



31 January 2024

The Honourable Paul Chan Mo-po, GBM, GBS, MH, JP
Financial Secretary
Hong Kong Special Administrative Region
25/F, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Financial Secretary,

Submission on The 2024-25 Budget Public Consultation

Strategic Investment in Human Capital for Talent Growth

Hong Kong Institute of Human Resource Management (HKIHRM) would take the opportunity to provide the following views for your kind consideration in formulating the 2024-25 Budget.

Our proposals are focused on the following key areas:

- 1. Facilitating the mortgage application process for overseas talent**
- 2. Leveraging the “One-hour Living Circle” to attract global talent**
- 3. Expanding channels for attracting vocational and technical professionals**
- 4. Youth development initiatives – Compulsory and structured internship**
- 5. Promoting lifelong learning – Enhancing the current CEF scheme**
- 6. Extending Family-Friendly policies – Statutory maternity leave and paternity leave**

1. Facilitating the mortgage application process for overseas talent

1.1. The Government has recently introduced stamp duty suspension arrangement for Eligible Incoming Talents. However, there are still significant challenges for overseas talent, especially from the Mainland, when it comes to successfully applying for mortgages to purchase residential properties.

1.2. The Institute recommends that the Government engage in discussions with Hong Kong Monetary Authority to streamline the mortgage application process for them. This should include the establishment of clear guidelines that acknowledge diverse forms of income verification and consider international credit history reports. Additionally, it would be advantageous for banks to set up a dedicated channel or specialised team to handle mortgage applications from the talent. These measures will be significant to the development of a diverse and vibrant talent pool, driving innovation and economic growth in our city.



2. Leveraging the “One-hour Living Circle” to attract global talent

- 2.1 The high living cost in Hong Kong has long been a significant barrier in attracting and retaining overseas professionals. The development of cross-boundary infrastructures such as the Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge has greatly enhanced the connectivity within the Greater Bay Area (GBA).
- 2.2 The Institute recommends that the Government to leverage on the “**One-hour Living Circle**” to facilitate talent residing in cities within the GBA and commuting to work daily in Hong Kong. This strategy could alleviate the burden of housing costs for these professionals and minimise pressure on Hong Kong's local housing demand. Additionally, by eliminating the need for relocation, this strategy effectively addresses concerns related to the adaptation of spouses and ensures continuity in children's education. The Government should also consider leading negotiations with public transport providers to offer subsidies or special fares for their daily high-speed commute, possibly through monthly passes or other financial support mechanisms, to offset the commuting expenses for cross-border professionals.
- 2.3 To promote customs clearance convenience for these individuals, the Institute urges the Government to engage with Mainland authorities to potentially issue special entry permits (akin to the Home Return Permit) for qualified professionals or explore other fast pass options to streamline customs and immigration processes. Furthermore, there should be an emphasis on enhancing both the infrastructure (hardware) and the systems (software) of immigration checkpoints to ensure an efficient daily commute within the GBA for them.

3. Expanding the channels for attracting vocational and technical professionals

- 3.1 The demographic challenges in Hong Kong, including aging population and low birth rates, have resulted in severe manpower shortages, particularly in labour-intensive sectors like hospitality. Frontline and specialised positions are extremely difficult to fill with local labour. High local wages and the costs associated with importing labour have increased operational expenses, substantially impacting local business competitiveness.
- 3.2 The Government should make necessary adjustments to population policies. The Institute suggests expanding the channels for attracting vocational and technical professionals by formulating a list of recognised vocational and technical institutions from the Mainland and overseas similar to the Top Talent Pass Scheme, allowing direct employment application in Hong Kong for their graduates. Building upon the existing Enhanced Supplementary Labour Scheme, the Institute proposes streamlining the procedures for the graduates to work in Hong Kong, eliminating the requirement for employers to provide accommodation and local training arrangements.
- 3.3 Furthermore, the Government could expand the Vocational Professionals Admission Scheme (VPAS) beyond the current five industries to include other industries like hotel services, catering, hospitality management, elderly and healthcare services, and environmental hygiene services. This expansion could bridge the manpower gap in these industries.



3.4 These suggestions could reduce enterprises' human capital expenses and relevant operation costs.

4. Youth development initiatives – Compulsory and structured internship

4.1 Research conducted by the Institute in 2023 indicates that proactive talent engagement, or 'scouting', prior to student graduation is essential. Internships have been identified as a highly effective method for aligning employer expectations with student capabilities, helping to prevent mismatches.

4.2 Many graduates enter the workforce without a clear career planning, posing a retention challenge for employers. As a long-term goal, the Institute suggests constituting a mandatory internship period of 6 to 12 months as a completion requirement for undergraduate degrees funded by the University Grants Committee. This would enable graduates to gain solid work experience and effectively plan their career paths. To facilitate the implementation of this goal, the Government should work in collaboration with employers and universities to develop a clear roadmap that outlines the phased implementation of mandatory internship, taking into consideration the needs and capabilities of different sectors.

4.3 The Government can play a pivotal role in increasing internship availability by offering subsidies to small and medium enterprises (SMEs). This will alleviate the financial burden faced by SMEs in offering internships. Requiring SMEs to go through the application and reporting process for the subsidy incentivises them to develop well-structured internship programmes that build the skills graduates need to meet the demands of the current job market. This aligns with the long-term goal of mandatory internship.

5. Promoting lifelong learning – Enhancing the current CEF scheme

5.1 In the long run, it is crucial for Hong Kong to prioritise the training and development of local talent. Investing in lifelong learning would ensure the local workforce remains adaptable and resilient in the face of evolving needs of industries. To promote lifelong learning, the Institute recommends the Government to enhance the Continuing Education Fund (CEF) scheme, allowing fund transfers within families and considering tangible KPIs for the CEF.

5.2 The Government may also consider prioritising accreditation and allocating more generous subsidies to courses that align with skills required in the "Eight Centres" outlined in the 14th Five-Year Plan, as well as the 51 professions listed on the Talent List.

6. Extending Family-Friendly policies – Statutory maternity leave and paternity leave

6.1 The one-off "newborn baby bonus" announced in the Policy Address 2023 reflects the Government's commitment to promoting fertility and supporting families. To further this, many employers have begun extending paid maternity leave up to 20 weeks, and paternity leave up to 40 days. In comparison, Singapore's statutory 16 weeks of maternity leave and recently increased 4 weeks of paternity leave, the latter two weeks being voluntary for employers.



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6.2 The Institute recommends the Government align statutory maternity leave with best practices, extending it to 16 weeks, and paternity leave to 14 days, and the existing subsidy rate for the additional leave should be maintained.

We hope you will find our recommendations valuable to you. We look forward to organising a forum for direct dialogue with HKIHRM members to further explore human capital management challenges. Our team will reach out to schedule this event.

Wishing you and your team a prosperous Year of the Dragon!

Yours sincerely,

Lawrence Hung
President
Hong Kong Institute of Human Resource Management

cc. Budget Consultation Support Team