review mechanism to assess their impact, make appropriate adjustments and implement sunset clauses if needed.

4. Addressing the Acute Shortage in Labour

- 4.1 HKIHRM welcomes the Labour Importation Schemes as essential short-term solutions for alleviating Hong Kong's manpower shortage, particularly in the construction and transport sectors. There is a pressing need to extend the policy to other industries, such as retail, healthcare and hospitality, which are facing a critical labour crunch that could hobble the administration's plan to revitalise the city's nightlife. The Government should consider establish an industry-led mechanism to respond more effectively to the needs of employers who are facing challenges in filling vacancies.
- 4.2 We understand the challenge for employers to manage the accommodation needs of the imported labour. Hence, we had proposed taking advantage of regional cooperation within the "One-Hour Living Circle" in the Greater Bay Area (GBA) and allowing workers to commute daily between Hong Kong and the mainland. To facilitate the employment of cross-boundary workers, the Government can consider measures such as simplifying clearance procedure with automated channels, expanding cross-boundary transportation networks and facilities, and extending operation hours at border check points. The extension of public healthcare provision to Hong Kong citizens who live and use healthcare facilities in GBA will also facilitate the regional cooperation. These measures may also deepen economic synergies with the relevant cities. We recommend the Government take reference from Macau, where approximately 35,000 non-resident workers commuted daily between Macau and Zhuhai before COVID in 2020. In June 2023, Macau's approval of additional non-resident workers helped ease labour shortages in the tourism and hospitality industry, thereby enabling hotels to reopen or operate at full capacity. A similar approach can potentially benefit Hong Kong as well.

5. Strengthening Youth Development

- 5.1 HKIHRM would like to reiterate the importance of internships in bridging the expectation gap between employers and graduates. Our "Future Workforce Study" shows that 72% of the students indicated that internships can help identify their career aspiration before graduation. As previously suggested, we propose a mandatory 6 to 12 months internship as a graduation requirement for undergraduate programmes funded by the University Grants Committee. The practical experience can help undergraduate students determine their future career paths and prevent a mismatch between graduates' skills and employers' needs. At the very minimum, more credit bearing internships should be designed to motivate students' active involvement. Moreover, internship programmes may help employers fill temporary gaps amid manpower shortage and establish a sustainable talent pool for their future



workforce. To enable small and medium enterprises (SME) to participate, the Government may consider offering subsidies and creating a platform for SME to engage students, which can in turn deepen industry-school collaborations. While the Government may wield its influence on mandate internships for students at publicly funded universities, these opportunities should also be available to other eligible tertiary students, including those enrolled in vocational and sub-degree programmes. Lastly, to ensure internship programmes are accessible to all, the Government may consider issuing allowances for students from under-privileged backgrounds.

- 5.2 We also propose expanding the mandatory internship programme to the GBA, enabling students to gain valuable insights on the business landscape of the region. It works in tandem with existing public schemes to encourage young people to pursue their careers in the vibrant cities of the GBA. This will also increase the quantity and diversity of internship opportunities available to students. They will have the chance to immerse themselves in the business environment in the mainland, expand their professional network and gain a distinct competitive edge.

6. Promoting Lifelong Learning

- 6.1 Last year, HKIHRM suggested measures to improve the Continuing Education Fund (CEF) scheme, including allowing fund transfers within families. We continue to call for the Government considering tangible KPIs for the CEF, which involves the need for an overall vision and strategy based on skills that will be in high demand in the future. Currently, lifelong education accounts for less than 1% of Hong Kong's funding on education⁴ and needs more targeted funding. To revamp the CEF, we propose broadening the network of service providers and the diversity of the courses available to applicants and simplifying the application procedures for both service providers and applicants. It is also imperative that the Government take the initiative to engage service providers, incentivise industry participation and identify courses that provide forward-looking skills.
- 6.2 In addition, we recommend prioritising accreditation and allocating more generous subsidies to courses that align with skills required in the "Eight Centres" in the 14th Five-Year Plan as well as the 51 professions listed on the Talent List. The aim is to reskill and upskill the local workforce to adapt to emerging trends and meet the evolving needs of these sectors.

7. Strengthening Support for Ethnic Minorities

- 7.1 HKIHRM has been a strong advocate for empowering local youth, women, and young retirees. Furthermore, we recommend tapping into the unrealised potential of ethnic minorities in Hong Kong to supplement the local workforce. We are pleased that the Government has regularised the Racial Diversity Employment Programme (RDEP) and the Labour Department (LD) has recruited more ethnic minorities in the first half of this year as

⁴ Our Hong Kong Foundation's Education and Youth Policy Research Report (2021).
https://ourhkfoundation.org.hk/sites/default/files/media/pdf/Applied_Education_Report_2021_E.pdf



employment assistants and general assistants. More can be done to promote existing job-hunting channels to ethnic minority job seekers. To help them overcome the language barrier, LD should discern if the language requirements in job advertisements are justified and encourage companies to relax them if possible. In this regard, the Government can also set an example for the private sector by hiring more ethnic minorities in civil service jobs and offering exemptions in positions where Chinese language proficiency is not a necessity. On top of that, the Equal Opportunities Commission should go further to promote Diversity, Equity, and Inclusion in the workplace by setting specific goals on employment and encourage signatories of the Racial Diversity & Inclusion Charter to set objectives for Environmental, Social and Governance reporting.

- 7.2 Hong Kong is an international city that welcomes people from diverse backgrounds. Local education institutions have been a key player in promoting cultural diversity and inclusion. However, extra efforts are needed to encourage employers to cultivate a more inclusive environment for people from different cultural and ethnic backgrounds. Therefore, we propose that the Government subsidises training on cultural sensitivity and supports companies in setting up diversity policies and promoting inclusion in the workplace. Simple measures such as acknowledging holidays of all cultures and respecting different religious preferences go a long way in encouraging the integration of ethnic minorities. We also suggest providing employers with financial incentives, such as tax deductions and wage subsidies, to hire ethnic minorities and create a more equitable job market that values diversity and provides equal opportunities for all individuals.
- 7.3 We also suggest that the Government should set up a scholarship targeting outstanding students from ASEAN and Belt and Road countries. The scholarship may consider requiring recipients to work in the city for a set period after graduation to encourage their participation in Hong Kong's workforce. Given Hong Kong's relatively higher cost of living, the Government may also consider providing allowances or housing subsidies to those from low-income backgrounds to help retain talent. Together, these measures can encourage them to contribute to the city's goal of building a more diverse and resilient workforce in the long term, which can also enhance Hong Kong's attractiveness as the region's education hub for higher education.

8. Enhancing Collaboration with the Government in Labour and Talent Areas

- 8.1 HKIHRM highly values our collaboration with the Government, as demonstrated by our active participation in the seminars hosted by Secretary for Labour and Welfare, in March and July 2023 respectively. We strongly support the continuation of this close collaboration between the Institute and the Government. By leveraging our extensive frontline recruitment experiences, we can provide valuable and unique insights to assist the Government in formulating strategies to address manpower shortages and enhance the local talent pool. As an institution that engages different sectors and stakeholders, we believe we can go further and play a bigger role within other relevant governmental bodies, such as the Minimum Wage Commission and the Labour Advisory Board.



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8.2 HKIHRM is pleased to contribute further to the Advisory Committee on Attracting Strategic Enterprises or the Human Resources Planning Commission chaired by the Chief Secretary for Administration. We are open to engaging with representatives and would like to explore the possibility of serving on the Committee to provide valuable insights and expertise. We also suggest forming a steering committee for the latter to provide advice on labour and talent related issues.

We hope you will find our recommendations useful. Should you wish us to elaborate on them, please approach our Executive Director, Ms Kandy Lui, who can be reached at kandy.lui@hkihrm.org or 2837 3838.

Yours sincerely,

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c.c. Policy Address Team